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Department of Economics

# **Membership heterogeneity and the cooperative's choice of strategy**

- The case of Sweden's smallest dairy cooperative

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**Membership heterogeneity and the cooperative`s choice of strategy** – the case of Sweden`s smallest dairy cooperative.

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# Abstract

Because of structural changes in the agri-food sector, the degree of heterogeneity within cooperative memberships is increasing. Heterogeneity concerns differences within a group of people, for example, as concerns age, educational level and production volume within a cooperative membership.

This study analyzes heterogeneity in different respects within cooperative memberships. While many researchers have previously written theoretically based studies about the importance of membership heterogeneity, there is no empirical study about the importance of different dimensions of heterogeneity. The present study empirically investigates to which extent different dimensions of heterogeneity affect a cooperative's choice of strategies.

The aim of this study is to explore how heterogeneity in the members of a cooperative affects the collective strategic decisions. An empirical study was conducted in Sweden's smallest dairy cooperative, Gäsene Mejeri.

Except for literature about heterogeneity in cooperative memberships, the theoretical basis of this study is behavioural theory. The chosen theory was The Theory of Planned Behaviour, which explains how external factors affect an individual's attitudes toward their own behaviour, i.e., how the members develop their attitudes to the strategic decisions, made by the cooperative. A question guide was developed on the basis of this theory, while the respondents were also given ample opportunities to speak freely.

This study can be regarded as a case study of Gäsene Mejeri. Data were collected through 21 semi-structured interviews with members of Gäsene Mejeri. Thus, almost the entire membership was interviewed. The respondents were asked about their position on two strategic decisions, namely the introduction of differentiated milk prices and the contractual agreement to deliver private-labelled cheese to a large supermarket chain.

The study indicates that the membership of Gäsene Mejeri is characterized by heterogeneities in different aspects. The members differ considerably as concerns age, farm size and investments. These dimensions have an impact on the members expressed support or opposition of the collective strategic decisions. However, these differences have only a minor influence on the actual strategic decisions, because the members at large have high level of trust in the board of directors. The members think that the board, just as well as they themselves, prioritize the interests of the cooperative. All the members are dependent upon each other, whereby there is little room for divergent opinions, no matter if the members are different in socioeconomic terms.

# Sammanfattning

De lantbrukskooperativa föreningarna tenderar att bli allt större, vilket medför ökad heterogenitet inom medlemskåren. Det finns allt större olikheter vad gäller medlemmarnas ålder, produktionsvolym, geografi och utbildning och troligen också kunskaper, uppfattningar, normer och målsättningar. Dessa skillnader kan förväntas ha betydelse för vilka önskemål medlemmarna har om föreningens strategier.

Många forskare har publicerat teoretiska utläggningar om heterogenitet inom kooperativa medlemskårer, men det saknas empirisk forskning om hur heterogenitet i olika avseenden påverkar föreningars val av strategier. I denna studie behandlas huruvida medlemmarna skiljer sig åt vad gäller deras syn på sin förenings strategiska beslut. Syftet är att undersöka i vilka dimensioner som heterogenitet förekommer inom en kooperativs medlemskår, samt hur dessa dimensioner påverkar kooperativets strategiska beslut. För att undersöka detta genomfördes en empirisk studie i Sveriges minsta mejeriförening, nämligen Gäsene Mejeri. Personliga intervjuer genomfördes med 21 medlemmar, vilket är i stort sett samtliga aktiva medlemmar.

Studien presenterar en genomgång av tidigare forskning inom området heterogenitet i kooperativa medlemskårer. För att identifiera olika dimensioner av heterogenitet, vilka kan tänkas påverka medlemmarnas syn på föreningens strategiska beslut krävs en beteendeteori. Här väljs the Theory of Planned Behaviour. Denna teori utgjorde basen då en frågeguide utformades. Samtidigt gavs respondenterna en möjlighet att tala fritt om vad de tyckte om föreningens val av strategier. Två strategiska beslut var i fokus, nämligen pristrappan för avräkningspriset samt kontraktet för leveranser av ost till en stor dagligvarukedja.

Studien visar att Gäsenes medlemskår är mycket heterogen vad gäller ålder, produktionsvolym och andra socioekonomiska hänseenden. Medlemmarna har alltså olika förutsättningar, vilket kan leda till att medlemmen stöttar eller ställer sig emot föreningens strategiska beslut. Det visar sig dock att dessa skillnader har liten betydelse, eftersom medlemmarna överlag har mycket stort förtroendet för styrelsen. Medlemmarna anser att styrelsen liksom de själva sätter mejeriet främst. Då har det mindre betydelse att medlemmarna är olika ifråga om såväl socioekonomiska som sociopsykologiska faktorer.

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# 1 Introduction

This chapter presents the research background and the theoretical and empirical problem formulation. Additionally, the research problems for the study are specified. Furthermore, the research questions and the structure of the report are presented.

## 1.1 Problem background

A common form of company management is cooperation. Cooperation means that stakeholders own, use and control the business together (Nilsson, 2001). A producer cooperative is a type of cooperation where a cooperative society is made by producers operating in the same industry (Ortman & King, 2007). One type of producer cooperative is agricultural cooperatives, where the members act as both owners and producers of agricultural products (ibid.). The members participate in the cooperatives through active participation in making decisions and setting policies (ibid.).

In the agricultural and food industry, cooperatives have an essential role in almost all developed agricultural countries (Bijman et al., 2012). Cooperatives can engage essential positions in the supply chain within food production and operate a variety of different functions for the members of the cooperative (Bijman et al., 2012; Höhler & Kühl, 2014). Cooperatives in these countries tend to become larger and more diversified in their operations, which contributes to increased heterogeneity in the membership (Pozzobon et al., 2011).

Preferences, thoughts and ideas that oppose the cooperative's decisions regarding aims and strategies depend on the heterogeneities found in the membership of the cooperative (Kalogeras et al., 2009). According to Höhler and Kühl (2018), heterogeneity concerns differences within a group of people. Heterogeneity is evident in the agri-food sector, where structural changes are becoming increasingly common (Bijman, 2005). Structural changes are also one of the reasons for increased heterogeneity in the farm sector and the cooperatives within it (ibid.). Members may differ in heterogeneity dimensions, such as farm size, risk attitudes, operating sites, age and education (Buccola & Subaei, 1985; Cook & Burrell, 2009; Kalogeras et al., 2009). Transitioning to an increasingly heterogeneous member group is a challenge for cooperatives in the agricultural sector (Bijman et al., 2014).

An example of a cooperative with an increasingly heterogeneous membership is Gäsene Mejeri. Gäsene Mejeri is the smallest dairy cooperative in Sweden, according to the CEO and chairperson of the cooperative. The cooperative consists of 28 members, and none of the members is further than 25 km from the dairy (www, Gäsene Mejeri, n.d). Gäsene Mejeri specialises in the manufacture of hard cheese (ibid.). The dairy produces 2,000 tons of cheese per year, which accounts for 1.7% of the total cheese production in Sweden (www, Martin & Servera, n.d). Gäsene Mejeri has a net sale of almost 180 million SEK a year, and the profits go to the members (www, Svensk Kooperation, n.d). In 2018, Gäsene Mejeri signed a contract with Axfood to deliver 100,000 kg of cheese (www, Land Lantbruk, 2018). Axfood is one of the largest retail chains in Sweden.

## 1.2 Problem statement

As mentioned in Section 1.1, heterogenic memberships within cooperatives have increased globally, and this increase is more evident in the agri-food sector (Bijman, 2005). In the scientific literature on cooperative activities, the degree of heterogeneity in membership is attentive (Cook & Iliopoulos, 2016). A risk presented by differences between members is that these differences can contribute to conflicts (Bijman et al., 2014). On the other hand, in a

heterogeneous membership there is room for different ideas that can innovate business operations (Höhler & Kühl, 2018). Members within a cooperative may differ in aspects, such as age, location, size and risk-taking. These aspects can later be reflected in the members' attitudes and beliefs (ibid.). Attitudes play a crucial role in members' decision making regarding strategies and goals (Buccola & Subaei, 1985; Cook & Burrell, 2009; Kalogeras et al., 2009). The differences also combine and create individual beliefs (Ajzen, 1991). These beliefs play a crucial role in individuals' attitudes, norms and behavioural control and later affect individual behaviour and decision making (ibid.). There is research on members' heterogeneity in cooperatives, but the focus has only been on a single aspect.

According to Höhler and Kühl, (2018, p. 708) "*These interdependencies between the heterogeneity of a cooperative's membership and its success have yet to be examined.*" Therefore, there is an absence in the existing theory to understand the extent to which heterogeneity affects a collective strategic decision, and today there are no empirical studies that can support either or the other. No research has yet been done to gain an overall understanding of the extent to which heterogeneity can affect the cooperative (Höhler & Kühl, 2018). In addition, there is an absence of knowledge of how heterogeneity in different dimensions affects a collective strategic decision.

Identifying preferences among members of cooperatives and the level of heterogeneity for different attributes is fundamental to gain a greater understanding of the cooperative (Olson, 1965). According to the CEO and chairperson (2019), Gäsene Mejeri has experienced heterogeneity among the members within the cooperative. Problems arose when some members chose to invest and expand their business, thus increasing their ability to deliver more milk. Due to the expansion, the members and owners of those specific farms also developed preferences on the strategy the cooperative should take. These preferences may not agree with the members that did not choose to invest and expand their business (ibid.).

This study aims to address whether the members in Gäsene Mejeri differ in heterogeneity dimensions and to discover how the degree of heterogeneity affects the attitudes of individuals. The problem is based on how an individual's attitude affects the individual's final behaviour toward different strategy decisions in a cooperative.

### 1.3 Problem analysis and aim

In this section, an analysis of the problem is conducted to define the aim of the study. The concepts in this study are clarified, such as cooperative, strategy, collective decision making, individual decision making and heterogeneity. In this way, the scope and delimitation of this study are presented.

#### ***Cooperative society***

A cooperative is characterised by a group of independent members that both own and control the collective business (Nilsson, 2011). Within a cooperative, members perform three roles: trading with the cooperative, controlling the cooperative and owning the cooperative (ibid.).

The decision process in a cooperative starts with members of the cooperative choosing a board of directors at the annual general meeting (Nilsson, 1991). This board's main focus is to conduct business and make strategic decisions for the cooperative. These business decisions drive the business forward, which connects the cooperative and company (ibid.). When the board makes a decision, the decision is made collectively (ibid.). Since just a few individuals sit on the board to make collective decisions, these individuals decide on something for a larger group of individuals.



A cooperative society consists of many individuals who operate their company to ensure that particular interests are met (Nilsson, 1991). They have some interests in common, but they also have individual interests (ibid.). The participating individuals are members of an association, and as members, the individuals must subordinate themselves to members in their entirety (ibid.). It is relevant to analyse both the management and member's views on differences between members, heterogeneity and the choice of business decisions and strategies (ibid.). This analysis could describe the impact of heterogeneity within a cooperative. It is important to have an awareness that a cooperative is affected by self-interest and collective interest as well as personal and collective decisions.

### **Strategy**

A strategy is a decision that is taken for the future and that is binding for the time it refers to. Strategy is about a company's overall ambitions and efforts to establish a long-term direction of development for an entire organisation (Ansoff, 1965). Roos et al. define a strategy as:

*“A strategy is a pattern or plan that integrates into an organization's overall goals, policies, and events into a whole. A well formulated strategy helps to control and distribute a company's resources in a unique position based on the company's internal expertise, adopted changes in the environment and the actions of competitors”*

Strategies are required for the company to run efficiently and thereby meet the interests of its members (Roos et al., 1994). In an active business, there must be an overall strategy (ibid.). However, it is not possible to control only on the basis of a superior strategy; it must also specify in a number of strategies, each with respect to a specific business line, such as market, financial and member strategies, all of which must be in line with the superior starting point (Borgbrant, 1990). The strategy is meant to act as a frame of reference to analyse whether there are discrepancies in the decisions and investments in the company (ibid.). The strategic plan should not bind the company's managers and owners in total (ibid.).

### **Collective decision making in the group**

The overall strategy, as well as the sub-strategies, must be decided by the board of directors, which is chosen by the members (Nilsson, 1991). This results in collective decision making and a collectively binding decision. A decision made collectively is beneficial when solving a complex and significant problem (Mchugh. et al., 2016). This because the problem would be too complex and time demanding for a single individual to solve (ibid.). A collective action occurs when decisions are made through social interaction, information and functioning networks among the decision-making members (Meinzen-Dick & Knox, 1999). This collective action is based on a consensus of opinion among the members, which is sometimes challenged by the fact that individuals may not share the same interests and goals. The literature claims that these individual differences can work in both ways for the collective action, either negative or beneficially and creatively, depending on the members' ability to come to an agreement (Olson, 1965). A balance between individual and collective interests is essential in making a collective action.

Another problem related to a collective ownership is that the individuals have their own interests and attitudes toward what they consider to be the right decision. Therefore, it is essential to have a balance within the cooperation between individual interests and collective interests.

### ***Individual decision making***

While the board makes collective binding decisions, the board members are also individuals (Nilsson, 1991), each of whom has individual interests and exists in their social context, and each of the board members goes through an individual decision-making process. According to Christiano (2003), individuals tend to explore and follow a collective activity if the individual can expect gain benefits by this decision.

When a person makes a decision, several variables can influence that decision (Bettman et al., 1998). Attributes can characterise these variables. Various attributes are more important for some, and other attributes are more important to others. Different attributes are what creates a heterogeneous membership (Höhler & Kühl, 2018).

This study focuses on the individual in the roles as a member of an agricultural cooperative and an active dairy farmer. The decision-making process for a farmer is limited by human factors, such as prestige and status, as well as financial resources (Kool, 1994). Emotional and social goals are essential in a farmer's decision-making process. Over the years, farmers have established a social system that is characterised by the behaviour between members within a cooperative (ibid.). An individual is influenced by their social context, what is expected of the individual and what others expect the individual to think, which is also involved in forming the individual's attitudes and interests. Individuals with different interests can prevent collective actions and decisions, but this difference in interest can also be a decisive factor that is beneficial for the cooperative (Heckathorn, 1992).

### ***Heterogeneity***

Heterogeneity as a concept means the differences within a group of individuals (Nilsson, 2001). The varying characteristics of a membership affect how decision making, both collective and individual, impacts performance within the cooperative (Milgrom & Roberts, 1988; Hansmann, 1988; Cechin et al., 2013; Pozzobon & Zylbersztajn, 2013). Höhler and Kühl (2018) identify dimensions of heterogeneity within a cooperative. They studied the differences concerning the categorisation of heterogeneous aspects, divided into farm-level, member-level and product-related heterogeneities.

Identifying the dimensions that exist in a cooperative membership provides a deeper understanding of the membership, the individuals and their needs (Kalogeras et al., 2009). Furthermore, a deeper understanding of the membership's heterogeneity and the reasons for these increase the knowledge of the cooperative's development of structures and functions (Höhler & Kühl, 2014). There can be differences among members in the form of variables such as farm size, risk attitudes, experience, education and operation sites (Buccola & Subaei, 1985; Cook & Burrell, 2009; Kalogeras et al., 2009). Those variables are connected to different preferences regarding the cooperative's goals and strategies. Heterogeneity within the memberships is mentioned in the literature for cooperatives as a negative factor for the cooperative corporate form (Bijman, 2005). Member's heterogeneity is described as reducing the members' commitment and effectiveness and contributing to inefficient decisions (Hansmann, 1988; Bijman, 2005). Heterogeneous membership is also mentioned as providing more innovative members (Hendrikse, 2011).

Furthermore, heterogeneity among members impacts collective decisions about strategies within the cooperative. Höhler and Kühl (2018) have examined some heterogeneous dimensions. It is possible to identify many properties of members within a cooperative, so one

can also say that many dimensions of heterogeneities can characterise a group. Therefore, a wide range of heterogeneous dimensions is relevant.

### ***Theoretical base***

Several theoretical approaches can be applied to this study. The topic focuses on heterogeneous dimensions among members and how members' individual behaviours affects the cooperative's collective decisions. Individuals are affected by their individual needs and interests, which also affect their behaviour toward specific decisions. Needs and interests of an individual are influenced by the individual's background and other contextual factors. These factors can differ in individuals within a group, such as age and gender. The individual's attitudes then become part of how a collective group thinks and how their collective attitude further develops. The research focuses on the different dimensions among individuals and how these dimensions impact strategy choices. These dimensions are parameters that affect individual behaviours, and as such, a social psychological theory is suitable. As this study involves collective decision making focusing on the role of the individual, it is relevant to measure heterogeneity between these individuals regarding different behavioural theoretical concepts such as social influence, knowledge, interests, attitudes and decisions. Therefore, theories on individual behaviours are applicable to cooperative memberships.

Höhler and Kühl (2018) have conducted several dimensions that can be studied in cooperative memberships. Additional dimensions would be preferable for a deeper understanding of the membership, organisation and strategies of the cooperative (ibid.). The Theory of Planned Behaviour explains how behavioural intention can predict the behaviour of a human (Sussman & Gifford, 2018). The theory is based on background factors, where an individual's differences are studied, which further describes the attitude toward the behaviour, subjective norms and perceived behavioural control. These background factors lead to the intention of the behaviour of an individual to be culminated in the final behaviour (ibid.) and they cover many dimensions. To gain a deeper understanding of the membership heterogeneity, Höhler and Kühl (2018) include a wider choice of dimensions. The Theory of Planned Behaviour may further describe how heterogeneity in different aspects influences members' behaviours by acting as a framework for how heterogeneity affects individuals' behaviours in a decision-making process. The framework was to serve as a clear model of how external factors affect behaviour in the decision-making process of an individual.

Other theories can also be used, such as Agency Theory and Social Capital Theory and a specific sociological theory. Agency Theory concerns the relationship between members, the board and management and their interests (Jensen & Meckling, 1979). Within the Social Capital Theory, trust is a central concept (Coleman, 1990). Trust can mutually exist within a group of individuals (ibid.). Such theories may be of relevance in the interpretation of the empirical results.

### ***Empirical base***

Previous studies have not examined with an empirical base how heterogeneity in different dimensions affects collective strategy decisions. The study requires empirical data from a cooperative society whose board has made strategic decisions that affect all members of the cooperative. The interesting aspect is to investigate differences and similarities, the degree of heterogeneity, within a group of board members and members regarding the identified behavioural theoretical variables.

Gäsene Mejeri is a cooperative that has made strategic decisions that affected the members. Therefore, an empirical study was conducted on Gäsene Mejeri. To investigate the influence within Gäsene Mejeri and its members' behaviour toward those strategies, an individual examination of Gäsene Mejeri was carried out through an empirical investigation. The empirical investigation was later compared to the theoretical conclusion, after which the results were analysed and discussed.

This study concerns the smallest dairy cooperative in Sweden. Therefore, data was collected through semi-structured interviews with members of the cooperative. The interviews contributed to a complete picture of the member's heterogeneity dimensions and their effect on the collective strategic decision.

Given the above reasoning, the aim of this study can be summarised as follows:

### **Aim**

The aim of this study is to explore how heterogeneity in the members of a cooperative affects the collective strategic decision.

To fulfil this aim, the following questions are addressed:

- What are the main dimensions of heterogeneity among members in the Gäsene Mejeri cooperative?
- How do the different dimensions of member heterogeneity relate to members' individual behaviour towards strategic decisions in Gäsene Mejeri?

## **1.4 Structure of the report**

This study is divided into seven chapters. Figure 1 presents the structure of the report and is followed by a brief explanation of these seven chapters.



*Figure 1. Structure of the report.*

Chapter 1 contains the problem background and the problem addressed by the study.

Subsequently, the problem is specified with a problem analysis, leading to the aim of the study, which is followed by the research questions.

Chapter 2 describes the Swedish dairy industry and the cooperative that this study is based on, with subtitles such as organisations and members.

Chapter 3 clarifies the theoretical framework of this study. The theory used in this study is The Theory of Planned Behaviour. Chapter 3 also includes a literature review, which includes literature on dimensions of heterogeneity and cooperatives. The chapter ends with the theoretical framework that was grounds for the interview guide.

Chapter 4 describes the method used in this study, how the empirical data was collected and how it was analysed. This chapter also contains a discussion and critical reflection of the presented approach. This chapter further includes an ethical discussion.

Chapter 5 presents the study results and an analysis containing the collected empirical data.  
Chapter 6 contains a discussion of the theoretical framework and the empirical data.  
Chapter 7 contains a conclusion of the study.

## 2. The dairy industry and Gäsene Mejeri

This chapter gives an overview of the dairy industry. It outlines the history and the current state of the industry, which will provide a broader view of the dairy industry both internationally and in Sweden. Subsequently follows a description of Gäsene Mejeri. The purpose of the description is to facilitate the understanding of further analyses, the theoretical framework, and method.

### 2.1 The dairy industry

During the 20th century, the dairy industry has undergone significant structural changes (Lingheimer et al., 2016). At the beginning of industrialization in the late 19th century, a new technology that contributed to increasingly efficient production and both own farm dairies and cooperative dairies were common. In 1900, the number of dairies reached 1,700, a figure that significantly declined from the 1930s onwards (ibid.). This is due to structural changes that have contributed to small dairies primarily having financial difficulties in responding to new demands arising.

Milk consumption differs significantly between countries in the world. However, the consumption of milk per capita has increased in the majority of countries (Lingheimer et al., 2016). A few large players dominate world trade of dairy products (ibid.). The EU and New Zealand are the largest exporters, closely followed by Australia and The United States (ibid.). Total milk production has risen in the EU since 2005 and is expected to rise further (ibid.). Today, milk production accounts for one-fifth of Swedish agriculture and accounts for the largest production value (ibid.). One trend is that dairy farmers become larger, but fewer. (ibid.), which is due to increased specialization and increasingly advanced technology in the agriculture sector. These factors have led to that the number of milk farmers who deliver to dairies in Sweden have fallen by half in the last decade (ibid.).

The Swedish dairy industry faces structural changes and has faced more challenges in recent decades (Lingheimer et al., 2016). The reason for this includes increased product innovation, more competition, and the market is becoming increasingly globalized (ibid.). This, combined with reduced profitability for Swedish dairy farmers and a reduction in the number of dairy farms, has contributed to significant challenges in the Swedish dairy industry. However, milk consumption is higher in Scandinavia than in many other countries. This can be explained by that livestock production in Sweden and the rest of Scandinavia history provided an opportunity for the people to survive winters (www, Borås Tidning, 2012).

Between 2006 and 2014, there was a sharp decrease in the number of dairy cows in Sweden (Lingheim et al., 2016), amounting to approximately 13 percent. The corresponding decrease over the past five years has only been two percent (ibid.). The average herd in 2017 consisted of 89 dairy cows (Bergh, 2018). The decline is due to profitability problems for smaller dairy farmers, and an efficiency improvement that has led to the yield per cow increasing (ibid.). As a result of this, combined with the EU's decision to abolish milk quotas in 2015, has led to price pressure and a stricter economic climate (ibid.).

The number of dairy producers has also decreased by half during the last decade, while the average weighting per supplier has grown by 79 percent during the same period (Bergh, 2018). It is the large farms, those with an annual supply of over 1000 tonnes, which deliver the largest share of milk (ibid.). These accounted for 48 percent of produces weighted milk in 2014. The companies that are considered medium-sized, with an annual delivery of between

200 and 500 tonnes, have seen the sharpest decline in the last decade, both in terms of the share of delivered milk as well as the number of farms (ibid.).

It is not just the dairy producers who have been affected by structural changes, even the dairies, a difference has been studied in the past decade (Lingheimer et al., 2016). The numbers of dairies in the processing stage have decreased from 2010 to now (ibid.). This is partly due to an increase in farm dairies, which enables the producer to process the milk raw material on the own farm (ibid.). There are currently 117 registered and approved dairy plants in Sweden, that includes both farm dairies and dairy companies (ibid.). According to LRF milk (the Federation of Swedish farmers), three dairy companies accounted for 90 percent of the milk weighed in 2017 (Bergh, 2018). The largest dairy by far in Sweden is Arla Foods, which accounted for 66 percent of Sweden's total milk weight-in in 2017 (Bergh, 2018). The second largest is Skånemejerier, with a share of 16 percent of the weighed-in milk, followed by Norrmejerier with a weighted amount of 7 percent (ibid.). Other dairy companies in Sweden include Falköping Mejeri and Gäsene Mejeri.

Cheese and cream cheese covered most of the production orientations of the Swedish dairies in 2017 (Bergh, 2018). Consumption milk, cream, and soured products then follow, and only a small proportion of the dairies produce edible fats and milk powder (ibid.). However, most of the milk weighed in is used to produce homogenized milk, a total of 27 percent (Lingheimer et al., 2016). About 9 percent of the milk weighed in is used for acidified products, and about 4 percent is used for cream (ibid.). Of the milk weighed, only 3 percent is for cheese production. According to LRF Milk statistics from the year 2014, 67,000 tonnes of hard cheese and only 21,000 tonnes of other cheese was produced in Sweden (ibid.). However, the total amount of cheese produced has decreased by 25 percent over the past decade, whereas the production of hard cheese has declined by 27 percent while output of other cheese has grown by 34 percent (Lingheimer et al., 2016). Sweden's accession to the EU in 1995 has contributed to more competition from imported cheeses, which has led to a decrease in Swedish production (ibid.). In 2014, Swedish imports of cheese consisted of 65 percent hard cheese and the majority was imported from Denmark, Germany and the Netherlands (ibid.). Sweden currently imports more dairy products than it exports, according to Jordbruksverket (2018). The products that are mainly shipped from Sweden are milk powder and acidified products (ibid.), an increase seen since Sweden's accession to the EU in 1995. In 2017, 2,794,000 tonnes of milk was produced, of which 776,500 tonnes was exported.

Regarding price developments in the dairy industry, the settlement price to producer has had an uneven trend (Lingheimer et al., 2016). Settlement prices for milk in Sweden have followed the same trend as in the EU, but prices are slightly higher (ibid.) The same applies to Denmark, whereas in Finland prices tend to be significantly higher. When pricing milk in Sweden, the settlement price is often set to short periods, usually monthly (www, Jordbruksverket, 2018). In the case of cooperative dairies, the farmer receives a patronage refund, which is determined monthly to be allocated a post-mortem at the end of the year (ibid.). A cooperative dairy also has an obligation towards its members, and that the members deliver the agreed amount of delivered milk to the dairy. The quantity of milk production that members are allowed to provide to other dairies is stated in the cooperative's statutes (ibid.).

## 2.2 Gäsene Mejeri

Gäsene Mejeri is claimed to be Sweden's smallest dairy cooperative, producing one percent of the total milk quantity in Sweden, the main product for Gäsene Mejeri is cheese (www, ATL, 2018). The dairy is located north of Borås, in Herrljunga Municipality, and it started as a cooperative in 1931 (www, Gäsene Mejeri, n.d). Gäsene Mejeri currently consists of 28 members, which are the owners of the dairy. Of the 28 members, 23 are still active farmers. The active members are all dairy producers who deliver to Gäsene Mejeri. The 23 active members are those who still have ongoing production, while the non-active members have reduced its milk production but remains as passive members three years after the ended with milk production, according to the CEO and chairperson of Gäsene Mejeri (2019). The inactive members also retain their right to vote during those three years.

Locally produced is a keyword for Gäsene Mejeri and the members are located within 25 minutes of travelling distance to the dairy. This means that the produced cheese is considered locally produced and that the members have a close connection with the local village, according to the CEO and chairperson of Gäsene Mejeri (2019). The size of the members' farming varies, and in total, there are 3 000 cows distributed across 23 farms. The largest farm has about 550 cows while the smallest has about 30 cows (ibid.). The farms have different types of technologies, and some have made significant investments during the past decade, which has expanded their production capabilities, according to the CEO and chairperson (2019). The members of Gäsene Mejeri uses milk robots and carousels, as well as classical pipeline milking systems, to milk their cows (ibid.).

According to the CEO and chairperson (2019), Gäsene Mejeri's Board of Directors consists of seven members, who are elected by the general meeting. In the board, the cooperative's management is represented by the CEO. The members of the cooperative decide who they wish to appoint as board members and thus elected representatives to the board. In Gäsene Mejeri, the decisions is made by the board and the initiatives can come from both management and from suggestions from members (ibid.).

Due to difficulties in processing all of the milk delivered from the dairy producers, Gäsene Mejeri's Board of Directors decided to introduce a price quota system in 2016,, according to the CEO and chairman of Gäsene Mejeri (2019). The price quota system means that the member receives the full price of up to a fixed quota limit of delivered milk (ibid.). The quantity that exceeds this faces a price reduction. However, the dairy plant can today process a larger number of delivered milk. This as a result of millions investment where the association invested in expanding and modernizing the dairy. The investment was carried out in 2016 and 2017 and has led to the dairy increasing its production capacity by 30 percent (www, ATL, 2018). Gäsene Mejeri main product, cheese, currently has an annual production of 2500 tonnes of cheese (www, Land Lantbruk, 2018).

In addition, Gäsene Mejeri has recently signed an agreement with Axfood regarding cheese delivery (www, ATL, 2018). The order included 100 tonnes of household cheese and was the largest deal for Gäsene in 2018 (ibid.). In 2019, Gäsene Mejeri also agreed with Coop to take over the production of Coop's household cheese (www, Falköpings Tidning, 2019). The agreement covers 440,000 kilos of cheese per year, which means an annual output of 4.4 million kilos of milk, corresponding to 10-12 percent of the total dairy weighting (ibid.).



## 3 Theoretical perspective and literature review

The theory used in this paper is intended to examine the dimension of heterogeneity among members and how this dimension influences the strategic decisions within a cooperative. The main theory in this framework is the Theory of Planned Behaviour.

The Theory of Planned Behaviour explains how intentions can predict an individual's behaviour and how an individual is affected by factors such as environmental influence and personal variables (Ajzen, 1991; Peter et al., 1999). The theory includes different beliefs an individual has and how they affect an individual's attitudes, subjective norms and perceived behavioural control. Since every individual is different and acts differently, these differences can affect the cooperative and which strategies the cooperative applies (ibid.). An individual decision includes social norms, which influence an individual to act on the preferences of others. Social capital can be used to explain the importance of trust within a group. The Theory of Planned Behaviour can, therefore, be used to understand how different dimensions of member heterogeneity influence members' individual final behaviour toward strategic decisions within the cooperative. This chapter begins by focusing on individuals and how they are affected by different variables and beliefs. Strategic decisions is taken by individuals with different preferences, which affects whether individuals see positive or negative outcomes with a decision. Thus, there are heterogeneous positions in decision processes. Therefore, it is relevant to investigate heterogeneities within member's individual decision-making process.

### 3.1 The Theory of Planned Behaviour

The Theory of Planned Behaviour explains how behavioural intentions can predict the behaviour of a human (Sussman & Gifford, 2018). This theory is a type of social psychology (Ajzen, 1991). The theory is based on the Theory of Reasoned Action, which is a theory developed by Fishbein and Ajzen (1975). The theory of Reasoned Action contributes to understanding how attitudes are produced when beliefs about the choice are combined with the overall attitude's evaluation. In 1991, Ajzen developed an extension on the existing theory and created the Theory of Planned Behaviour. By implementing intention into the theory of Reasoned Action, one can see how the intention leads to the final behaviour (Ajzen, 1991). When a behaviour is attempted and an individual is convinced that this behaviour is successful, this feeling influences the final behaviour (ibid.). The Theory of Planned Behaviour helps to examine the variables and describe how these variables form the basis of an individual's intentions and behaviours (ibid.).

#### 3.1.1 Intention to perform a behaviour

The Theory of Planned Behaviour explains that an individual's intentions develop and guide an individual's behaviour, B (Figure 2; Ajzen, 1991; Peter et al., 1999). Intentions are a person's motivation to adopt a behaviour (Ajzen, 1991). Thus, behaviour and intentions are related, but only if measured at a similar level by specific conditions linked to action, context, timeframe and goals (Fishbein & Ajzen, 1975). Behaviour is an individual's performance, one action or several actions (ibid.).

Behavioural intentions are based on three variables: attitude ( $A_B$ ), subjective norms ( $SN_B$ ) and perceived control ( $PC_B$ ) (Ajzen, 1991; Peter et al., 1999). Attitude can be explained both as the way an individual engages in personal behaviours, either positively or negatively (ibid.), and as whether an individual evaluates a behaviour as positive or negative (Ajzen, 1991; Sussman & Gifford, 2018). Attitudes exist within each person and are influenced by the individual's context (Kahneman & Sudgen, 2005). Attitudes can be explained as an

individual's evaluation (Ajzen, 1991), which means that an individual creates an idea about an object depending on how attitudes play out (Kahneman & Sudgen, 2005). Several variables determine human behaviour, and attitude is one type of variable.

Subjective norms relate to the individual's behaviour and can be explained as the social pressure from other individuals when it comes to adopting a particular behaviour (ibid.). According to Putnam (2000), when individuals create a network, norms about trust and reciprocity can be created between them, which can be referred to as social capital. When individuals work toward common norms and values, trust can arise between individuals, making it easier for an individual to adopt a specific behaviour (Ajzen, 1991; Paldam & Svendsen, 2000). The third factor, perceived control over the behaviour, can be defined as an individual's perception of an individual's ability to complete a behaviour (ibid.).

These three variables play a significant role when moving to the next step in the figure, the intention, Figure 2 (Peter et al., 1999; Sussman & Gifford, 2018). The components and factors form an intention, intention for an individual to perform a behaviour that is specific, such as a strategy. The intension will be positive or negative to engage in a final behaviour (Ajzen, 1985; Ajzen, 1991; Ajzen, 2001). These factors and components have a different level of significance for various situations and behaviours (ibid.). Figure 2 presents how an individual's intention affects behaviour and how intention is affected by an individual's attitude, subjective norms and perceived control (Peter et al., 1999).

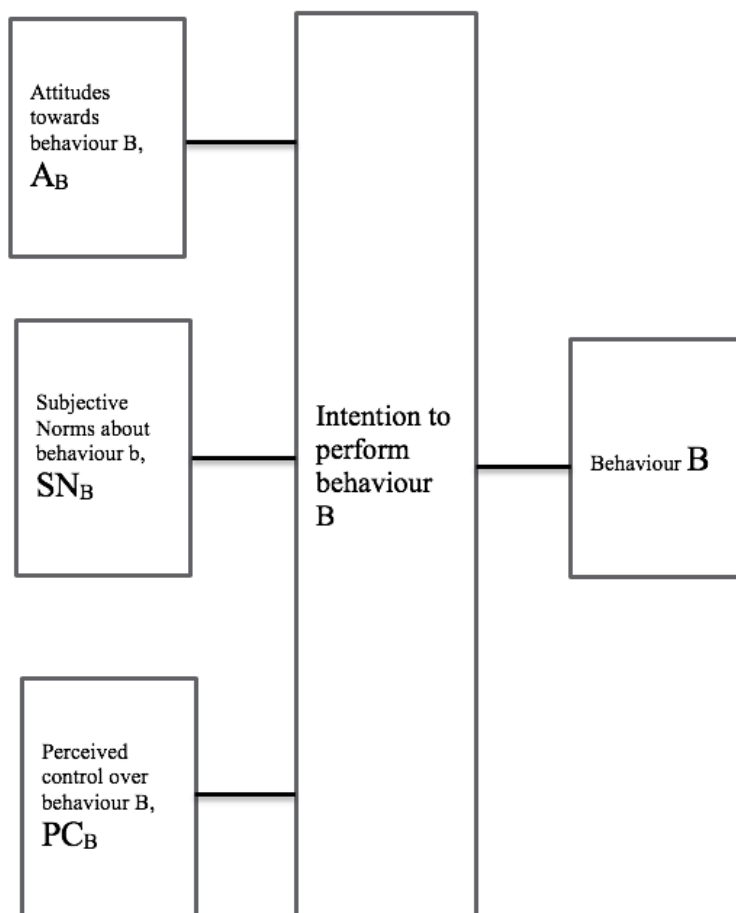


Figure 2. Excerpt from the Theory of Planned Behaviour (Peter et al., 1999).

The theory of Planned Behaviour can explain behaviour with the help of variables, but it does not include the source of knowledge (Wauters et al., 2010). Knowledge of how important the three variables are to determine the final behaviour on an individual (ibid.). These three variables' significance can vary in levels of important, which is significant during the investigation of a person. Trafimow and Finlay (2001) found that an individual can have a high level of control over the other two variables, subjective norms or attitudes, and which one they have control over can differ between specific behaviours. Therefore, identifying which variables are primarily motivating the behaviour can be a limitation (ibid.).

In general, if variables and components are more favourable to a specific behaviour and combined with a higher control, the individual's intentions will be stronger to complete this behaviour (Trafimow & Finlay, 2001). Other factors that play a crucial role when an individual is creating and formatting decisions are previous experiences and demographics (ibid.). Both these factors are incorporated in theory. These three components,  $A_B$ ,  $SN_B$ , and  $PC_B$ , are derived and developed from an individual's beliefs (Ajzen, 1991; Peter et al., 1999), as explained in the following section.

### 3.1.2 Beliefs of individuals

Attitudes  $A_B$ , subjective norms  $SN_B$ , and perceived control  $PC_B$  are influenced, by an individual's different beliefs (Figure 3; (Ajzen, 1985; Ajzen, 1991; Peter et al., 1999; Ajzen, 2001). The beliefs that individuals hold on to consist of an outcome that is possible for the behaviour and to evaluate these, and expectation from referents, such as friends and family, and to which extent an individual is feeling successfully engage to the behaviour (ibid.). These beliefs are behavioural ( $b_i$ ), normative ( $NB_j$ ) and control ( $C_k$ ).

Peter et al. (1999) define behavioural beliefs as '*Beliefs that behaviour B lead to salient consequences*'. Behavioural beliefs can also be described as beliefs about the likelihood of a specific outcome and an individual's interest and evaluation of the outcome. Behavioural beliefs are later integrated into attitudes (Figure 3) (Ajzen, 1985; Ajzen, 1991; Peter et al., 1999; Ajzen, 2001).

Peter et al. (1999) define normative beliefs as '*Beliefs that relevant others referents think, I should perform the behaviour B*' (Ajzen, 1985; Ajzen, 1991; Peter et al., 1999; Ajzen, 2001). These exceptions concern individual motivations to follow and live up to these expectations, and this can lead to norms that are subjective or related to social pressure (Figure 3). In some cases, an individual's intentions can be guided by the desire to act according to desires of the outside world, including when there are common goals (Peter et al., 1999). According to Coleman (1988), social capital is needed to work toward a common goal within a group. Trust forms the basis of a group's shared values and norms, and can, therefore, been seen as a central concept in social capital (ibid). Trust is the most critical asset of a cooperative (Nilsson et al., 2012). Trust is also a prerequisite of the relationship between the board and a member of a cooperative company and is seen as one of the main advantages of a cooperative (Sodano, 2002).

Peter et al., (1999) define control beliefs as '*Beliefs to factors which have the power to assist the action  $C_k$* '. These beliefs can also be described as factors that can impede or facilitate behavioural performance and whether the individual sees these factors' importance (Ajzen, 1985; Ajzen, 1991; Peter et al., 1999; Ajzen, 2001). Control beliefs lead to and are the grounds for perceived behavioural control, which can be explained as an individual's perception of how difficult or easy it is to accomplish a specific behaviour (Figure 3). Figure

3 represents how the three beliefs affect the three components: behavioural beliefs affect attitude, normative beliefs affect subjective norms and control beliefs affect perceived control.

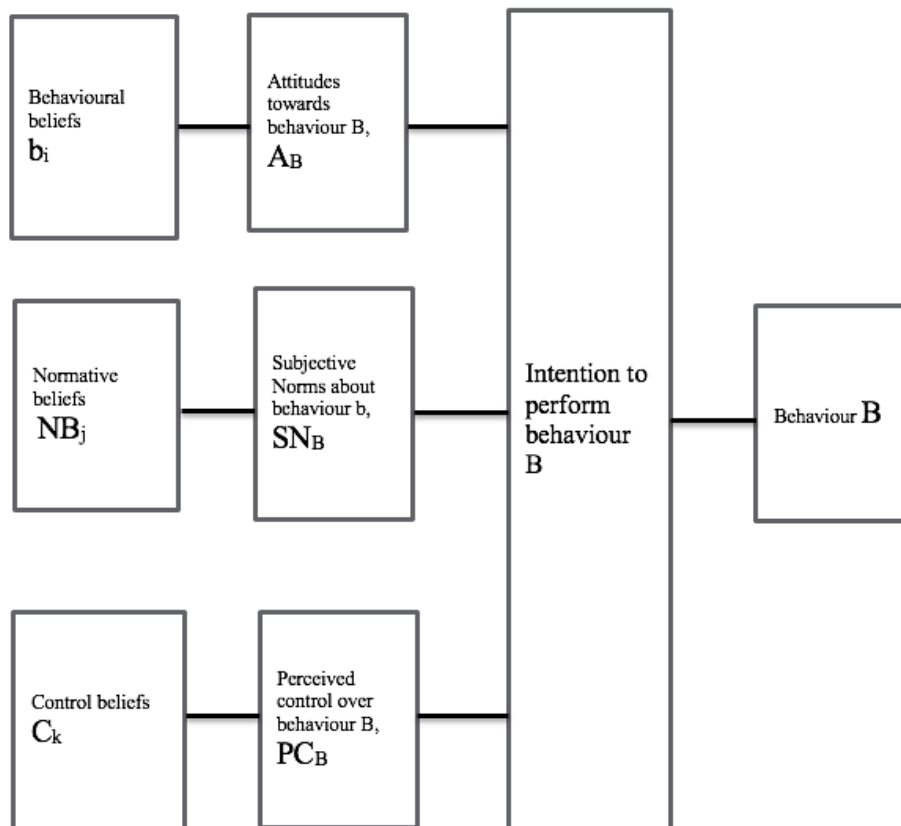


Figure 3. Excerpt from the Theory of Planned Behaviour (Peter et al., 1999).

Not all situations can be predicted accurately, as when an individual must decide between similar alternatives and is favourable to more than one of the options (Peter et al., 1999). If an individual has a few beliefs connected to the alternatives, then it can be difficult to predict the behaviour because the individual does not have the base of attitudes (ibid.). These three beliefs,  $b_i$  behavioural,  $NB_j$  normative and control  $P_k$ , are influenced by external factors (Ajzen, 1991; Peter et al., 1999), which will be explained under in the following section.

### 3.1.3 External factors

According to Peter et al., (1999), external factors that form the basis of an individual's beliefs are an influential factor concerning the individual's attitude, and the attitudes later influence the final behaviour (Figure 4). These factors help to describe the reason for the individual's attitudes and beliefs and need to be defined to gain an understanding of the attitudes of different individuals (ibid.). The contextual situation also needs to be identified to examine the actual behaviour (ibid.). Therefore, it is necessary to determine the external factors to understand the contextual situation. The external factors can be divided into two categories: environmental factors and personal variables. Figure 4 presents an overview of the two categories of external factors.

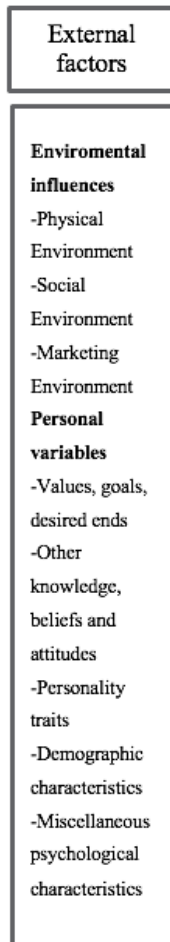


Figure 4. Excerpt from the Theory of Planned Behaviour (Peter et al., 1999).

Environmental factors include the physical, social and marketing environment (Peter et al., 1999). The other external factor, personal variables, includes goals, lifestyle patterns and demographics, as well as characteristics, knowledge and attitudes within the individual (ibid.). These factors help determine whether it is the attitude toward the behaviour, subjective norm or perceived behavioural control that has a significant influence on the actual behaviour. In some cases, an individual's intention can be guided by the desire to act according to the desires of the outside world, including when there are common goals (ibid.).

A group of individuals that work toward a common goal can be referred to as having social capital (Coleman, 1988). To make this possible, a higher level of trust is required, which creates values and norms within the group (ibid.). A high degree of trust in the membership and strong confidence in the cooperative leads to increased competitiveness for the company (Szabó, 2010). A farmer who can identify with the cooperative has more confidence and trust in the board (ibid.). Trust is an important observation when the member's confidence is assumed to change as the size and complexity of the company changes.

### 3.1.4 Summary

Individuals need conviction about the outcome of conducting a behaviour, and it is insufficient to base a decision only on the positive experiences of the selected criteria (Peter et al., 1999). Individuals need to base their decision on a real intention to implement the decision and the final behaviour (ibid.). The overall evaluation of behaviour is affected partly by other individuals' attitude toward the behaviour and a conviction from the individual about what success the implementation will lead to (ibid.). The evaluation is the basis for the intention of

whether or not a behaviour is implemented. Figure 5 depicts a complete picture with all the steps of the planned behaviour theory.

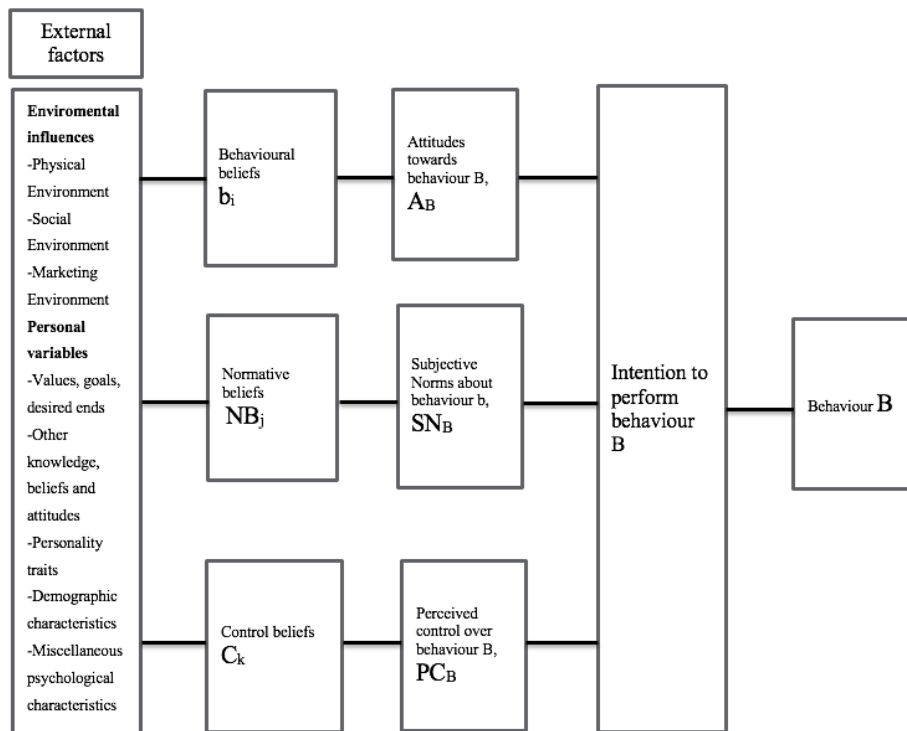


Figure 5. Excerpt from the Theory of Planned Behaviour (Peter et al., 1999).

The figure demonstrates how an individual's intention influences behaviour (Peter et al., 1999). The intention is influenced by attitudes, subjective norms and perceived control over the behaviour (ibid.). Attitudes are affected by behavioural beliefs, subjective norms are affected by normative beliefs and perceived control is affected by control beliefs. All these are affected by an individual's external factors, which are divided into two categories: environmental influences and personal variables (ibid.). How an individual is affected by different beliefs and attitudes will affect an individual's behaviour, both individually and in a group (ibid.). The attitudes and commitment of the individual member is crucial when it comes to influencing a member's behaviour (Ajzen, 1991, 2002). Individual behaviour within a cooperative can be explained as a member's expressed support or opposition to the organisation's strategic decisions.

### 3.2 Dimensions of member heterogeneity

Membership within a cooperative consists of individuals with different backgrounds, preferences and attitudes (Höhler & Kühl, 2018). Individuals will choose to explore the possibility of organising an activity collectively when they expect that it may increase their utility (Christiano, 2003). Olson (1965) describes a 'group' as a number of individuals with a common interest; there is no group without its interests. In addition, those who belong to an organisation or group also have purely individual interests different from others' in the group (ibid.). According to Höhler and Kühl (2018), the differences within the individual's attributes are what create a heterogeneous membership.

The heterogeneity within cooperatives is increasing, especially in agribusiness (Bijman, 2005). The structural changes that the farming sector is exposed to has led to an increase in the heterogenous dimensions within cooperative members (ibid.). In previous literature,

heterogeneity within a membership has been mentioned as not favourable for a cooperative, and the heterogeneity has been described using a limited number of dimensions (Höhler & Köhl, 2018). Member's heterogeneity is described as reducing their commitment and effectiveness, contributing to inefficient decisions (Bijman, 2005; Hansmann, 1988). However, heterogeneous membership also contributes to more innovative members (Hendrikse, 2011). Members can vary in factors such as age, operation sites, farm size, risk attitudes and education (Höhler & Köhl, 2018). Differences in these variables reflect different attitudes and affect goals and strategy decisions within the cooperative (Buccola & Subaei, 1985; Cook & Burrell, 2009; Kalogeras et al., 2009).

The membership tends to be more heterogeneous with the development toward large-scale cooperative companies (Kalogeras et al., 2009). The increased distance in the organisation's hierarchy contributes to an increasingly anonymous membership with the distance between members and chairpersons becoming further apart. Members end up further from the board and hence their decision-making abilities and influence are reduced (Borgen, 2001; Fulton & Giannakas, 2001).

In a cooperative membership, the individuals are involved in decision making and can influence the strategic choices and corporate governance (Hansmann, 1996). According to previous research, the differences in risk preferences and farm sizes within the membership are relevant factors in terms of the individual's preferences for decisions and strategies (Kalogeras et al., 2009). By identifying the different dimensions that exist in a cooperative's membership, a deeper understanding of the membership and their preferences is provided (ibid.). Furthermore, a deeper understanding of the membership's heterogeneity is described to give an increased understanding of the cooperative's development of structures and functions (Höhler & Köhl, 2014). In a membership differences may appear as different variables, such as farm size, risk attitudes, experience, education and operations sites (Buccola & Subaei, 1985; Cook & Burrell, 2009; Kalogeras et al., 2009). Those variables are connected to different preferences regarding the cooperatives' goals and strategies.

Höhler and Köhl (2018) conducted a literature study in which they identified three categories of heterogeneity. They divided the factors into three levels; farm-level, member-level and product-related heterogeneity. Farm-level heterogeneity includes size-related heterogeneity and spatial heterogeneity, which is based on different geographic locations of the members in the cooperative. Member-level heterogeneity addresses specific variables regarding the individual, such as age, risk attitude, the member's commitment and contractual relationship to the cooperative. Product-related heterogeneity includes variables regarding differences in the product delivered, such as quantity. These three categories lay the foundation for individual preferences and the individual attitudes toward the cooperative's structures, aims and strategies (ibid.).

### 3.3 Theoretical framework

The Theory of Planned Behaviour can be described as a tool for predicting behaviour and can be used to study and describe how differences in a group influence individuals' behaviour toward a collective strategic decision by identifying factors that influence an individual's attitudes and beliefs. Behaviour can be explained as a members expressed support or opposition toward a strategic decision. To identify each step in the process toward a final behaviour against a collective strategic decision, the Theory of Planned Behaviour can be divided into three parts (Figure 6) to clearly present how the theory is used as a framework for this study. The theory of planned behaviour describes factors and attitudes that influence the individual's final behaviour in a collective strategic decision. In a cooperative, each member

has different prerequisites and attitudes that influence and determine the individual's behaviour. Hence, the framework is based on a theory that focuses on the perspective of the individuals.

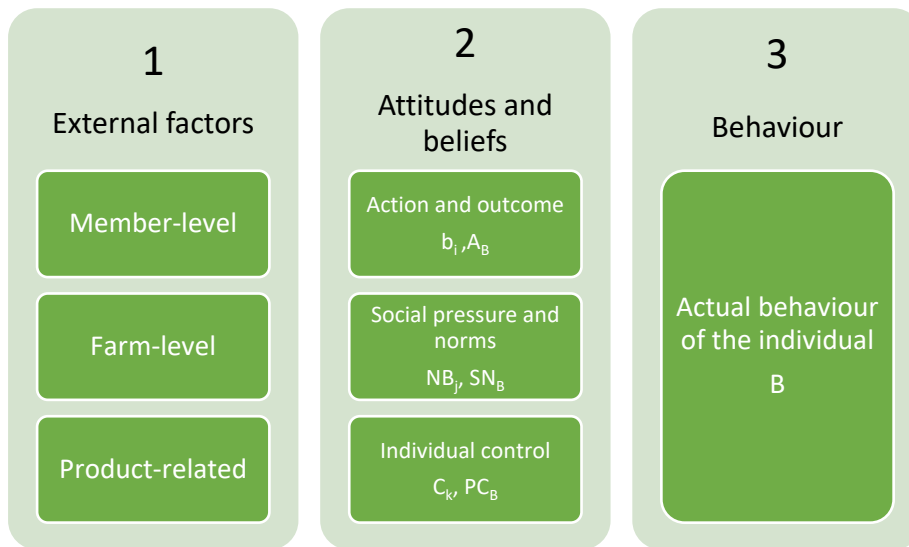


Figure 6. Theoretical framework.

The first part of the conceptual framework is linked to the external factors that exist as a ground in the Theory of Planned Behaviour (Section 3.1.3). The external factors in the theory help to examine the individual and the contextual situation. By identifying external factors in a group, heterogeneities in a membership can be identified. To structure the external factors, variables from Höhler and Kühl's (2018) study are used, in which they categorise individuals' external factors into three levels: farm-level, member-level and product-related heterogeneity. These three categories lay the foundation for individual preferences and attitudes toward the cooperative's strategies (Höhler & Kühl, 2018) and hence are relevant for categorising and further explaining the relationship between an individual's external factors and final behaviour in collective strategic decisions.

Part two concerns the attitudes and beliefs of the individual. In this part of the model, the individual's attitudes are identified, which are based on beliefs based on the individual's evaluation of the decision's outcomes. The value an individual places on different outcomes is based on the individual's conditions, which are identified by external factors and different types of heterogeneity and presented through the first stage of the framework (Figure 6).

To investigate individual attitudes toward strategic decisions, a different selection of issues can be used to study individuals' perception of their context. These issues can be divided using the attitudes and beliefs of the Theory of Planned Behaviour:

- Attitudes toward behaviour and behavioural beliefs
  - How does a member evaluate a strategic decision within a cooperative?
  - What do individual members view as the positive and negative effects of strategic decisions made by the board for the cooperative and the individual member?
- Normative beliefs and Subjective Norms
  - How much social pressure will individual members experience when making a decision?



- How much will an individual member care about what others think?
- Control beliefs and Perceived control over behaviour
  - How significant is an individual member's ability to make a decision?
  - How thoughtful are individual members in decision making?

The third part of framework concerns the final behaviour of the individual, where external factors and their heterogeneities, as well as individual beliefs and attitudes, underlie the individual's final behaviour. Behaviour is explained as an individual member's expressed support or opposition to the organisation's strategic decisions. Attitudes and commitment of the individual member is crucial when it comes to influencing a member's behaviour since commitment and attitudes are grounds for determining individual behaviour. The third part of the framework therefore helps to examine how an individual's final behaviour affects the collective strategic decision.

## 4 Method

This chapter includes a description of the selected research method, empirical collection, and an analysis of the empirical data is presented and discussed. A critical reflection on the choice of method is included under each subheading. The chapter ends with a critical reflection and ethical consideration.

### 4.1 Research approach

This study aims to investigate how different dimensions of heterogeneity affect strategy decisions in a cooperative. In this study, the case organisation is Gäsene Mejeri. In order to do this, two strategic decisions that the cooperative has decided upon, are used to collect the member's attitudes and motives for the two decisions. Therefore, it is essential that the members describe in their own words how they evaluate these two strategy decisions, this in order to capture one with a profound understanding of the phenomenon. Interviews have been conducted with the members, for the researchers to get an in-depth understanding in what extent dimensions of heterogeneity affect a strategic decision in Gäsene Mejeri. To make this possible, it is beneficial to capture words instead of numbers.

A research paper can follow different design and approaches, and which to choose is depending on the aim (Bryman & Bell, 2015). It can either be qualitative or quantitative methods to follow. Qualitative and quantitative methods can also be explained by flexible and fixed design (Robson, 2011; Bryman & Bell, 2015). In a design that is fixed, the most significant part is the casual relationship and comparisons between several variables (ibid.). In this study, is a fixed design not suitable, because the aim is about which dimensions of heterogeneity it is within a membership, therefore, this study is about individuals and their attitudes and behaviours (Robson, 2011). Flexible design is, however, more suitable when the phenomena and context are complex (Maxwell, 2012; Bryman & Bell, 2015). In this type of study, the aim should be about a deeper understanding of the selected phenomena, and the collected data, describe and interpret in words and not numbers (Bryman & Bell, 2015).

In this study a flexible design is based on the intention of the researchers to investigate the phenomenon of heterogeneity within members and how this influence strategic decision in Gäsene Mejeri. The individuals in the membership affect the company's decisions and actions, just as the company affects the individual's attitudes towards decisions and actions. This can be explained by the fact that the company is a cooperative and is owned by its members. This means that the members are involved in decision processes in Gäsene Mejeri. This in combination with the study aiming at examining how the member's heterogeneities affect strategy decisions in Gäsene Mejeri, the heterogeneous variables should be studied in their context and cannot be moved from the membership of the company. In a case where details are to be examined and where an in-depth investigation is desirable, a flexible design is suitable (Bryman & Bell, 2015). A qualitative method implies on a constructive view rather than on an objective perspective, and that the society that is social changes continue, and this will affect the individuals in the society (Bryman & Bell, 2015). A qualitative collection method is more time and resource demanding.

In this paper, an inductive approach is applied. In an approach that is inductive, the approach implicates that data will be compared to existing theories, which will lead to that a new theory can be conducted (Collis & Hussey, 2014). This type of approach is beneficial for this paper since the approach is to collect material through interviews and then analyse this with theories that are relevant to the subject. A deductive approach is however based on existing theory,

and from this theory will hypotheses be formulated and in the next step be tested empirical (Bryman & Bell, 2015). A qualitative method can be related to an inductive approach, because of the relation between the empirical data and the existing theory, where the collected data is compared to current theories.

In a methodical choice there are two considerations to have in mind, these are epistemology and ontology (Bryman & Bell, 2015). Epistemological consideration is about knowledge and how knowledge is revealed (ibid.). This is important for the researchers to know how they are affected and how their own knowledge arises. The epistemological point of view in this study is interpretivism, which is the approach that targets social science. The chosen phenomena in the study is seen through factors within the cultural and social, the chosen phenomenon is therefore not seen through rules that follow the natural sciences (ibid.). In this study, it is intended to investigate a phenomenon in the social world, where the focus is on people who act in their social context, therefore, interpretivism is chosen as epistemological orientation in this study. In this perspective, it is important for the researchers to have a great understanding of the fact that people can view reality in different ways and thus interpret something different, this can be explained as that the social reality is discursive (Bryman & Bell, 2015). Discursive means that the studied reality changes with time as it is studied and different individuals interpret the reality differently (ibid.).

Ontological consideration is about how the reality is formed (Bryman & Bell, 2015). The ontological consideration in this paper is constructionism, because in this study, the focus is on several individuals and dimension of heterogeneity that arise in a social context. Constructionism can be explained as where the actors who are within the social context has an interaction with each other and with this, creates phenomena that are within the society (ibid.). By having this ontological standpoint, one does not believe that the social phenomenon can arise with anything beyond humanity and the social orientation.

## 4.2 Research design

The purpose of this study is to create an understanding that is deeper for a cooperative and their members, which makes it appropriate to use a case study design. In qualitative research in business economics, it is suitable with case study as a research design (Bryman & Bell, 2015). By using a case study, it will contribute to a deeper understanding in the case that are specified, the selected subject area and organization in the paper (Flyvbjerg, 2006; Bryman & Bell, 2015). It will provide an eye-catching image of the case organization's situation and, with this, be able to review and analyse the collected empirical data. Yin (2013) implies that with a case study is used to gain knowledge about a social context that is social and organizational phenomena, which can contribute to an understanding over the phenomena. In this research, it is one single case organization, Gäsene Mejeri, the data is collected from. A single case study will generate more depth in the understanding of the selected phenomena (Yin, 2013). To be able to investigate the aim of the study, which dimension of heterogeneity and their impact on collective strategic decisions, it is necessary to gain an in-depth understanding of the phenomena.

According to Eisenhardt (1989) is a case study as a design appropriate when the chosen research field has not been explored earlier. In this study, the case study intends to investigate what heterogenic dimensions there are and how these affect the choice of strategy within a cooperative. In earlier research haven't the relation between heterogeneity dimension and the effect on the cooperative been explored, therefore is case study suitable. Case studies are often criticized for making it difficult to generalize the outcome when it is based on a specific

case or context (Bryman & Bell, 2013). According to Yin (2012), difficulties can be seen in applying the results to other cases. On the other hand, Yin (2012) and Flyvbjerg (2006), means that the idea behind a case study is not applicable to the identified results to specific cases and contexts, without using the theoretical foundation's from the different cases. This is a form of generalization according to Yin (2012). The result of the case study for this research can therefore contribute with a theoretical basis for further studies within heterogeneity within memberships. In a case study, the unit of analysing and the boundaries are defined in a clearly way (Yin, 2013). Clear boundaries will allow the researcher to observe a specific context and have the details in focus (ibid.). Unit of analysis is what characterized a case and can be seen as critical factor because the unit of analysing is what will help to follow up the research questions (Tellis, 1997; Yin, 2013). Unit of analysis is in this study, dimension of heterogeneity in the membership of Gäsene Mejeri.

## 4.3 Data Collection

The data collection purpose in this flexible research is to gain a deeper understanding of the primary data within a case study can be collected in several ways, such as questionnaires, observations and interviews (Eisenhardt, 1989; Bryman & Bell, 2015). The collection of secondary data can be collected by documents and articles (Yin, 2013). Primary data is collected directly from the original source (Bryman & Bell, 2015). The advantages of this are that it is possible to adapt the information to the purpose for the study, the disadvantage being that the researchers can influence the source in order for it to choose a desired direction (ibid.). Secondary sources had a foundation in the original source, but the acquisition of this source occurs later (ibid.). Benefits of this type of source is that the text has with the help of a third party been reviewed, which increases the credibility, disadvantage is that it can easily arise interpretation errors (ibid.).

### 4.3.1 Semi-structured interviews

A significant source in case studies are interviews. Interviews will gain an understanding of phenomena by observing signal and answers that are unique (Yin, 2013; Bryman & Bell, 2015). In a flexible design, semi-structured interviews are a method to collect empirical data. In a semi-structured interview, the researcher follows a questionnaire about the selected topic and the questions are open-ended, the researcher can ask the questions in any order or come up with additional questions during the interview. Semi-structured interviews are advantages when it comes to gain a deeper understanding of the phenomena (Robson & McCartan, 2016).

The primary data and empirical data in this research are collected using semi-structured interviews, which makes it possible to obtain data that is relevant to study the selected phenomena. Since the aim of the study is to see which types of heterogeneity dimensions there is within the membership of Gäsene Mejeri and how this will affect the choice of strategy. The interviews are divided into two parts, the first part is with Gäsene Mejeri CEO and chairperson and a second part are with the members of Gäsene Mejeri. It is beneficial to have open-ended questions, to be able to pick up attitudes and other essential variables (Bryman & Bell, 2015), that can come and influence the dimensions of heterogeneity and the choice of strategy in a cooperative. With a flexible collection of data, it makes it possible for the researcher to adapt the situation for the respondents and also have the ability to follow up with questions that can gain a depth in the research. To be able to identify heterogeneity dimension and attitude among members of Gäsene Mejeri and attitudes it is advantageous to

understand the respondent situation and to reduce misunderstandings that may otherwise arise.

### ***Respondents***

The interviews are divided into two parts. In the first part, interviews were conducted with the CEO of Gäsene Mejeri and the chairperson of the cooperative. These interviews are done in order to generate a broader picture of the cooperative, but also hear which strategic decision that has been adopted and rejected in the dairy, both in the past and near future. The second part is with all the members of the cooperative, with the help of these interviews, to identify which different dimensions of the heterogeneity there are among the members and then how this will affect the cooperative.

In the second part, there will be 21 semi-structured interviews, all of which are members of Gäsene Mejeri. The membership of Gäsene Mejeri consists of 28 members, where five of them are no longer active milk-producers and are about to finish their membership in Gäsene Mejeri. As this research focuses on the future, these five members are not interviewed for this study. Of these 23 members, interviews with 21 members are carried out. All members have been asked to participate, but due to personal reasons, some of the members chose not to attend the interview. Why interviews are conducted with the members of Gäsene Mejeri, is to identify, with the help of the interview, which dimensions of the heterogeneity there are within the membership, and how it comes and influences Gäsene Mejeri.

### ***Interview approach***

Before the interviews, the researchers developed an interview guide, which should be helpful during the interview, something for the researchers to proceed from (Bryman & Bell, 2015). Since the interviews are divided into two parts, two interview guides have been conducted, see Appendix 1 and 2. The first part is with the CEO and chairperson of Gäsene Mejeri, the interview guide are based on how the cooperative is structured and which strategic decisions they have decided on in recent years, this in order for the researchers to get a clearer picture of Gäsene Mejeri, this interview guide can be found below, see Appendix 1. In the second part it is the interviews with the members of Gäsene Mejeri. The interview guide was developed to observe the heterogeneity that exists within the membership and how it can affect the cooperative. The questions are based on different dimensions of heterogeneity to see where the members differ. The interview guide ends with questions where the respondent grades his attitude within scale 1-5, here is given room for reflection and further description of the choice of number. This can be described as open questions but includes numbers to be able to analyse and compare the respondents in relation to the dimensions of heterogeneity. In Appendix 2 the interview guide used for the members interviews are presented. Before the interview all the respondents were informed that they will be anonymous and that the information about the individual member will not be shared in the research. During the interview one of the researchers kept notes and the other researcher asked the questions. By recording all the interviews, the researchers were given the opportunity to re-listen to the respondent's answers, which minimises for misinterpretations or if some misses something important during the interview (Bryman & Bell, 2015).

During the first part of interviews, when the researchers interviewed the CEO and the chairman, the interviews took place over the telephone. Then that data is used for a basis for the work and for the researchers to get a broader picture. Therefore, telephone interviews are considered a suitable method. Something defective about telephone interviews is that the

researcher is not able to see how the respondents react and how the body language is during the interview (Bryman & Bell, 2015). During the second part of the interviews, all interviews took place at home with each member, this for the researchers to see and experience each member's context. When the interview is face-to-face, it is possible to observe details, such as respondent's environmental context and body language (Bryman and Bell, 2015). It is crucial that the researchers are aware of the effect the researchers can have on the respondents during the interview, as well as that the choice of questions and the nature that the researchers do will affect the outcome of the interview (Bryman and Bell, 2015).

The researchers can come and influence the interview, and that the researchers' experiences of interviewing can play a critical role in interpretation, as it is essential that the researcher can try to interpret the answers in an objective way (Kvale & Brinkmann, 2009). According to Tellis (1997), a lack of experience about interviews can affect and make unclear questions and then draw the wrong conclusions from the answers. To minimise this, it is advantageous to use open-ended questions and to be able to ask to follow up question if something is unclear and doesn't have leading questions. Throughout the work, the researchers will have a critical reflection on how they can come and influence the respondents and that the answers are analysed objectively.

#### 4.3.2 Documents

In a research design, such as case study, there is useful with different types of documentation (Yin, 2013). By using several sources to collect information, the case study's context construct can be defined (Eisenhardt, 1989). Several sources can increase the level of validity and reliability because it creates evidence for a phenomenon (ibid.). In this research, the primary documents have been sent to the researcher by e-mail or found on the internet. These documents provide evidence and create a greater picture of the case and phenomena. However, there can be a risk with documents, as it may risk giving an image that is not correct and affect the design of the study (Bryman and Bell, 2015). In this research, Gäsene Mejeris statutes have been used. The statutes form the basis for increasing the understanding of the cooperative and how decision-making process is formed in the cooperative. Agricultural specialist journals, government reports and press articles have been used to make a thorough description of the dairy industry and Gäsene Mejeri.

#### 4.4 Data Analysis

To analyse and structure the collected data, it is essential to use a data analysis. Analysing the data can be difficult but is a necessary part (Yin, 2013). The collected data, both from interviews and documents, generates a lot of information, which makes it essential that the researches both have good knowledge of it and that they have experience of structuring the information (Robson, 2011). The collected data will be analysed using template approach analysis. In this analysis, the researchers divide the data into different categories using keywords (Crabtree & Miller, 1992). These keywords will be of great help in guiding how the implementation of the data analysis should go. Before the researchers have started collecting data, the keywords help to design research questions and theoretical conclusions. The collected data has then been analysed using figure 5 and those parts of which it consists. Figures and tables are common when using the temple approach, as figures can help compile the collected data (Crabtree & Miller, 1992). Based on the theoretical conclusion and the categories, a discussion has been held between them, which then has resulted in a conclusion to be able to answer the purpose that is in the essay.

## 4.5 Literature review

The theoretical framework in this paper includes a literature review, this means that previous literature in the field has been investigated. By conducting a literature review, documents with relevant information regarding the research problem can be studied (Robson & McCartan, 2016). Bryman and Bell (2015) describe a literature review that creates an in-depth understanding of the knowledge of the study area, without the research being affected by the researcher. The literature study forms the foundation for the question guide used in the collection of empirical material for the study.

The main source is peer-reviewed articles which, in combination with selected theory, link heterogeneity, cooperatives and individual attitudes. Peer-reviewed articles are controlled by experts in the research areas, which increases the validity of the source and study. Several references within the same subject, is a safeguard to quality and high credibility on the chosen theories and references (Robson, 2011). In this research, there is several articles about similar subjects to increase the quality and see on different perspective.

The scientific articles that have analysed have been developed by searching for keywords on various databases, such as Primo and Google scholar. The keywords that have used are cooperatives, heterogeneity, individual decision making, collective decision making, and strategy. To be able to answer the purpose of the study, these databases have also been used to find peer-reviewed articles on the chosen theory: The Planned Behaviour Theory.

## 4.6 Quality assurance and ethical consideration

There is a risk with a flexible design that research questions can influence the research objectives and empiric; this is because of the opportunity to collect data during the research (Bryman & Bell, 2015). To ensure quality and credibility, it is important that the researchers reflect on their impact on the study as well as the impact of the studied environment (Robson, 2011). To ensure quality in a flexible design, the terms validity and reliability can be used (Bryman & Bell, 2015). Reliability and authenticity are two other conditions used for measuring and indicate quality, according to Guba and Lincoln (1994). The terms validity and reliability, and their consistency and usability in flexible research are debated in the research (Golafshani, 2003). However, Robson (2011) argues that explanation and motivation for why the terms are used are more important than the term itself used.

### 4.6.1 Internal and external validity

It is essential to have an awareness of the importance of the researchers' role in the study and to debate the validity of the study (Robson, 2011). Validity is about an assessment of whether the results of the study are logically related and divided into internal and external validity.

Internal validity is about whether the study's empirical results correspond to the study's theoretical framework (Bryman & Bell, 2015). Triangulation can be used to secure the internal validity (ibid.). In triangulation, a selection of several sources of evidence is used, for example, different observers, data sources or theoretical perspectives. The results of this study include the perspective of two observers and the data for the study conducted with several sources, including interviews, articles and documents.

External validity addresses the generalisation of the results and the extent to which it can be applied to other social contexts and the situation (Bryman & Bell, 2015). External validity can be displayed by a logical structure and explaining the social context, which helps a person that

is uninformed to determine and understand how well the results can be applied to another context (ibid.). By doing this, a better understanding can be created by creating a logical structure, which can lead to increased credibility (ibid.). In this study, only one case study is used. Using a single case is argued to make it difficult for generalisability since the case is applied in a specific context and is unique (Bryman & Bell, 2015). In this study, heterogeneity is studied in the membership of a specific company, and hence the study is meant to create a deeper understanding of the importance of heterogeneity in its context. Furthermore, a certain level of generalisation can be achieved through the possibility of applying the theoretical framework in other cases (Flyvbjerg, 2006). Due to this, this study can reach a certain level of generalisation when the theoretical framework can be applied to other cases including cooperatives, and this gives the study a certain level of external validity.

#### 4.6.2 Reliability

According to Yin (2013), reliability aims to minimise potential biases and errors and are a discussed concept within the quality design. Reliability is achieved when the measurement can be repeated with the same result, regardless of which context the measurement is done or who conducts it (Drost, 2011). To reduce and avoid biases, the choices made in the study is explained and the various steps in the study's process will be thoroughly described.

Furthermore, it is essential to have an awareness of the role of the researchers in the research, as the researcher's words and analysis will be included in the results of the study (Yin, 2013; Bryman & Bell, 2015). The reliability and openness of the study increase with a detailed description of the study process and the role of the researchers. To increase reliability, the interviews were recorded and documented, to minimize imprecision and misunderstandings. The recorded material was then used for a comparison between the correspondence between the documented text and what was said in words by the respondents.

#### 4.6.3 Ethical aspects

It is also essential to include an ethical aspect when conducting social research (Bryman & Bell, 2015). There are four main areas that are presented by Bryman & Bell (2015) which is; if the study involves description, if there is a lack of informed consent, if participation in study brings harm to the respondent and if the study involves invasion in the participant's privacy. To defend the integrity of the respondent, it is important to handle the information provided by respondents strictly professional (Denscombe, 1998). Therefore, the information sent by email and the conversation over the telephone describes the purpose of the study and assures the respondent that the information is handled correctly and everything have has gone through the board. To ensure that the information from the respondents does not create harm, the respondents are anonymous in the study and all data is handled confidentially. Further, the collected data is only handled by the researchers, which means that no one else has access to the material.



# 5 Results and Analyses

This chapter presents the results and analysis of the study and is divided into four sections. Each section is based on the theoretical framework (see Section 3.3). The results are based on observations and interviews with individuals in the Gäsene Mejeri membership.

## 5.1 External factors

According to Peter et al., (1999), the external factors that form the basis of an individual's beliefs are influential factors prepossessing the individual's attitude and the final behaviour (Figure 5). The final behaviour can be explained as an individual member's expressed support or opposition to the organisation's strategic decisions. These factors help describe the reason or cause for the individual's final behaviour in a collective strategy decision. To investigate which external factors exist in Gäsene Mejeri, members were asked about a selection of external factors categorised according to the first part of the theoretical framework. These external factors are presented in three levels: member-level, farm-level and product-related heterogeneities. The factors were used to identify and analyse the differences between the members' external factors. The results of the interviews and the external factors identified in the membership are presented in the following subsection.

### 5.1.1 Member-level heterogeneity

In the interviews, members of the cooperative were asked about gender, age, future plans, education and personal characteristics. These factors can be categorised as member-level heterogeneities, which is one of three subcategories that Höhler and Kühl (2018) mention in their discussion of the importance of identifying heterogeneities in a cooperative membership.

#### Gender

An external factor that concerns member-level heterogeneity is the gender distribution in a membership. In this case study, the participating members consisted of four women and 17 men.

#### Age

Another external factor of member-level heterogeneity is age distribution. The age distribution of the Gäsene Mejeri members is presented in Diagram 1.



Diagram 1. Diagram of the age distribution between members of Gäsene Mejeri.

The age among the members varied between 20 and 70 years, and the majority were 40 to 59 years old. Only four members were younger than 40.

### **Future plans**

Regarding the members' future plans, members were asked about the opportunity for a succession. Future plans differed between the members. Among members between 50 and 59 years old, a succession was relevant within a few years. In cases where younger family members were involved in the milk production, successions were commenced when the members approached retirement age. The members who did not have children or other individuals to take over the farm saw liquidation as the most likely alternative.

### **Education**

All members except one had an agricultural education. The type of education varied between a one-year vocational education and three-year university education. Professional experience differed between the members; twelve of the members had worked in other professions before they started as dairy producers, and the others started as dairy producers immediately after graduation.

### **Personal characteristics**

Differences in personal characteristics were observed within the Gäsene Mejeri membership. One personal characteristic was the entrepreneurial spirit and differences in business mindset. Here, parallels can be drawn between the degree of entrepreneurship and farm size and investments, which is explained more in Section 5.1.2. Entrepreneurship spirit not only permeated their production, but members also expressed their views on strategy choices, governance and focus areas within the cooperative. The members of Gäsene Mejeri recognised the advantage of a successful cooperative as benefiting their own businesses.

### **Summary**

The external factors presented above can be referred to member-level heterogeneities. The factors that differed most among the members were investments and personal characteristics. Investments paralleled future plans for expansion and succession. Regarding personal characteristics, differences existed between the members regarding entrepreneurial spirit and the desire to expand. The age of the members was also a heterogeneous factor; their age varied between 20 and 70, but the largest proportion of the membership was aged 40 to 59. These different heterogeneities can lead to differences in attitudes and influence to goals and strategic decisions within the cooperative (Buccola & Subaei; 1985, Cook & Burrell, 2009; Kalogeris et al., 2009).

## **5.1.2 Farm-level heterogeneity**

External factors were also studied for farm-level heterogeneities through questions concerning the member's farm size, milk production, investment, quantity of milk and number of employees (Höhler & Kühl, 2018).

### **Farm size**

The first external factor concerning farm-level heterogeneity was farm size. The study showed that the differences in farm size was the external factor that differed the most in the Gäsene Mejeri membership. Diagram 2 presents the distribution of the number of cows.

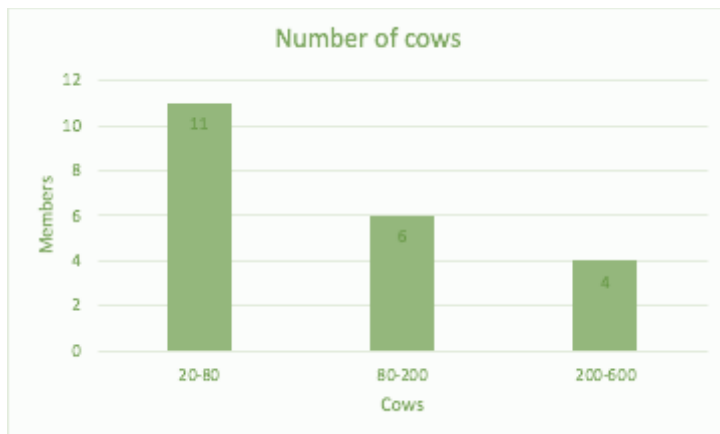


Diagram 2. Diagram of the number of cows among members of Gäsene Mejeri.

Farm size could refer to the number of cows in each member's milk production. The smallest member had approximately 20 cows in their production, while the largest had over 500 cows.

### Investments

Regarding investments, the members were asked if they planned on or had recently made an investment in their farm or in the production. Farmers with more than 80 cows had made investments during the last five years or were planning to make investments in the next five years. New technology, such as milk robots or new agricultural machines, was considered to be the most relevant type of investment. The most common reason for investments was to streamline milk production or increase the number of cows.

For producers with less than 60 cows, investments were not as common. Members who did not have plans for succession did not see investments as profitable for their production and had no desire to increase the number of cows. However, there were members with less than 60 cows who planned for succession and hence saw investing and streamlining production as imperative for farm survival and the new generation.

### Quantity of milk produced

Another factor in which the members differed was the quantity of milk delivered per year, which is connected to the differences in the number of cows. The quantity varied between 160 and 7,000 tons per year (Diagram 3).

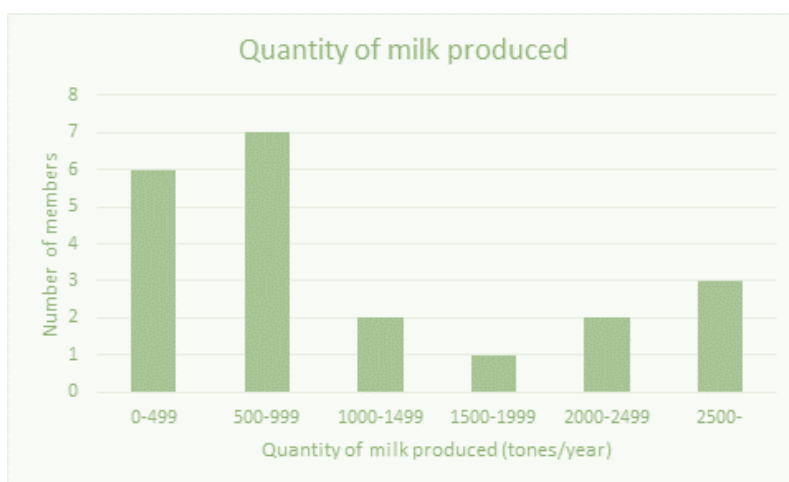


Diagram 3. Diagram of the distribution of milk produced for members of Gäsene Mejeri.

Most members produced between 0 and 999 tons of milk per year, which is linked to the distribution of cows in the membership. Thirteen of the members had a herd of less than 80 cows, and these same members produced less than 1,000 tons of milk per year.

### **Employees**

The members were asked about the number of employees in the production to study the differences between the members' farms. The difference in the number of employees was notable and not parallel to the farm size. Six members worked in the production themselves, and their farm size ranged from 30 to 85 cows. Five of the members had one employee, and the number of cows on these five farms ranged from 24 to 120. A further five members had three to eight employees, while the farm with the greatest number of cows had 18 employees. The remaining four members did not have any employees but instead had family members who worked in the production.

### **Summary**

Differences in external factors, such as the farm size, investments, quantity of milk and number of employees, were observed in Gäsene Mejeri. The most heterogeneous factors in the farm-level category were farm size and the quantity of milk produced. Members' investments and the number of employees also varied but could not be shown to be related to the size of the farm. These different heterogeneities can lead to differences in attitudes toward goals and strategic decisions within the cooperative (Buccola & Subaei; 1985, Cook & Burrell, 2009; Kalogeras et al., 2009). However, the differences in attitudes create an innovative membership score where different attitudes and beliefs can contribute to new ideas. According to Hendrikse (2011), it is beneficial to have a membership score that has several dimensions of heterogeneity as it contributes to increased innovation.

#### **5.1.3 Product-related heterogeneity**

Product-related heterogeneity concerns the quality of the product delivered (Höhler & Kühl, 2018). The quality of the milk delivered to the dairy was not considered to have a considerable difference in the members' productions. Therefore, no further analysis was drawn regarding the impact of the dimensions of heterogeneity on the production level. No significant differences were observed regarding these external factors, and these factors, therefore, cannot be seen as dimensions of heterogeneity.

## **5.2 Attitudes and beliefs of members**

This section presents members' attitudes and beliefs toward their cooperative and contextual situations. Attitudes and beliefs of the individual are based on the external factors described in Section 5.1. To investigate the attitudes and beliefs of the members, a theoretical framework (see Section 3.3) was used to identify differences and similarities between individuals in the membership. In the second part of the framework, a selection of issues was developed to investigate the individuals' beliefs and their evaluation of the decision outcomes. How individuals value different outcomes is based on the individuals' conditions, which are identified by external factors and different types of heterogeneity and presented through the first stage of the framework. The questions listed in the following subsections are structured in the order they are presented in the theoretical framework (Section 3.3).

### **5.2.1 Action and outcome**

Based on the theoretical framework, two issues were developed to better understand the differences in attitudes and beliefs between the individuals in Gäsene Mejeri:

1. How does a member evaluate a strategic decision within a cooperative?
2. What do individual members view as the positive and negative effects of strategic decisions made by the board for the cooperative and the individual member?

The members answered the first question similarly. To evaluate a strategic decision, members considered their prerequisites and how this decision could affect their business. The members' prerequisites are therefore considered to be decisive for the individual's final behaviour regarding strategic decisions taken by the cooperative. All the members not only looked at self-interest but also placed great importance on evaluating how the strategic decision benefited the cooperative. According to Peter et al. (1999), an individual evaluates behaviours and considers the possible outcomes with a focus on their interests, which play a crucial role in how the individual makes decisions.

It was not possible to identify whether the individuals rated self-interest higher than the cooperative's or vice versa. However, there was a general thought among the members that a successful cooperative benefits individual members' businesses.

It was also possibly to see similarities in the members' answers to the second question. Their opinion on decisions made by the board depended on the beliefs regarding the outcome of the decision. If a member saw the decision as contributing to positive outcomes for their business, they tended to have a more positive attitude toward the strategic decision. If it was a decision that favoured the individual member and was seen to create success for the cooperative, interviewed members predominantly expressed support. One of the strategic decisions only benefited some of the members. In this case, an expressed support for the strategic decision was still present if it benefited the cooperative, even from members who were not favoured by the decision. The credibility of the board and the fact that the strategic decision favoured the cooperative in its entirety had a greater significance for the individuals' final behaviour than decisions that favoured the individual alone. If the member saw the decision as negative for the cooperative, the opposite was true. Therefore, the members' final behaviour toward decisions made by the board depended on the individual and their contextual conditions. Most members mentioned that they believed their opinions differed from other members due to differences in farm size and business mindset.

### 5.2.2 Social pressure and norms

Based on the theoretical framework, two issues were developed to better understand the differences in attitudes and beliefs in the Gäsene Mejeri membership:

1. How much social pressure will an individual member experience when making a decision?
2. How much will an individual member care about what others think?

To answer the first question, the members described their thoughts about other members' attitudes toward their personal opinions on strategic decisions in the cooperative. The members did not perceive the existence of social pressure regarding specific decisions or consider themselves compelled to have a similar opinion as other members when making decisions. However, there was a general belief that members would put the cooperative's success first, and there was an obvious trust in the board.

Most members believed that doing well for the cooperative would ultimately lead to benefits for the individual members' companies. 'The heart in the dairy' generally describes the

Gäsene Mejeri membership. A clear commitment and pride for the cooperative and the product permeated all the individuals in the membership and was highlighted during interviews with several of the members. This sentiment was anchored in the proximity between the members' farms and the cooperative and the pride of being locally produced. Several individuals described Gäsene Mejeri as a decentralised organisation where the successful proximity between management and membership was made possible because it is a smaller cooperative with 28 members. According to Coleman (1988), social capital is needed to work toward a common goal within a group. Trust forms the basis of shared group, shared values and norms (ibid.). To have 'the heart in the dairy' can refer to a homogenous dimension among the members in Gäsene Mejeri.

To answer the second question, the members once again explained the importance of how other members evaluated a strategic decision and how their attitudes toward a decision could affect the individual's final behaviour. They also highlighted the importance of focusing on the best for their own farms and operations as well as the business of the cooperative. There was a general belief among the members that other individuals in the membership acted according to what they felt would benefit the cooperative. This assumption could be described as social pressure within the membership where individuals are expected to act according to the general opinion of other individuals in the context.

The expectations from individuals are according to Peter et al. (1999) individual's motivation to follow and live up to a decision, and this can lead to norms that are subjective to social pressure. As Ajzen (1991) describes, subjective norms concern an individual's behaviour regarding social pressure from other individuals for adopting a specific behaviour. Regarding the degree of heterogeneity, members agreed in their trust for the board, and the external factors, therefore, did not have a significant impact.

In Gäsene Mejeri, the board of directors makes the strategic decisions. To do so, they include and evaluate all the members' opinions and attitudes. However, social pressure was observed within the membership in that members should act according to what is most favourable to the cooperative and not to self-interests. When a member placed his or her trust in the board regarding strategic decisions, the individual's attitudes and opinions were predominantly influenced by the opinions of the board. However, some members had complete trust in the board while others did not always agree or had an indifferent attitude toward the decisions. The directors also argued if members on the board had different views on an issue, a decision were not made unless all directors agreed on the decision.

### 5.2.3 Individual control

Based on the theoretical framework, two issues were developed to better understand the differences in attitudes and beliefs of the Gäsene Mejeri membership:

1. How significant is an individual member's ability to make a decision?
2. How thoughtful are individual members in decision making?

With regards to the first question, it appeared that the members varied in their views on their ability to influence the cooperative's decisions. The members who also acted as directors of the board considered themselves to have more influence since the individuals on the board are the final decision makers in Gäsene Mejeri. Other members can express their opinions at the annual meeting every year. A minority of members indicated that they had minimal influence in the decision-making process as they did not feel that the board listened to their opinions.

This perception could be related to control beliefs and perceived control over behaviours, which implies that the individual would like to make a specific decision but cannot because of the perception that they are controlled by something (Ajzen, 1985, Ajzen1991, Ajzen2001; Peter et al., 1999). In the case of Gäsene Mejeri, members were affected by whether they were a member of the board or not and to what degree they felt they could influence the decision-making process.

For the second question, different degrees of control beliefs were found among individuals in Gäsene Mejeri. Some members saw themselves having an interest in controlling their own production, and the attitude toward the control of decisions can be seen as reliability in the board's competence.

In the case of Gäsene Mejeri, it appeared that members did not have a direct influence on the decision-making process and therefore no direct perception of control beliefs. The control of decisions is transferred to the board, which represents the members. The members, therefore, have developed attitudes and beliefs in line with the board. Regarding the members who handed over control completely to the board, behaviour beliefs and normative beliefs had a greater impact on the individual's intentions than control beliefs. This could indicate that control over the behaviour did not have the same impact on Gäsene Mejeri members' intentions.

### 5.3 Actual behaviour of the individual

To investigate the members' final behaviour and analyse this with regards to their attitudes and beliefs, this section focuses on part three of the conceptual framework, the actual behaviour of the individual. To investigate this, members were asked about the two strategic decisions that Gäsene Mejeri has implemented and their views on these decisions. Their responses helped identify to what degree the membership dimensions of heterogeneity affected the members' final behaviour toward these collective strategic decisions.

#### 5.3.1 Price quota

The first strategic decision decided by the board of Gäsene Mejeri was implementing a price quota system. The price quota system means that members receive the full price of delivered milk up to the quota limit; if they deliver more, they receive a reduced price. Further information about the price quota system is presented in Section 2.2. To analyse the members' final behaviour and what influenced their attitudes and beliefs toward the strategic decision, the answers from Sections 5.1 and 5.2 were the basis for this analysis.

#### **Action and outcome**

Farm size, as a dimension of heterogeneity, was an aspect that could influence an individual's attitudes and beliefs toward the strategic decision. According to Peter et al., (1999), an individual's attitudes and beliefs are affected by the external factors that exist in the individual's life; these factors become farmers' self-interest and are involved when evaluating decisions. For larger farms, self-interest could be observed among those who wanted to increase their milk production without being affected by the price quota. These members were therefore not as positive about the decision as the other members. Members who had a production of milk close to or exceeding the quota limit felt that there were more disadvantages with the price quota system than those who had smaller farms and were not as close to the fixed quota limit. According to Peter et al. (1999), individuals evaluate the behaviour and examine the possible outcomes with a focus on their interests. Their interest also plays a crucial role if the individual expresses support for or opposition to a decision.

Members with a larger number of cows saw a greater impact on their business regarding the strategic decision than those with fewer cows. An aspect similar for several members' attitudes and beliefs regarding the price quota system, regardless of farm size, was that they perceived a need for a system to control the inflow of milk into the dairy. Therefore, the price quota system was something that all members thought was necessary, even though it could negatively affect members with larger farms.

The difference, however, is that the smaller farms also regarded it as a functional aspect to limit the large farms from expanding even more. The members found that the decision about the price quota system was necessary for the dairy's survival because the dairy did not have the capacity to take care of all the milk members delivered there. The price quota system was a way to limit the quantity of milk delivered and provide a space for the smaller members to stand against the larger, according to the members. Therefore, the members were homogeneous in their final behaviour toward achieving success for the dairy because it would lead to progress for individual members.

Table 1 lists the members' position toward the strategic decision regarding the introduction of a price quota system in Gäsene Mejeri. The results are arranged according to farm size, with small farms between 20 and 45 cows, medium farms between 46 and 120 cows and large farms between 121 and 600 cows. Farm size is on the horizontal axis. The members were allowed to rate their attitude toward the price quota system from one to five, with 1 meaning that the individual saw the decision as defective and 5 meaning that the individual saw the decision as very positive; this scale is on the vertical axis.

*Table 1. Members' attitude toward the price quota system in relation to farm size*

Price Quota	Farm size			Total amount
	Small	Medium	Large	
<b>1 Very defective</b>			1	<b>1</b>
<b>2 Defective</b>			1	<b>1</b>
<b>3 Neither nor</b>	3	3		<b>6</b>
<b>4 Positive</b>	3	2	2	<b>7</b>
<b>5 Very positive</b>	1	2	3	<b>6</b>
<b>Total amount</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>21</b>

Table 1 shows that only two of the members considered the decision on the price quota system to be defective (1 to 2). Individuals who saw the decision as right (4 to 5) were as many as 13 members, which corresponds to 62% of all members who thought the decision to implement price quota what right. Of these, five members belonged to the large farm category, and even if the decision would affect their business negatively, they thought the decision was valuable for the diary. However, only individuals in the category large farms consider the decision to be defective (1 to 2). The members with medium farms thought that the decision was neither nor (3) or good (4 to 5), while members with small farms had similar attitudes as the medium size members. As described above, members with large farms were affected to a greater extent by price quota system, which obstructed expansion or reduced revenue for those with a large milk production. However, no significant connection could be studied between the individual's final behaviour toward the price quote system and farm size since the majority in these groups considered the decision to be either positive or very positive (4 to 5). However, a possible dissatisfaction among the individuals in the group of



large farms was studied, where two individuals viewed the decision as defective or very defective (1 to 2).

To carry out the relationship between dimensions of heterogeneity and the strategic decision on price quota, a connection was studied between members who planned to or had recently completed the succession and their view on the price quote as obstructive. These individuals were planning to expand their milk production when the next generation took over to manage financially on only milk production in the future. In these cases, the members considered it essential to be able to increase the delivered milk, but a price quote system can limit growth as this contributes to a lower milk price for the member. In some situations, the price quota could contribute to a more complicated succession related to the intended expansion of the members' milk production. According to Höhler and Kühl (2018), successions differ between the members, and this difference is reflected in how they invest in their businesses. Succession is therefore a dimension of heterogeneity that differs between the members of Gäsene Mejeri. Even members who had a succession planned saw the decision on implementing a price quota as necessary for the cooperative and therefore more advantageous than disadvantageous.

### **Social pressure and norms**

Several of the members saw the price quota as necessary for Gäsene Mejeri, but as individual farmers the decision might not be the most beneficial. For example, if the farmer wanted to make an investment and expand their business in the future, this quota could be an obstacle according to self-interest. Members' concern about investing in their farms is a dimension of the heterogeneity observed among the members. Also, the members' personal characteristics, in the form of entrepreneurial spirit, were observed in the final behaviour toward this decision. Individuals with a strong business mindset looked positively on this decision as it contributed to the dairy's capacity to be fully utilised.

In cases where members had planned for or completed successions, which is a dimension of heterogeneity, the individuals saw the decision as impeding their own business. However, these individuals also saw the necessity of the decision, similar to those individuals with a production that had a direct impact. According to the members, it was essential to disregard their self-interests when it comes to the cooperative because the success of the dairy contributes to the individual farmer in the long-run as well. This perspective can be linked to social pressure where members are expected to put the dairy's success first. Subjective norms relate to the individual's behaviour and can be explained as the social pressure from other individuals to adopt a specific behaviour (Peter et al., 1999).

Some members saw the decision as necessary based on confidence and trust that the board would make the best decision for the cooperative. Most members felt that the strategic decision was the right choice. Individuals with high confidence in the board had a final behaviour that was in line with the board's. Where it can be observed, a shared norms among the members to put the dairy mainly when strategic decisions are made. The individuals mentioned that the strategic decision was a proposal from the board. They termed it as a necessary decision that contributed to the cooperative's survival. When an individual in the membership was perceived to have a final behaviour that deviates from their own interests, he or she focused on what is best for the cooperative. The individual's behaviour could also be explained by the social pressure from other individuals to adopt a specific behaviour. As the norm for individuals in the membership is to deviate from self-interests and focus on the success of the cooperative, the individuals' view of the price quota system's necessity for the

cooperative can be explained by the influence of social pressures according to subjective norms.

### **Individual control**

Different degrees of control were studied among the individuals in the membership. Some saw themselves as having an interest in controlling their own production, and the attitude toward the control of decisions could be seen as an indicator of reliability in the board's competence. This can be compared with the personal characteristics of a larger business mindset in some individuals where farm size influences how the individual perceives the risks and importance of control.

### **5.3.2 Agreement with Coop**

The other strategic decision decided on in Gäsene Mejeri was an agreement with Coop to take over their production of household cheese. Further information about the agreement is presented in Section 2.2. The members were asked about their thoughts and attitudes against the decision. To analyse the members final behaviour to the agreement and what influenced their attitudes and beliefs toward the strategic decision, the answers from Sections 5.1 and 5.2 formed the basis for this analysis.

#### **Action and outcome**

Several of the individuals in the membership described the decision as external and hence without a direct impact on the individual members. The study showed that the final behaviour among members was to express support for the collective strategical decision since it contributed to a deal that favoured the cooperative. This was seen positively from both an economic and a logistical point of view because the agreement would allowed Gäsene Mejeri to use members' produced milk to a greater extent as the demand for cheese increased.

A few members considered that there was a risk that the agreement could contribute to increased financial risks for the cooperative since Gäsene Mejeri is placing great risks on an agreement where the operator can terminate the cooperation at any time. Such a case risks putting the cooperative in an economically difficult position. Members were positive about the decision when it was determined that Gäsene Mejeri's logo would appear on the packaging, a move that they believed would benefit the cooperative's placement in the market and increase demand for their own products.

Table 2 indicates the members' position on the strategic decision to enter into an agreement with Coop. To compare the members' attitudes, they rated the decision on a scale of 1 to 5. The individuals are divided by farm size, with small farms between 20 and 45 cows, medium farms between 46 and 120 cows and large farms between 121 and 600 cows. Farm size is on the horizontal axis. Members were allowed to rate their attitude toward the agreement with Coop on a scale of 1 to 5, with 1 meaning that the individual saw the decision as defective and 5 meaning that the individual saw the decision as very positive; this scale is on the vertical axis.

*Table 2. Members' attitude toward the agreement with Coop in relation to farm size*

Coop	Farm size			Total amount
	Small	Medium	Large	
Value of 1-5				
1 Very defective				0
2 Defective				0
3 Neither nor		2	4	6
4 Positive	4	2		6
5 Very positive	3	3	3	9
<b>Total amount</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>21</b>

Table 2 shows that no members considered the agreement with Coop to be defective (1 or 2), while six members saw the decision as neither nor (3). Fifteen members thought that it was a good decision (4 or 5). Thus, 71% of the members surveyed considered the decision to be good. Farm size as a dimension of heterogeneity, therefore, had no significant role in the members' agreement with the decision to enter into agreements with the Coop.

### **Social pressure and norms**

Many of the members mentioned that the strategic decision was a proposal from the board, which termed it as a necessary decision that contributed to the cooperative's survival. When an individual in the membership was perceived to have an attitude that deviates from their own interests, he or she focused on the success of the cooperative. This act can be linked to the second part of the theoretical framework and to subjective norms regarding the individual's behaviour. Therefore, be explained as the social pressure from other individuals to adopt a specific behaviour (Peter et al., 1999). The members perceived that social pressure to put the cooperative first in the evaluation of decisions could be an aspect that makes the members disregard their self-interests. Peter et al. (1999) mention that the intention the individual creates is influenced by how outside forces want the individual to act. As the norm for the individuals in the membership is perceived to be a final behaviour that deviates from self-interests and focuses on the success of the cooperative, the individual's view of the agreement with Coop necessity for the cooperative can be explained by the influence of social pressures according to subjective norms.

The attitude to the agreement with Coop was that it contributed economic benefits to the cooperative, but members' expressed support or opposition to retailer branded products varied. Some members had no opinion since they had insufficient information regarding the extent of the agreement, while others trusted the board and their competence. The members shared the attitude about the importance of the agreement based on increased sales and use of the excess milk. In this case, members had a final behaviour that the cooperative should be put first, as with the attitude toward the price quota system. The attitude of the individuals reflected the board and management's competence. Peter et al. (1999) describe normative beliefs as based on what an individual's believes about other individual thoughts on how they should behave and on the degree of pressure from others, social pressure. Social pressure refers to the expectations from other individuals and the board on how the individual should focus on the strategic decisions regarding the agreement with Coop.

### **Individual control**

The members saw the agreement with Coop as an external decision and did not seem to have either control or responsibility over the strategic decision or the decision-making process in the cooperative. They saw the contract as related to the dairy companies rather than as

affecting members or individual businesses. Hence, the control in the decision was left to the board. Members did show concern regarding the risks of this type of binding agreement and what it could pose for the dairy. This concern was based on the premise that a successful dairy contributes to the success of individuals in the membership. Members agreed that this decision was not something they had the ability to control, and therefore, to the individual, control of this strategic decision was undermined both by the influence of the member's view of the action and outcome as well as social pressure and norms.

## 6 Discussion

This chapter presents a discussion of the results and analysis related to the theoretical framework (see Section 3.3). The chapter is divided into two parts, each of which covers a research question. The research questions were meant to contribute to answering the aim of the study. The research questions contributed to setting the framework for the study's discussion, which then led to the conclusion of the study, provided in Chapter 7. The conclusion contributes to answering the aim of the study.

### 6.1 What are the main dimensions of heterogeneity among members in the Gäsene Mejeri cooperative?

Peter et al. (1999) describe external factors as basic for an individual's attitudes and beliefs. These external factors cover an individual's personal characteristics but also farm-specific variables and external factors that affect the individual. In the case of Gäsene Mejeri, the membership consists of individuals with several external factors.

The main heterogeneity dimensions observed in the Gäsene Mejeri membership can be divided into two categories: member-level and farm-level heterogeneities. According to Höhler and Kühl (2018), external factors can be divided into three levels: member-level, farm-level and product-related heterogeneities. Product-related heterogeneity, however, includes differences in product quality, in this case, the quality of milk. The quality of milk was not studied during the interviews and is not considered to be relevant since the study focuses on other factors. Therefore, product-related heterogeneity is beyond the scope of and not significant to this study.

#### **Member-level heterogeneity**

Member-level heterogeneity is the individual's age and personal characteristics, in terms of entrepreneurial spirit, which was observed to be the most heterogeneous factor in the membership. The age of the members varied between 20 and 70 years, and the attitude to development differed between the ages. Succession had been carried out on several farms where the younger generation had taken over the production from a family member. Other individual's view of successions depended on the prevailing family situation, with conditions for this to be implemented depending on whether or not someone in the family was willing to take over.

The prospects for continued operations at the farms observed depended on the individual's potential for succession, and the choice to expand or invest depended on the outcome. If the individual had the prerequisites to conduct the business, there was a plan for future investments or recently implemented investments. Kalogeras et al. (2009) mention the differences in external factors and how these are reflected in differences in attitudes to goals. In the case of the members in Gäsene Mejeri, these external factors, in terms of prerequisites, affected individuals' goals for individual behaviours.

#### **Farm-level heterogeneity**

Farm-level heterogeneity includes factors such as farm size and investments (Höhler & Kühl, 2018). According to Höhler & Kühl (2018), the heterogeneity within cooperatives is increasing as a result of modernisation and structural changes. Among the members in Gäsene Mejeri, farm size was the most significant difference between the individuals and the difference that most members considered to be the most significant heterogeneity. The size of the herd varied from 20 to more than 500 cows.

Other farm-level heterogeneities includes factors such as investment and production (Höhler & Kühl, 2018). The differences observed at this level were related to investments; those with more massive production had or would invest in new technology to expand or streamline their production. All members have questions related to risk-taking when it comes to invest or not, where there was a trade-off between what an investment could provide for benefits for the individual member. According to Kalogeras et al. (2009), the differences in risk preferences and farm sizes are within the relevant factors in terms of individual preferences toward decisions and strategies. In the case of Gäsene Mejeri, members differed in personal characteristics, and the entrepreneurial spirit of the individuals had a significant difference. A group of individuals that described themselves as having a strong entrepreneurial spirit looked at investments as a way of keeping up with the developments. Other individuals were more satisfied with the current situation and did not regard development as a necessity. Here, dimensions of heterogeneity in the factor of personal characteristics was observed.

### **Product-related heterogeneity**

Since the quality of the milk was not considered to have a considerable difference in the members' productions, no further analysis was drawn regarding the impact of the dimensions of heterogeneity on the production level. No significant differences were observed regarding these external factors, and product-related heterogeneity was therefore delineated in this case study.

## **6.2 How do the different dimensions of member heterogeneity relate to members' and individual behavior towards strategic decisions in Gäsene Mejeri?**

To answer the second research question, it is advantageous with various dimensions of heterogeneity to see how differences in attitudes and beliefs affect an individual's final behaviour. According to Peter et al. (1999), external factors influence individuals' attitudes and beliefs, which are determinants for individual behaviour. In this research, individual attitudes and beliefs were studied with help of two strategic decisions: the price quota system and the decision to enter into an agreement with Coop, which will be referred to in this chapter as the two strategic decisions.

To study the relationship between the external factors and the final behaviour, individual attitudes and beliefs regarding the strategic decisions were clarified. According to Peter et al., (1999), final behaviours are influenced by the intention of the individual, which is influenced by action and outcome, social pressure and norms and, finally, individual control.

### ***Action and outcome***

According to Peter et al., (1999), individuals evaluate behaviours by considering what positive and negative outcomes a decision will contribute to, with a focus on the individual's own interests, which also play a crucial role in how the individual makes a decision. The individual's interests are based on external factors that affect the individual's attitudes and beliefs and contribute to how the individual evaluates a strategic decision within the cooperative. In the case of Gäsene Mejeri, several external factors distinguished the members and could be linked to the dimensions of heterogeneity. A homogeneous performance by the Gäsene Mejeri members was observed regarding the attitude to ensuring the best for the dairy. It is in the self-interests of the individuals in the membership to make decisions that are

positive for the dairy since success for the dairy is perceived to lead to success for the members.

According to the theoretical framework, the behaviour depends on whether the action is seen as more advantageous than disadvantages when the individual refers to their interests (Ajzen, 1991; Sussman & Gifford, 2018). The individuals believe that their activities benefit from cooperative success, which means that the self-interest of the members of Gäsene Mejeri is based on the idea that cooperative success contributes to the success of the member. The final behaviour among the members was that they were in favour of the decisions and therefore expressed their support. Since individual intention influences behaviour, the intention is influenced by attitudes, subjective norms and perceived control over behaviour.

### **Social pressure and norms**

The members of Gäsene Mejeri experience different types of social pressure, which leads to differences in attitudes and beliefs regarding the strategic decisions. The members were informed that the decisions were necessary for the dairy's survival. The decisions came through proposals from the board. The individuals demonstrated a positive attitude and acceptance of the decisions since the decisions were based on board decisions. These individuals also had the idea that the board, as members, sought the best for the dairy. The individuals exhibited trust in the board through their view of having common norms and values that contribute to the cooperative success (Ajzen, 1991; Paldam & Svendsen, 2000). Trust is a prerequisite of the relationship between the board and a member of a cooperative and is seen as one of the main advantages of a cooperative (Sodano, 2002). These individuals trusted the board and hence saw the board to be in line with individual interests.

Subjective norms relate to an individual's behaviour and can be explained as the social pressure from other individuals to adopt a specific behaviour (Peter et al., 1999). In the case of Gäsene Mejeri, there is a general attitude within the cooperative that the individual should seek the best for the cooperative and that this will ultimately benefit the individual. This belief affecting the individual can be seen as social pressure. Social pressure means that the individual takes a positive view of what the board decides as the individual believes that the board grounds its decisions in what benefits the dairy. The trust in the board is based on an attitude that the decisions the cooperative takes are for the best. The choice of the board is a cooperative decision as board members are chosen via democratic voting. Hence, an acceptance of attitudes and beliefs of the board leads to the strategic decisions. The individuals and their interests further accept these decisions. If the members feel confidence and commitment to the board and their decisions, the final behaviours of the individual members show their express support for the strategic decision.

### **Individual control**

No observed factors were linked to perceived control over the behaviour and control beliefs since individual members had no strong positions regarding the control of their own decisions in the cooperative. One contributing factor to this is that the other two categories of attitudes and beliefs have an important influence on the members and thus had a more significant role when the individual designed his or her intention. The different attitudes and beliefs have different effects on members in different situations and behaviours, and different situations had different attitudes and beliefs that played a greater role (Ajzen, 1985, 1991, 2001). The two strategic decisions were based on board decisions, which means that members did not have a direct influence or significant impact on the final strategic decision.

Most members displayed a high confidence in the board, which can be linked to subjective norms. The members' interests were based on the idea of focusing on the success of the dairy, and this can be linked to attitudes toward behaviour. Attitudes toward behaviour and subjective norms had a greater influence on the members' final behaviour than control over the behaviour. The members had no strong positions on control over their own decision in the cooperative based on the individual's high confidence in the board. Therefore, their final behaviour aligned with the board's strategic decisions.

### **Summary**

In conclusion, there are different dimensions of heterogeneity among the Gäsene Mejeri members, and these can be studied through external factors among individuals that contribute to different requisites for each member. Despite differences in external factors, similarities were observed in the individual's attitudes and final behaviours. A common attitude among the members was to put the dairy first. The members were homogeneous in attitudes about the wishes of the outcome of the strategic decisions based on a desire for full utilisation of the dairy's capacity. However, heterogeneity existed among the members' final behaviour regarding which strategic decisions to adapt. The external factors impacted differences in final behaviours based on the prerequisites for the individuals regarding differences in farm size and business mindset. These external factors contributed to the individual's perception of being affected to varying degrees by strategic decisions. However, differences in attitudes create an innovative membership where different attitudes and beliefs can contribute to new ideas. According to Hendrikse (2011), it is beneficial to have a membership score that has several dimensions of heterogeneity as it contributes to increased innovation.

Trust in the board was observed to have a great impact on individual attitudes and beliefs toward the final behaviour. Trust forms the basis of a group's shared values and norms (Coleman, 1988). Individuals with high confidence in the board have attitudes and beliefs that are in line with the board's. A shared norm was observed in the members' idea to put the dairy first when making strategic decisions. This norm can be described with as social pressure from other individuals, with an expectation that because all members are assumed to disregard their interests and instead focus on the success look to the best of the dairy. There are external factors that form the basis of attitudes and beliefs, which is what and affects whether an individual has a positive or negative attitude toward an individual's intentions (Ajzen, 1985; Ajzen, 1991, Ajzen 2001; Peter et al., 1999; Ajzen, 2001)

The individual had no direct influence on the adoption of strategic decisions and hence had no real opinion on control beliefs. In general, members had confidence in the board's competence to make decisions that benefited the individual. From this, it can be demonstrated that individual control had a relatively small influence on the action and outcome and social pressure and norms. Attitudes and beliefs are the basis for individual intentions, but all three parts do not carry the same weight on the final behaviour in different situations (Ajzen, 1985; Ajzen, 1991; Ajzen, 2001). This research focused on the individual members' final behaviour toward two specific strategic decisions. The impact was more significant to the individual's attitudes and beliefs on action and outcome as well as social pressure and norms to the individual's final behaviour. Individual attitudes and prerequisites, then, affected how the individual members developed final behaviours, in this case expressing support for or opposition to collective strategic decisions, within a group with differences in attitudes and beliefs.



## 7 Conclusions

This chapter presents the research conclusions. These conclusions contributed to the aim of the study, which was to explore how heterogeneity in the members of a cooperative affects the collective strategic decision.

An empirical investigation was conducted with the members of Gäsene Mejeri to investigate their final behaviour toward strategy decisions decided on in the cooperative. The conclusions from the study are presented below:

- Dimensions of heterogeneity were studied through external factors affecting the members. The external factors studied were age, succession, personal characteristics (entrepreneurial spirit) and farm size. These contributed to the individual's perception of being positively or negatively affected by strategic decisions.
- The heterogeneity within the members' external factors impacted differences in attitudes and beliefs, which were influenced by the individual's different requisites. Differences in attitudes create an innovative membership and contribute to new ideas.
- The attitude that cooperative success leads to benefits for the individual members meant that members perceived a need to assure the best for the dairy when developing final behaviours regarding collective strategic decisions. This, in turn, can be described as a type of self-interest of the individual and was a homogeneous dimension among the members.
- Individual trust in the board impacted individuals' final behaviour. Trust is based on an individual's perceptions of conformity in goals, norms and values between the individual and the board. This performance contributed to the members creating behaviours toward collective strategic decisions that were in line with the board's.
- An individual's perception of the advantages and disadvantages of an outcome and external expectations and social pressure influenced whether the individual expressed support for or opposition to a decision. Their ability to control decisions as they evaluated what was best for the dairy and their high trust in the board could mean that their final behaviour would accord with the board's behaviour in collective strategic decisions.
- The dimensions of heterogeneity within the membership affected members' attitudes and beliefs, which affect the individual's final behaviour toward collective strategic decisions through external factors' influence on individual prerequisites, which lead to differences in self-interests. However, self-interest did not significantly impact the members' final behaviour. The members possessed a notion of putting the dairy first, and the importance of self-interest decreased. This notion had a stronger significance for individual attitudes toward the final behaviours than the dimensions of heterogeneity. Therefore, the view of putting the dairy first had a greater impact on individuals' final behaviours than the heterogeneous dimensions studied on the individual level.

Several dimensions of heterogeneity among the Gäsene Mejeri members were observed. These dimensions influenced how members agreed to strategic decisions decided on in the cooperative. The result of this study is that it is necessary for Gäsene Mejeri to examine members' final behaviours against the two strategic decisions by looking at their expressed support or opposition. Furthermore, the collective attitude of the members regarding putting the dairy's success first and the high trust in the board had a significant role for individual behaviours regarding collective strategic decisions. This study was performed on Sweden's smallest cooperative, which has a decentralised governance; further research of a cooperative with a larger membership, where the distance between the members and board is greater, could be relevant.

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## Personal messages

CEO of Gäsene Mejeri. Telephone interview, 2019-02-15.

Chairperson of Gäsene Mejeri. Telephone interview, 2019-02-18.



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Uppsala

Rebecka Lööf & Karin Sigurd

# Appendix 1 Interview guide – CEO and chairperson

## **Strategies:**

- Which strategy decisions have Gäsene Mejeri adopted in recent years?
- Are there any other major strategies that Gäsene has adopted historically?
- What strategies have been rejected? Why?
- How are decisions made at Gäsene Mejeri? How does the decision process work?
- Why are there no external partners on the board?
- Are there any strategy decisions where members have disagreed?
- Which are the success factors of Gäsene Mejeri?

## **The Membership:**

- What common factors can be studied with the individuals in the membership of Gäsene Mejeri?
- What differences can be studied among the individuals in the membership of Gäsene Mejeri?
- What advantages and disadvantages do you see in the cooperative with the fact that there are differences among the individuals in the membership of Gäsene Mejeri?
- Do you think Gäsene has a heterogeneous membership? This has been important for the cooperative's success?

# Appendix 2 Interview guide - Members

## **Individuals:**

- How old are you?
- What is your gender?
- What is your education?
- What is your background before you became a milk producer?
- How many years have you been an active milk producer?
- How many family members are active in agriculture?
- How long do you plan to be a producer? Is a succession possibly relevant in the future? Or has it just been a succession?

## **Farm level:**

- What is your production look like? Quantity delivered milk? The number of cows?
- Do you have more production branches on the farm besides milk?
- Do you have other sources of income than milk production?
- How many employees do you have?
- Are there investments in operations carried out recently? Are there plans to invest in the business in the future?

## **The individual and the cooperative:**

- How many years have you been an active member of Gäsene Mejeri?
- Are you active or have been active in the board of Gäsene Mejeri?
- What do you see for the added value of being a member of Gäsene Mejeri?
- How do you set out to make contributions to the association?
- How do you see your ability to influence decisions taken in the cooperative?

## **The individual and the members:**

- How is the cooperation between the members of the cooperative?
- How do you feel that the degree of agreement between the members of the current issues concerning the dairy business?
- What differences are most apparent between individuals in the membership of Gäsene Mejeri?

## **Attitudes towards behaviour:**

- How do you evaluate the decision to introduce a price quote system regarding the milk prices taken in Gäsene Mejeri?
- How do you evaluate the decision to enter into an agreement with Coop to produce their household cheese?
- How do you think these two decisions (price quote system and Coop) will affect Gäsene Mejeri? Positive outcomes and negative outcomes?
- How do you think these two decisions (price quote system and Coop) will affect you as an individual member? Positive outcomes and negative outcomes?

## **Attitudes towards social norms:**

- How much consideration do you take to the other members and to the dairy when you make a decision in the cooperative?
- How do you think other members and stakeholders in Gäsene Mejeri will think about your decision?

**Attitudes towards control:**

- How important do you see that your ability to make a decision in Gäsene Mejeri is?
- How thoughtful you are when you make a decision regarding the cooperative?

**Other questions**

- Do you feel that all members were equally interested in issues concerning dairy operations?
- Do all members help to solve any problems that may arise?
- Do you think there are any wrong decisions that the Board has decided on? In that case, what decisions?

**On a scale of 1-5**

- To what extent do you think the price quota system was a good decision?
- To what extent do you think entering into an agreement with Coop was a good decision?
- To what extent do you feel that the members have similar preferences when it comes to choosing strategies in the cooperative?
- To what extent do you feel that all members are equally involved in elections and involvement within the cooperative?
- To what extent do you think the board is listening to what you members have and say?
- To what extent do you feel that the membership has confidence in the Gäsene Mejeri Board?
- To what extent do you feel that the degree of agreement between the members of the current issues concerning the dairy business?
- To what extent do you think that Gäsene Mejeri has a heterogeneous membership?