Factors Influencing Member Value in Agricultural Co-operatives in Vietnam

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Marketing Discipline
2018
Declaration of Originality

I, Pham Trung Tuan, certify that this thesis has been substantially accomplished during enrolment in the degree. This thesis does not contain material which has been accepted for the award of any other degree or diploma in my name, in any university or other tertiary institution. No part of this work will, in the future, be used in a submission in my name, for any other degree or diploma in any university or other tertiary institution without the prior approval of The University of Western Australia and where applicable, any partner institution responsible for the joint-award of this degree.

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Signature: ______________________
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Date: 18 September 2018

Abstract
The main objectives of this thesis are (a) to look into factors that either stimulate or discourage development and functioning of agricultural co-operatives in a context of moving from a centrally planned economy to open market system, and (b) to make recommendations aimed at improving their ability to create and sustain value-adding activities for their members. The research relied on qualitative, multiple-case study approaches to gather and analyse data from field work and secondary sources. Eight agricultural co-operatives which were classified as high and low performance were purposefully selected for in-depth interviews. There is support for using the QSR NVivo and Leximancer software packages to better explore qualitative data. Theoretical propositions relating internal and external attributes to value-creating performance were tested against patterns observed in the data.

Agricultural co-operatives have a rich history of serving farmers and providing agricultural services. They account for more than half of the existing co-operatives in Vietnam, and contributed significantly to creating employment and income for their own members and additional workers. The government has played a significant role in the evolution of Vietnamese agricultural co-operatives over the last few decades. Although co-operative development and promotion have enjoyed the support of the Vietnamese Government, as well as international development organisations and other stakeholders, various internal and external inhibitors have acted to constrain the progress and optimisation of opportunities that co-operatives present, especially in terms of management capacity, political intervention, member participation, credit service, and marketing service provision. Co-operatives are particularly useful for enhancing economic development of transition countries in which basic market economy infrastructure is either underdeveloped or is altogether missing.

To enable co-operatives to fulfil their important roles, a comprehensive renovation process must be executed to remedy the challenges presented by transition countries. This research confirms that current and future co-operative promoters, governments, prospective members and other stakeholders should take identified influential success factors into consideration when they organise co-operatives and formulate policies and strategies for co-operatives to improve their probability of success. Despite these limitations, the study offers support for the conceptual framework and suggests that it can be a useful mechanism through which the analysis of the state-led co-operative enterprise can be undertaken in a context of moving from a centrally planned economy to open market system.
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Dedication

This research work is dedicated to my late father who committed almost 40 years of his life to facilitating the development of agricultural co-operatives in Vietnam, and to my mother for her unconditional love and support.
### List of Abbreviations and Acronyms

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>AC</td>
<td>Agricultural Co-operative</td>
</tr>
<tr>
<td>CCA</td>
<td>Canadian Co-operative Association</td>
</tr>
<tr>
<td>CID</td>
<td>Canadian International Development Agency</td>
</tr>
<tr>
<td>DID</td>
<td>Développement International Desjardins</td>
</tr>
<tr>
<td>ICA</td>
<td>International Co-operative Alliance</td>
</tr>
<tr>
<td>MARD</td>
<td>Ministry of agriculture and Rural Development</td>
</tr>
<tr>
<td>MPI</td>
<td>Ministry of Planning and Investment</td>
</tr>
<tr>
<td>MVP</td>
<td>Member Value Proposition</td>
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<tr>
<td>NGCs</td>
<td>New Generation Co-operatives</td>
</tr>
<tr>
<td>NIE</td>
<td>New Institutional Economics</td>
</tr>
<tr>
<td>SOCODEVI</td>
<td>Society Cooperation for Development International</td>
</tr>
<tr>
<td>TCEs</td>
<td>Transaction Cost Economics</td>
</tr>
<tr>
<td>RQ</td>
<td>Research question</td>
</tr>
<tr>
<td>UWA</td>
<td>The University of Western Australia</td>
</tr>
<tr>
<td>VCA</td>
<td>Vietnam Co-operative Alliance</td>
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<tr>
<td>VND</td>
<td>Vietnam Dong</td>
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**Equivalent:** $1 \text{ AUD} = 17,000 \text{ VND (December, 2017)}$
Chapter 1: Background of the study and contextual setting

Summary of the chapter

This introductory chapter provides an overview of the entire thesis. It outlines the main aims of, and the justification for, this study. This includes an overview of the research context and literature and how the research problem and questions were formulated. Justifications of the study were given based on the consideration of an existing knowledge gap and the significance to both researchers and non-researchers alike. The content of this chapter provides the foundations for the remaining part of the thesis. The literature review of the key constructs follows from here. The next chapter reviews the literature on co-operatives, their performance and eventual sustainability.

Vietnam as a transitional economy and its relation to co-operative development

In the last decade – and in some cases, from the beginning of the 1980s – many Asian, East European and African countries have experienced a major shift from centrally planned to market-driven economies (Wolz, 2000). This transition began in Vietnam in 1986 with the establishment of the Doi Moi plan or “renovation” reforms. That program marked the beginning of Vietnam’s move to the open market system. Since then Vietnam has emerged as one of the fastest growing economies in South East Asia. In only a few years Vietnam progressed from being a rice importer to one of the largest rice exporters in the world. During the 1990s, gross domestic product (GDP) growth averaged 7.9 per cent per year (Wolz & Bao Duong, 2010) and has been consecutively increasing since 2001, with an estimated growth of 8.4 per cent in 2005, the highest level in nine years (Hai, 2014). Importantly, poverty has reduced from 57 per cent in 1993 to less than 20 per cent in 2005 and 6.5 per cent in 2017 (Balisacan, 2011; Kerkvliet, 2018b). Poverty reduction also appears to be broadly based with
the Gini index (measuring inequality) increasing only slightly from 1993 to reach 0.34 in 2004, and 0.25 in 2017, yet remaining lower than many other East Asian developing countries (Hai & Iwamoto, 2014; Porter & Kerkvliet, 2018; Raymond, 2008; Wolz & Bao Duong, 2010).

This rapid growth has been attributed to a steady transition from a centrally-planned economy to a market-based system and closer integration with world markets (Wolz & Bao Duong, 2010). During the last three decades people have witnessed several steps in this transition. The first informal step was economic liberalisation, which had already been implemented, mostly at the local level. This change, while generally welcomed as a sign of democratisation, has also had dramatic economic and social consequences for many small enterprises. Co-operatives, which had been subjected to State control for decades, remained subject to the influence of the government as Vietnam implemented a cautious process of economic transformation (Kirsch, 1997; Raymond, 2008; St John, 1997; Wolz & Bao Duong, 2010).

Moreover, several scholars have insisted that the transition from a socialist-oriented central planning system to a more market-oriented one can only be of a lasting manner if appropriate institutions and organisations are established to facilitate the transformation process (Deininger, 1995; Gardner & Lerman, 2006; Kirsch, 1997; Wolz, 2000). That is because the traditional institutions and organisations developed for the central planning system have become obsolete. In this situation, the Vietnamese government soon realised that the agricultural co-operatives play a significant role in the transitional process, and that these co-operatives would only survive if they were transformed into market-oriented co-operatives based on internationally recognised principles of cooperation. This required that co-operatives focus on delivering economic benefits to their members. Otherwise, co-operatives’ members would lose interest and the co-operative would have to be dissolved. On the members’ side, the millions of small-scale farmers were in urgent need of new institutions and organisations
in order to provide efficient support services, and improve their agricultural production (Kirsch, 1997; Wolz & Bao Duong, 2010).

As with the implementation of the market economic system in Vietnam, the guidance of the economy through central planning had to give way to a decentralised management through markets. With respect to agricultural co-operatives, this transformation process involved a conversion and restructuring of these mutual enterprises. This required, in part, a legal conversion and, in part, an organisational restructuring of the “socialist” entities into viable business units. It is also evident that those co-operatives which had been characteristic of the former system were no longer compatible with the market-economic system; thus, new types of co-operatives had to be established in the nation (Hai, 2014; Wolz & Bao Duong, 2010).

**The roles of agricultural co-operatives in the past and in the transitional period**

*The roles of co-operatives in the period of central-planning economy 1954 - 1986 (state-control co-operative)*

In Vietnam, agricultural co-operatives in centrally planned economies were used as state tools for the collectivisation of land and capital. The co-operatives under this system could rarely be called true co-operatives. They have been described as “pseudo-co-operatives” or “top-down co-operatives,” as voluntary membership, autonomy of the enterprise and other essential characteristics of a true co-operative association were not found there. These co-operatives often looked after the state’s needs rather than the needs of co-operative members. In many cases there was little difference between state-owned enterprises and so-called “co-operatives” (Golovina & Nilsson, 2011). In broad terms, co-operatives were subjected to considerable state interference at all levels of their operations, and were used as a transitional step in nationalising
production factors in the agricultural sector (Kirsch, 1997; Kirsch, Armbruster, & Kochendoerfer Lucius, 1984; Wolz & Bao Duong, 2010).

**The roles of co-operatives in the period of transitional economy 1987 to the present**

Agricultural co-operatives were thought to have played a key role in the transformation of the agricultural sector (Chloupkova, 2002; Kirsch, 1997; Kirsch et al., 1984; Nuhanovic-Ribic, 2015; Pattison, 2000; St John, 1997). From the transitional point of view, the co-operatives can be used for economic reform in agriculture if given time, and they could empower the farmer as well as provide a sustainable livelihood, which benefits the entire economy. Firstly, co-operatives could become a form of guidance by assisting the affected individuals in rural areas to adjust to a new socio-economic system. Most of the rural people were affected significantly by the transformation process. And secondly, in transition to new conditions which are internationally recognised, co-operatives also act as a type of life support system because of their humanitarian character as self-help organisations (Kirsch, 1997; Pattison, 2000; Wolz & Bao Duong, 2010).

From an economic point of view, co-operatives have proved to be an appropriate instrument in implementing the economic transitioning process. On the one side, co-operatives aim to stabilise the economic system. On the other side, they can support the creation of an economically more prosperous middle class which will contribute to building up a market economy (Pattison, 2000; St John, 1997). To perform this function well, co-operatives have to be competitive with alternative forms of organisations. For individuals it makes sense to join a co-operative if they experience an economic and/or social benefit. Otherwise, they will rely on alternative options. Besides these factors, co-operatives seem to be the only option for many resource-poor rural entrepreneurs to get access to financial services at all. Banks mainly look at the value of collateral first when deciding on credit. In that case only those who own some
assets and have a certain level of income, that is, the better-off, have access to financial resources to improve their economic well-being even further. There is, thus, a new objective for an agricultural co-operative under the market-oriented economy as they no longer serve the interests of the state, but serve the interests of the members (Couture, Faber, Levin, & Nippierd, 2002; Pattison, 2000).

From a political point of view, co-operatives can be considered as an instrument to set up and strengthen civil society in Vietnam. Therefore, the establishment and promotion of co-operatives is in line with the official government policy of decentralising and devolving economic power structures (Wolz & Bao Duong, 2010). For example, co-operatives can be viewed as instruments in facilitating the transition from a centrally planned agricultural production system to the household economy (family responsibility system). Moreover, co-operatives form a potential means of self-determination for disadvantaged individuals to build up countervailing power, first in an economic sense, but then in a political one as well (Tran, 2014). In short, co-operatives are potential tools in building a more democratic society at the local level. They offer the promise of being able to support the creation of an economically more prosperous middle class which will stabilise the political system (Nuhanovic-Ribic, 2015).

However, the co-operative movements in transitional countries still face challenges that jeopardise their ability to operate effectively (Chloupkova, Svendsen, & Svendsen, 2003; Pattison, 2000). Co-operatives are not isolated from their surroundings. The problems that many co-operatives face include the attitude and interference from government, the transformation of agricultural land and the loss of capital by land owners. Further, the often-volatile nature of the agricultural sector and the lack of ready access to credit by farmers also have negative impacts on co-operatives. Therefore, in order to be a part of the market-oriented system, the structure and governance of agricultural co-operatives needs restructuring in order
to enable co-operatives to improve the economic situation of their members. Further, to be competitive, agricultural co-operatives should provide a variety of services to their members rather than just access to land and machinery (Gardner & Lerman, 2006). Finally, agricultural co-operatives will also experience increasing competition from investor-owned businesses that operate within their existing markets.

**Research problem**

As mentioned above, despite rapid economic development achieved over the past 15 years, Vietnam is still a developing economy and belongs in the category of transitional economies. It is characterised as an agrarian state in which agricultural production dominates both the society and the economy. Nghiem (2008) has shown that 76 per cent of Vietnam’s population live in rural areas and 72 per cent of those people are engaged in the agriculture sector. This sector contributes 40 per cent of Vietnam’s Gross Domestic Product (GDP) and is comprised of millions of small-holder farmers with low incomes. However, research suggests that in the process of transiting into a more market-oriented system, these farmers face increasing competition within global markets, while government support for agriculture has declined (Tran, 2014; VCA, 2017).

For these reasons, farmers have to look for solutions to enhance their position. In this situation, agricultural co-operatives are expected to play an important role in assisting small-scale producers to deal with these issues. Chibanda, Ortmann, and Lyne (2009) suggest that governments in transitional economies often promote the use of co-operatives as an appropriate vehicle that could empower their small-scale farmers, as the formation of co-operatives has the potential to deliver many benefits to farmers, such as increased bargaining power and the creation of economies of scale. Moreover, it has been stated that the agricultural co-operatives are responsible for one-third of the world’s total agricultural production and marketing (Fencl, 1997).
Recognising the importance of the social and economic impact brought about by these co-operatives, the Vietnamese government has attempted to use agricultural collectivisation to transform a poor, agrarian country into a modern, socialist nation with an industrialised economy. Therefore, since 1997 the Government has committed itself to creating a favourable environment for co-operative establishment by creating several incentives under the law and supportive policies in a two-fold strategy of sustainable rural development and small-scale enterprise development. For example, tax-free operations for the first three years, preferential access to government training programs, subsidies to procure machineries and equipment, free-of-charge land leases for the establishment of co-operative headquarters, and funding to support training and product-promotion activities (Ngheim, 2008; Wolz & Bao Duong, 2010). One form of support the government has established is to pay for “Advisory Boards” to provide human capital services to Vietnamese agricultural co-operatives (VACs). The government is also pushing for special contracts to be negotiated between the VACs and private investor firms (PIFs). These contracts involve the PIFs providing financial and technical capital as well as human capital in the form of marketing expertise to the VACs, and the VACs allowing the PIFs to directly collect agricultural produce and in some cases sell the produce. However, the government needs to pay the PIFs to get them to accept entering into a contract with VACs by reducing their tax rates and ensuring them a baseline price for agricultural products, which is a form of direct subsidy paid for by Vietnamese taxpayers.

Nevertheless, as mentioned above, these incentive mechanisms did not help to flourish VACs development effectively. With the available resources, co-operatives could not help themselves step out of poor performance (Hai & Iwamoto, 2014). To an extent, it seems that co-operatives are under the “development trap,” where they cannot develop with their own resources. Importantly, collectivisation seems to tie farmers to state-created co-operatives through a system of residential registration which linked co-operative membership with access
to food and rural employment and ensured a large, fixed supply of agricultural labour. This, thus, remains a problem which hinders autonomous and democratic co-operative development.

A review on state-controlled co-operatives will help to explain the situation. The social context inherited from the former socialist period appears to affect both the attitudes and behaviour of entrepreneurs and the attitudes of society at large towards entrepreneurship. Like the private sector, agricultural co-operatives in Vietnam have encountered numerous problems from the lack of enterprise culture during the socialist period. Furthermore, it is clear that in the context of Vietnam, despite the availability of extensive institutions created to govern and support agricultural co-operatives, their successful development is not guaranteed. Formal institutions could not make agricultural co-operatives work in the earlier periods. Many initiatives failed or encountered strong resistance because without experience in the basic principles of voluntary participation, there was a lack of participation from co-operative members. As a result, agricultural co-operatives lacked sufficient economic incentives for Vietnamese farmers.

For reasons such as this, the contribution of VACs in the rural economy has been gradually decreasing as fewer co-operatives are operating and membership in the surviving co-operatives is declining. A study into Vietnam’s co-operatives in 2014 indicate that only 60 per cent of the newly-established co-operatives are actually in operation; the remaining 40 per cent exist only on paper (Cox & Le, 2014; Hai & Iwamoto, 2014; Khoa, 2012). In addition, the number of co-operatives declined by 30 per cent (from 13,782 to 9,619) between 2005 and 2011 (Khoa, 2012; Nghiem, 2006), and the size of these co-operatives’ membership declined by 16 per cent (from 7.4 to 6.2 million) (VCA, 2017). In fact, more than one-third (39%) of Vietnam’s co-operatives are dormant or inactive (Cox & Le, 2014; Khoa, 2012; Wolz & Bao Duong, 2010). As a consequence, the contribution of this sector to Vietnam’s GDP has declined from 8.1 per cent in 2001 to 5.2 per cent in 2010, showing only a slight rise to 6.0 per cent in
2017 (Hai & Iwamoto, 2014; Tu, 2011; VCA, 2017). The contribution of the collective economy has been the lowest in comparison with other economic sectors since 1996, although the collective economy has been considered as the second important national economic sector since 1986 and the development of the collective economy in Vietnam has become unsustainable since then (Hai & Iwamoto, 2014; Nghiem, 2008).

Several associated factors may be responsible for this situation, hindering the performance of agricultural co-operatives in developing countries; these include institutional and governance factors (Chibanda et al., 2009; Cox & Le, 2014; Mazzarol, Reboud, Limnios, & Clark, 2014). Golovina and Nilsson (2011) argue that slow development can be due to misalignment between formal institutions (e.g., legislation) and the informal institutions (e.g., instrumentalities). This is consistent with what Mazzarol, Reboud, Limnios, et al. (2014) have found, that governments have a significant influence on the creation and demise of co-operative enterprises. Mazzarol, Reboud, Limnios, et al. (2014) suggest that co-operatives, as with any organisation, do not exist in a vacuum. To fully understand the nature of the problems challenging the co-operative, the system environment, the co-operative, and members level should be examined.

In the case of Vietnam, poor knowledge among the government officials, and the lack of experience among co-operatives’ directors and managers in dealing with the new challenges introduced by the competitive market are significant (Cox & Le, 2014; Hai, 2014; Kirsch, 1997; Wolz & Bao Duong, 2010). There is, however, no available research into crucial factors for the operation of co-operatives in a transitional economy like Vietnam. Therefore, the genuine and potential weaknesses inherent in traditional co-operatives which cause failures and constrain the establishment and development of co-operatives in less-developed country like Vietnam need to be closely studied in order to avoid similar pitfalls in future.
The question is, to what extent these inherent weaknesses constrain the establishment and development of co-operatives in a less-developed country like Vietnam. An appropriate co-operative development strategy is necessary that can be employed to make agricultural co-operatives in Vietnam successful and sustainable. This thesis contributes to this by filling in some of the extant knowledge gap. Further, this study emphasises the effects of the key internal and external determinants on the member value of selected agricultural co-operatives in Vietnam.

**Research questions**

Following on from the above description of the research problem, a number of research questions emerge:

RQ1: What does the historical evolution of Vietnamese agricultural co-operatives tell us about the nature of existing institutional and governance structures supporting co-operative?

RQ2: How have institutional factors influenced the performance of Vietnamese agricultural co-operatives?

RQ3: How have governance factors influenced the performance of Vietnamese agricultural co-operatives?

RQ4: What changes to institutional factors relating to Vietnamese agricultural co-operatives might improve performance?

RQ5: What changes to governance factors relating to Vietnamese agricultural co-operatives might improve performance?

**Justifications of the research**

To the author’s best knowledge, no prior studies have been carried out regarding the influential factors on the performance of co-operatives in the resource-constrained rural context of Vietnam, as well as the design of incentive mechanisms that can allow the co-operative to work
effectively. This research, therefore, will attempt to provide empirical evidence and analysis of the crucial factors that can secure co-operatives’ sustainability in Vietnam.

**Practical and theoretical contributions**

The practical contributions of this study are threefold. First, the research findings are expected to be applied effectively for the sustainable development of agricultural co-operatives in the context of Vietnam. Second, this study will also improve the understanding of challenges facing agricultural co-operatives so that government, policy makers, development partners, donors and promoters of co-operatives in the country understand co-operative-related policy and legal and regulatory frameworks that need amending to improve co-operatives’ performances. Finally, the study is also helpful to other researchers as a stepping-stone to organisational and business development of credible, viable and sustainable agricultural co-operatives in developing countries.

In terms of theoretical contributions, the research will, firstly, help co-operatives’ promoters, policy makers, legal and regulatory institutions, academicians and the co-operators to understand institutional and governance issues related to co-operatives’ philosophy, values and principles. Secondly, it will help stakeholders in the academic sector in designing academic and training curricula in co-operatives’ development, training or reference manuals on co-operative formation and management, and organisations’ assessment tools for auditing co-operatives’ organisations and enterprises. Even though the results of this study may not be generalised for the whole of Vietnam, it provides a pragmatic advocacy entry-point for co-operatives’ advocates for government, other policy makers, development partners, donors and promoters of co-operatives in the country to revisit the co-operatives’ legal and regulatory framework; it also aids in implementing policy measures suitable for the development of appropriate co-operatives’ structure and systems for smallholder farmers.

**Structure of the thesis**
The study is organised into fifteen chapters. Chapter 1 introduces the study by giving background information, introducing the research problem, objectives, and significance of the study. The objective of this chapter is to usher the study into a wider institutional socio-economic context perceived to be of importance to the overall understanding of the nature of Vietnamese agricultural co-operatives. Chapters 2 and 3 present an in-depth review of important concepts, theoretical-related background on agricultural co-operatives from a world perspective to the Vietnamese case followed by a review of previous studies, particularly empirical literature, related to the measurements of co-operative success, several internal and external factors influencing the performance and eventual sustainability of agricultural co-operatives and the conceptual framework. Chapter 4 discusses the global co-operative movement (in both the developed and developing economies), offers a classification of co-operatives, and their contributions to the world economy, and discusses the inherent constraints that hinder the evolution of co-operatives as well as their future development.

Chapter 5 is presented in two main sections: the first is a general introduction about study area (Vietnam); the second section provides an overview of co-operative evolution in Vietnam which includes different phases of co-operative development, categories of co-operatives and agricultural co-operatives’ characteristics as well as the roles of agricultural co-operative in Vietnam’s economy, while the final section is a chapter summary. Chapters 6 and 7 discuss the research methodology that will be used to assess the factors influencing the performance of selected smallholder rice co-operatives in Vietnam and relevant justifications. It gives a highlight on the research design, target population, sample size and sampling procedure, research instruments, pilot testing, methods of data collection, methods of establishing validity and reliability of data collection instruments, operational definition of variables, methods of data analysis and ethical considerations.
Chapters 8 and 9 present initial results of the empirical analysis of governance and institutional factors affecting co-operative performance in Vietnam. These chapters consist of data analysis, interpretation and summary of findings. Chapter 10 discusses the Leximancer text analytic software and its application to analyse qualitative data. Within case and cross-cases data analysis strategies which were employed in chapters 11 and 13 are also presented in this chapter. Finally, the details of eight case studies were also presented in this chapter. Chapters 11 and 13 present the research results of within case and cross-case analysis with help of Leximancer software, the comparison of codes which emerged from NVivo (chapter 8 and 9) were compared with those of Leximancer to increase the credibility of the findings, and created the final conceptual framework of Vietnamese co-operative. Chapters 12 and 14 discuss the key findings in depth, presenting these research results in relation to the related theories, and previous studies. Finally, chapter 15 presents the recommendations and the conclusions that were draw from the research findings in relation to the theories of the successful factors of agricultural marketing co-operatives. The implications of the research findings, limitations, and suggestions for future research efforts will also be presented.
Chapter 2: Theoretical foundations for research into co-operative enterprise

Summary of the chapter

This chapter is structured into five sections. The first section provides an overview of theories and conceptual frameworks which have been employed to investigate the development of co-operatives. Several empirical research studies related to success and fail of co-operatives will be presented in section two. The gaps in the literature review create section three of this chapter. Selecting theories for the proposed study area and an overview theoretical framework of this study is presented in the final section.

Theories for research into co-operatives

The evolution of the co-operative business has been researched from a wide range of theoretical perspectives (Staatz, 1989; Torgerson, Reynolds, & Gray, 1998). These include: Institutional Theory (Craig, 1993; Emelianoff, 1948); Game Theory (Sexton, 1986; Staatz, 1987); Population Ecology Theory (Bager, 1996; Nelson et al., 2016); Mutual Incentive Theory (Birchall & Simmons, 2004); Neo-classical Economics Theory (LeVay, 1983; Tennbakk, 1996); Transaction Cost Economics Theory - TCE (Ollila, 1989; Schrader, 1989; Staatz, 1991); Agency Theory (Bergeron & Lalancette, 1993; Hansmann, 1996); Property Rights Theory (Fulton, 1995); Corporate Governance Theory (Cornforth, 2004; Holmstrom, 1999); Paradox Perspective (Cornforth, 2004); Cultural Theory (Hogeland, 2006); Social Capital Theory (Nilsson, Svendsen, & Svendsen, 2012), and a Conceptual Framework for Research into Co-operative Enterprise (Mazzarol, Reboud, Limnios, et al., 2014).

Agricultural co-operatives have also been conceptualised by sociologists as a type of collective action (Welsh, 1997). The theoretical literature on agricultural co-operation was also addressed by scholars such as Staatz (1984), Fulton (1995), Cook (1995), Torgerson et al.
Among the many theories relevant to agricultural co-operatives are: TCE, agency theory and property rights theory, which are collectively referred to as New Institutional Economics (NIE) (Nilsson, 2001; Ortmann & King, 2007a; Royer, 1999). Neo-classical economics and transaction costs theories help explain the existence of co-operatives, while agency theory and property rights theory emphasise the problems associated with co-operative organisational forms. In the following sections, the key theories relevant to this study are discussed.

One of the first conceptual frameworks for studying into co-operative enterprises was developed by Emelianoff Ivan (1942) and Emelianoff (1948). Torgerson et al. (1998) claimed that Emelianoff Ivan (1942) made a major contribution to understanding the internal economics of co-operatives with his conception of the co-operative as a form of vertical integration, and his focus on the structural and functional relationships of members (the principals) to their co-operative marketing organization (the agent). Robotka (1947), Phillips (1953) and Aresvik (1955) later refined his model.

Helmberger and Hoos (1962) can also be regarded as having developed the first complete mathematical model of behaviour of an agricultural co-operative. Sexton (1995) considered this paper as “a landmark in the economic theory of co-operatives.” Helmberger and Hoos (1962) was based on the neo-classical economics theory of the enterprise was utilised to develop models of a co-operative using traditional marginal analysis. In their model, the co-operative’s objective is to maximize benefits to members by maximizing the unit input value through distributing earnings back to members in proportion to their patronage volume or use (Torgerson et al., 1998). Sexton (1995), in a review of the evolution in the economic theory of co-operatives in the United States, considered Helmberger and Hoos’ contribution as a milestone in the economic theory of co-operatives for three reasons. First, the analysis of co-operative and member behaviours was based on a clear set of assumptions. Second, the model
clearly distinguishes between short and long-run behaviours in a co-operative. Third, based on these characteristics, the model set the stage for further advances in co-operative theory in the late twentieth century (LeVay, 1983; Sexton, 1984).

Over the past few decades, the rapidly changing economic environment, which includes globalization and agricultural industrialization, has led many agricultural co-operatives to undertake substantial structural changes to meet new challenges. Royer (1999), for example, mentions that in addition to mergers, consolidations and acquisitions (horizontal and vertical restructuring), co-operatives have become increasingly involved in fundamental institutional changes (e.g., conversion to IOFs, and joint ventures with corporations). Thus, economists have developed three distinct but related methods to analyse organizational forms and their relationships within the market system, namely transaction cost economics (TCE), agency theory, and property rights analysis. Nevertheless, this chapter will focus on the three mentioned components of NIE. Before these are discussed, criticisms of the neoclassical theory of the firm will be presented.

**Neo-classical economics**

The term was originally introduced by Thorstein Veblen in his 1900 article “Preconceptions of Economic Science” (Aspromourgos, 1986). According to the neo-classical theory of the firm, each firm maximises its profits subject to its cost structure and product demand constraints. Transaction costs (i.e., costs of obtaining information about alternatives and costs of negotiating, monitoring, and enforcing contracts) are assumed to be zero, as are adjustment costs; resources are privately held and fully allocated among alternative uses purely in response to financial incentives. How a firm would behave under different circumstances can be hypothesised by analysing how changes in the firm’s constraints affect its profits (Ortmann & King, 2007a).
The rationale for co-operatives offered by neo-classical economic theory is that the co-operative business form is constructed so as to attain large volumes of business and thereby reap economies of scale. Hence, co-operative firms have a competitive advantage in industries where the average cost curve shows an ever-declining pattern, an expression of market failure (Sexton, 1984). Over time, the ever-changing economic environment, increasing globalisation and industrialisation has led many agricultural co-operatives to undertake substantial structural changes in order to adapt themselves to these fundamental challenges. For example, many have demutualised and converted to investor-owned firms (IOFs), or joint ventures with corporations (Ortmann & King, 2007a). Under these circumstances neo-classical economics is questioned in its ability to provide answers to many economic issues in both developing and developed countries (Kherallah & Kirsten, 2002).

As suggested by Williamson (2007), this theory ignores the role of institutions, and assumes economic agents operate almost in a vacuum. Some of its assumptions are unrealistic, such as zero transaction costs, perfect information, and full rationality. Importantly, the problem with many neo-classists is that they rely too heavily on supply and demand theory without sufficient regard to institutions. Moreover, the neo-classical model of the firm assumes profit maximisation, but the model does not explain how the resources within these firms are employed, allocated, and motivated to achieve maximum profits. This theory is not appropriate to answering questions about when, why, and how markets develop, the institutional factors required to facilitate market activity, and about the forms of organisations related to market activity (Royer, 1999; Sykuta & Chaddad, 1999).

Neo-classical economics is also often seen as relying too heavily on complex mathematical models, without enough regard to whether these actually describe the real economy. These authors argue that an attempt to explain a system as complex as a modern economy by a mathematical model is unrealistic and doomed to failure (Kherallah & Kirsten,
In general, neo-classical economics views the role of co-operatives as a form of mitigation against market failure. However, unrealistic assumptions are one of the most common criticisms made of neo-classical economics. The next section, which draws heavily on Royer (1999), Sykuta and Chaddad (1999), and Iliopoulos and Cook (1999), provides a summary of the main components of the new institutional economics, namely, transaction cost economics, agency theory, and property rights theory.

**New institutional economics (NIE)**

NIE is a multi-disciplinary field characterised by aspects of economics, political science, sociology, business organisation, law and history. If institutions are the rules of the game, then co-operatives as entrepreneurs are the players. Therefore, there is need to comprehend the concept of NIE with regard to its application to co-operatives.

The principal contributors to the emergence of the NIE approach are Ronald Coase, Oliver Williamson, and Douglass North. NIE acknowledges the important role of institutions and argues that the institutions of a country, such as its legal, political, and social systems, determine its economic performance. According to Coase (2000), this creates the importance of NIE for economists. Neo-classical economics, on the other hand, ignores the role of institutions. Economic agents are assumed to operate almost in a vacuum. By contrast, what NIE aims to do is provide an economic framework with both theory and institutions considered (Kherallah & Kirsten, 2002). The NIE approach does not assert that neo-classical theory is wrong, but simply that it is incomplete. NIE contends that when institutions work well, they can be largely ignored for economic analysis and standard neo-classical arguments remain valid. However, when institutions work poorly, their role must be considered explicitly (Kherallah & Kirsten, 2002; Sykuta & Cook, 2001).

Moreover, in contrast neo-classical theory, the new institutional economics approach argues that co-operatives exist because individual members recognise the potential benefits of
joining co-operatives, which could allow them to improve their marketing efficiency and competitiveness (Borgen, 2003; Cook, 1995; Cotterill, 1987; Hendrikse & Veerman, 2001; Porter & Scully, 1987; Valentinov, 2007). Thus, Kherallah and Kirsten (2002) admitted that NIE offers exciting opportunities to answer some of the economic problems that neo-classical economics have found difficult to address. It is clear that NIE offers a useful analysis tool which is more relevant to the study of co-operatives than other theories.

In criticising neo-classical economic theory, the NIE economists have developed three different but related methods to analyse organisational structures and their relationships within the market system, namely transaction cost economics (TCE), agency theory, and property rights analysis (Cook, Chaddad, & Iliopoulos, 2004). Sykuta and Chaddad (1999) consider neo-institutional economics as a subset of new institutional theory. The key difference between new institutional economics and neo-institutional economics is that the former forsakes the theory of perfect rationality, while the latter espouses the centrality of the concept of perfect rationality (Eggertsson, 1990). From their perspectives, TCE falls under the new-institutional framework while agency and property right theory primarily fall under the neo-institutional theory, although the three do contribute to a more complete understanding of integration, contracting, and organisation (Ortmann & King, 2007a). However, Royer (1999) suggested that these three methods could collectively be referred to as NIE due to the fact that they focus on institutions and institutional constraints rather than the profit-maximising behaviour of abstract firms in the neo-classical paradigm.

**Transaction cost economics (TCEs)**

Transaction costs were first identified by Coase (1937) as the costs of organising and transacting exchanges. Transaction costs include the costs of gathering and processing the information necessary to carry out a transaction, of reaching the decisions, of negotiating the contracts, and of policing and enforcing those contracts (Williamson, 1981). The transaction
cost economics (TCE) approach focuses on how the characteristics of a transaction affect the costs of handling it through markets, bureaucracies, and other forms of organisation (Williamson, 1985, 2007). Kherallah and Kirsten (2002) suggest that TCEs also seek to identify the interrelationship between institutional factors and market and non-market exchanges under positive transaction costs. Transaction cost is influenced by social institutions (norms of behaviours), legal institutions (definition and enforcement of property rights), political institutions (mechanisms by which property rights are allocated), and economic institutions (availability and efficiency of markets) (Barzel, 1985; Sykuta & Chaddad, 1999). Major contributions in examining the role of transaction costs are to explain the existence and boundaries of firms (Cheung, 1983).

TCE can help to identify the important dimensions of a transaction and thus assist with the design of the most efficient institutional arrangement to measure the transaction (Barzel, 1982, 1985). TCE is especially relevant for agricultural market analysis in developing countries. As the agricultural sector becomes a more globalised and deregulated industry, the transaction becomes the unit of analysis. This implies that TCE can potentially offer useful insights to agricultural policy research in these countries (Kherallah & Kirsten, 2002). In addition, recent applications of TCE have been employed to measure transaction costs in small-scale farming systems in Africa and in South Africa (Ortmann & King, 2007).

There have been a number of fairly recent applications of transactions cost economics in different fields of the food and agricultural sector. Examples of these studies are Frank and Henderson (1992), Staal, Delgado, and Nicholson (1997), and Hobbs (1997). These studies have tended to focus on distance to market as a single indicator of transaction costs (Omamo, 1998). One of the first studies to carry out empirical measurement of transaction costs was the innovative approach used by Hobbs (1997). A number of studies in Africa and also in South
Africa have employed a variety of techniques to measure transaction costs in small-scale farming systems (Makhura, 2001; Ortmann & King, 2007b; Staal et al., 1997).

Macher and Richman (2008) provide a comprehensive review of the empirical literature in TCE across multiple social science disciplines and business fields. In their work, they show how TCE has branched out from its economic roots to examine empirical phenomena in several other areas. Importantly, they find that TCE is increasingly being applied not only to business-related fields such as accounting, finance, marketing, and organisational theory, but also to areas outside of business including political science, law, public policy, agriculture and health. Finally, according to Nilsson (2001), TCE has become an accepted point of departure amongst researchers on co-operatives since the early 1980s.

**Agency theory**

Agency relationships exist whenever an individual or organisation (the agent) acts on behalf of another (the principal). Principal-agent problems arise because the objectives of the agent and the principal usually differ, and thus the agent may not always best represent the interests of the principal (Royer, 1999; Sykuta & Chaddad, 1999). An agency relationship is typically defined in a contract between the agent and the principal which may force the agent to work for the principal’s interests. As contracts are generally incomplete, there are opportunities for shirking due to moral hazards and imperfect observations. Hence, the main focus of agency theory is on incentive and measurement problems, but the risk-sharing implications of incentive contracts are also crucial (Sykuta & Chaddad, 1999). Sykuta and Chaddad (1999) believed that most applications of agency theory focus on a balance between the incentive and risk-sharing of contracts in order to align the interests of the agent with those of the principal. Agency theory is thus very relevant to the institutional structure of the co-operatives because contracted agents (managers) may not act in the best interests of co-operative owner-members (principal). Ortmann and King (2007a) believe that principal-agent problems in a co-operative are likely
to give rise to members’ dissatisfaction. For example, a heterogeneity of interests between co-operative members and managers gives rise to control problems. The challenge is to establish incentive mechanisms for managers that will align their interests with those of the members. In the context of contracted farming, this framework can be used to analyse and address the problems that could typically constrain or lead to the breakdown of contractual relations (Kherallah & Kirsten, 2002).

An empirical test of agency theory was conducted by Crutchley and Hansen (1989). The findings indicated that enterprises with greater earnings volatility, and enterprises with bigger advertising and R&D budgets, use less leverage. These findings confirm the agency theory explanation of how corporate managers determine their common stock ownership, corporate debt levels, and corporate dividends. Moreover, previous evidence consistent with the agency theory comes from studies of leverage and dividend policies (Crutchley & Hansen, 1989). To test the agency theory and its application in the banking industry in United States, Berger and Di Patti (2006) used annual financial reports from commercial banks for the period from 1990 to 1995. Their analysis used one observation per bank over this six-year period. They found that data on the US banking industry was consistent with the theory, and the results are statistically significant, economically significant, and robust.

Research into Norwegian agricultural co-operatives undertaken by Borgen (2001) employed agency theory as a framework. This study found that agency theory ignores the importance of the traditional collective thinking in Norwegian agricultural co-operatives. In this view, agency theory is incomplete and its power of explanation is not very high. However, the value of employing agency theory as a conceptual tool may improve in the future, because of the emerging of new industrial strategies and new collective action structures. These may increasingly impact on the agenda of Norwegian agricultural co-operatives (Borgen, 2001).
**Property rights theory**

Demsetz (1967) defined property rights as theoretical constructs in economics for determining how resources or assets are utilised or managed. Resources or assets can be owned by individuals, associations or governments. Property rights can be viewed as an attribute of economic goods. This attribute encompasses four broad components and is often referred to as a bundle of rights. It includes: i) the right to use the goods; ii) the right to earn income from the goods; iii) the right to transfer goods to others; iv) the right to enforcement of the property rights (Demsetz, 1967).

To be workable, clearly defined and enforceable property rights are required for any form of human co-operation, especially the form that involves agreements. Moreover, the neo-classical model assumes that property is privately held and property rights are exclusive and transferable on a voluntary basis (Royer, 1999). In line with agency theory, property rights issues are also embedded in the incomplete contract theory developed by Grossman and Hart (1986). This theory concentrates on the solutions that different organisational structures allocate in the form of property rights to resolve the issues that emerge when contracts are incomplete. The basic idea is that contracts cannot specify all states of nature or all actions in advance, or there are states of nature or actions which cannot be verified *ex post facto* by third parties, and which therefore are not *ex ante* contractible.

Property rights theory has been tested by numerous scholars of co-operative theory. Several scholars agree that property rights are significant for co-operatives to be sustainable because they can help to solve five generic problems of traditional co-operatives, which are the result of vaguely defined property rights. In particular the *free-rider* problem, a type of common property problem that emerges when property rights are untradeable, insecure, and unsigned (Centner, 1988; Cook, 1995; Cook & Iliopoulos, 1999; Fulton, 1995; Peterson, 1992; Porter & Scully, 1987; Staatz, 1987). In their research, Cook and Iliopoulos (1999) also
employed property rights theory to form the foundation of arguments regarding to the evolution of co-operatives and the development of the new generation co-operative organisation. Cook and Iliopoulos (2000) note that ill-defined property rights issues affect members’ incentives to invest in the organisation and the organisation’s ability to produce equity capital. Specifically, they find that members are more willing to invest in equity when the co-operative is characterised by structures such as closed membership, marketing agreements, and transferable and appreciable equity shares; structures that tend to reduce the free-rider, horizon, and portfolio problems. In line with agency theory, property rights theory has been applied in the social science disciplines and business fields (Minguez-Vera, Martin-Ugedo, & Arcas-Lario, 2010)

**Applications of NIE to the co-operative organisational form**

Research into traditional co-operatives suggests that many co-operatives were not always successful at serving the needs of members, resulting in demutualisation and a decline in the number of co-operatives (Chibanda et al., 2009). Co-operatives suffer from various organisational issues and poorly defined property rights assignments, leading to opportunistic behaviours (such as free-riding, moral hazard, agency problems, etc.), bureaucratic inefficiencies, and under-investment in the co-operative (Cook, 1995; Cook & Iliopoulos, 2000). The promise of NIE is that it can inform the design of co-operatives to prevent failure. Examples of research conducted in the area of agricultural co-operatives include Cook and Iliopoulos (2000) in the United States, Staal et al. (1997) in Kenya and Ethiopia, Chibanda et al. (2009) in KwaZulu-Natal, and Cox and Le (2014) in Vietnam. During the 1990s interest grew in the new generation co-operative that aims to address the generic weaknesses of the traditional co-operative model by strengthening the assignments of property rights for its individual members and reducing the incentives for opportunistic behaviours (Cook & Iliopoulos, 2000).
In general, NIE offers an exciting approach for research into problems of co-operatives that neo-classical economics has inadequately addressed. The potential applications of new institutional and transaction costs economics to agricultural policy analysis is very high due to the fact that the cost of transacting – determined by institutions and institutional arrangements – is the key to economic performance. North (1990), and Menard (2000) consider NIE as revolution in economics. However, according to Kherallah and Kirsten (2002), NIE also has some limitations. First, economists still lack sufficient knowledge about institutions and how they emerge. Second, there is still no unified framework of analysis that has emerged from this new paradigm. TCE is inadequate in its ability to predict outcomes or prescribe policies. Furthermore, transaction costs are difficult to observe and measure (Omamo, 1998; Staal et al., 1997). The NIE is particularly poor in modelling risk and uncertainty related to prices or the environment. These apparent weaknesses mean that the NIE faces many challenges ahead and much more work remains to be done. In addition, Thelen (1999) argues that it might be problematic when applying an institutionalist approach to understand a business system in its transitional period.

**Mutual incentives theory**

Mutual incentives theory (MIT) was postulated by Birchall and Simmons (2004) and seeks to explain the reasons people take part in co-operatives. According to Birchall and Simmons (2004), MIT was developed from the combination of two general thoughts related to human motivation, the “participation chain,” and “existing knowledge.”

The first is that of individualistic approach that is derived from social exchange theory (Blau, 1964; Cook, Cheshire, Rice, & Nakagawa, 2013; Emerson, 1976, 1987; Homans, 1974; Knottnerus & Guan, 1997). It assumes that people are motivated by individual rewards and punishments, and provides a set of generalisations about how they interact. For example, all human relationships are fundamentally driven by a cost-benefit analysis, in which the
individual anticipates the benefits of maintaining a social relationship with others; otherwise costs and satiation may negatively impact on members’ decision to participate. However, in a research study conducted by Miller (2004), social exchange theory has been criticised for its overly individualistic focus, denying the fundamentals of collaborative behaviour and altruism. It is also viewed as being too narrow and rationalist.

The second foundation of MIT is a collectivistic approach, which was developed from theories of social cooperation. It explains human behaviour very differently, assuming that human collaboration is catalysed by a sense of community, shared values, and shared goals. This approach also generalises that the more each of these three variables is absent, the less likely people will be to participate in collaborative behaviour. In line with MIT, the participation chain helps provide an understanding of what motivates people to participate in collaborative behaviour (Birchall & Simmons, 2004). This participation chain which was postulated by Simmons and Birchall (2004) encompasses three different but essential elements: i) resources; ii) mobilisation, iii) and motivations.

Peredo and Chrisman (2006) employed social network theory to develop the concept of community-based enterprise (CBE), which links entrepreneurial activities with the building and maintenance of communities. CBE is handled and ruled to seek the economic and social objectives of a community in a way to create sustainable individual and group benefits over the short and long period. CBE is expected to apply widely, not only to the less-developed economies. It is believed that CBE represents a promising strategy for encouraging sustainable local development in disadvantaged populations.

In a research study aimed at testing the MIT, Birchall and Simmons (2004) examined the responses of public service users in council housing and social care services and members of a large retail co-operative group in the United Kingdom (UK). While both groups had similar resources and an equal desire to participate, the members of co-operative were mobilised by
various issues. The research findings revealed that collective motivation of members was the most important catalyst leading to their participation in mutual businesses. The sustainable development of co-operatives and other kinds of mutual organisation depended on a strong sense of community identity among members. The common values and goals within the co-operative also needed to be shared amongst the co-operative members. It is therefore, important for co-operatives and mutual businesses to evolve these determinants as well as harness these elements in a strategic manner in order to maintain members’ commitment and loyalty (Birchall & Simmons, 2004). The empirical results thus confirm the theoretical model prediction of why people participate in co-operatives or mutual businesses.

**Paradox perspective: A conceptual framework for understanding the governance of co-operative and mutual enterprises.**

Empirical research into the boards of co-operative and mutual enterprises reveals that governance is a complicated, inherently difficult and problematic activity (Cook, 1995). Moreover, the theoretical literature on the governance of co-operatives is relatively undeveloped in comparison with that of corporate governance for other types of business. For these reasons, several governance researchers have recently suggested that new ways of thinking about governance within co-operative and mutual enterprises, which go beyond narrow theoretical frameworks, should be created. By integrating some of the existing theoretical perspectives on corporate governance, Cornforth (2004) developed a paradox perspective which is considered as a new theoretical framework for researching into the governance of co-operative and mutual enterprises. The author argues that taking together these multiple theories help to explain some of the important ambiguities, tensions and paradoxes that non-profit boards face. In line with the above-mentioned theories, Mazzarol, Reboud, Limnios, et al. (2014) developed a conceptual framework for understanding the business model
of the mutual business. It is identified as an effective tool for research into co-operative enterprise. This framework will be presented in details in the next section.

**A conceptual framework for research into the co-operative enterprises**

Mazzarol, Simmons, and Mamouni Limnios (2014) suggest that the most significant focal point in investigating an institution from a business model perspective is to get to know how its activities can be arranged in order to deliver value for all its stakeholders. From this point of view, the business model can be considered as an activity system where a series of inter-related activities take place, either by the enterprise, or by its customers, suppliers or strategic partners. Therefore, understanding what activities should occur, how they are performed and who is in charge for performing them should be a priority.

Since the 1990s, the concept of the business model became a focus to many researchers due to the emergence of new technologies (e.g., the internet), which offer new ways of doing business (Mazzarol, Simmons, et al., 2014). Business model analysis has been employed for many kinds of enterprises. However, its relevance to the co-operative enterprises has not been well explored. For this reason, Mazzarol, Simmons, et al. (2014) have applied the available theory and concepts of business model analysis to create a three-level conceptual framework to help explain co-operative structures and the nature of the problems faced.

By demonstrating how the co-operatives differ from investor owned firms (IOFs), and how unique they are, a conceptual framework to research the co-operative enterprises and their sustainability from the business model perspective has been elaborated. This allows scholars and managers to understand the behaviours of the co-operatives as well as how co-operative enterprises utilise the existing resources to optimise their configuration and goals. The model investigates the co-operatives from the three perspectives of the members, the co-operative as a business entity, and the macro level. Understanding the co-operative business model requires attention to be given to macro-, meso- and micro-level elements.
The macro-environment or ‘system’ level includes four crucial input factors and two key output factors. The four input factors are social cooperation, government role on regulation and support, the dynamics of industry structure where the co-operative works, and the impacts of the natural environment. The two output factors are economic and social capitals. This reflects the dual socio-economic functions of a co-operative and its role as a social business.

At the meso-level, the primary factors of analysis are those of the business model, where ‘product’ is replaced by ‘purpose,’ and the ‘profit formula’ copes with the sustainable finance of the co-operative. Similarly, the ‘resources’ and ‘processes’ required to satisfy its ‘purpose’ are replaced with the ‘share structure’ and ‘governance’ model used by the business. These factors should be arranged to deliver a ‘member value proposition.’ The replacement of ‘product’ by ‘purpose’ within the business model is the recognition of the importance of the co-operative’s strategic purpose that brought it into existence.
Finally, at the micro-level of the member, attention needs to be put on varying and often competing encouragement of membership. This assumes that the members are motivated to join and remain loyal to the co-operatives for several reasons, such as strengthening bargaining power, maintaining access to competitive markets, capitalising on new market opportunities, obtaining needed products and services on a competitive basis, improving income opportunities, reducing costs, and managing risk. The four key units of analysis here are their different roles as the investor, patron, owner and member of a community.

To test this conceptual framework, several empirical studies were conducted by Mazzarol, Soutar, and Limnios (2012), Limnios and Simmons (2012), Limnios, Mazzarol, Schilizzi, Iliopoulos, and Soutar (2014), Clark, Mazzarol, Reboud, Reboud, and Limnios (2014), Mazzarol (2015). Their findings have provided evidence to support the conceptual framework’s parameters on the co-operative business model of Mazzarol, Reboud, Limnios, et al. (2014). Moreover, this business model framework was also examined in a major international research programme of co-operatives addressing a series of research questions using historical narratives, interviews, surveys and case studies in a wide range of developed countries (Mazzarol, Reboud, Limnios, et al., 2014). However, Mazzarol, Reboud, Limnios, et al. (2014) also suggest that over time the co-operative’s business model may need to be revised and reconfigured to ensure that these various interests are maintained.

**The other theories that explain the success or failure of co-operatives**

In line with the above-mentioned theories, Birchall (2010) also identified some general theories that explain why mutual business sectors are more or less successful, as summarised in table 2.1. These theories address the conditions under which co-operatives can thrive and the kind of outcome they can predict. Thus, they are widely used by scholars whose research focus is co-operatives enterprise.
### Table 2.1: Theories that explain success or failure in co-operatives adapted from Birchall (2010)

<table>
<thead>
<tr>
<th>Type of theory</th>
<th>Condition for co-operation</th>
<th>Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Social history</strong></td>
<td>Solidarity derive from nationalism or political party, high level of general education, political enfranchisement, land reform, substantial equality of condition</td>
<td>The ability to create solidary institutions that are well governed and command allegiance. A preference for mutual over charitable forms of organisation</td>
</tr>
<tr>
<td><strong>Economic history</strong></td>
<td>Formation of new classes (e.g. urban working class, small farmers). Expanding market society, dependence on money income, and need to access markets. Lack of competitors or threat of monopoly among competitors</td>
<td>Strong need among people in same market position to cooperate. Commitment to economic cooperation because alternatives either do not exist or are threatening to the livelihoods of people who have weak market position</td>
</tr>
<tr>
<td><strong>Sociology</strong></td>
<td>High levels of social capital, both bonding and bridging</td>
<td>Recourse available to ‘invest’ in membership organisations and networks, with assurance of success and mutual benefit</td>
</tr>
<tr>
<td><strong>Economics</strong></td>
<td>Market failures – threat of monopoly, power of ‘middlesmen’ or lack of market. Low barriers to entry, weak competitors</td>
<td>The co-operative difference and co-operative advantage in business</td>
</tr>
<tr>
<td><strong>Political science</strong></td>
<td>The collective action problem is overcome, through selective incentives and sanctions against ‘free-riders’</td>
<td>Organisations are created and member recruited who have incentive to participate in governance</td>
</tr>
<tr>
<td><strong>Mutual incentives theory (Birchall and Simmons)</strong></td>
<td>People do respond to collectivistic incentives; sense of community, share values and goals</td>
<td>Co-operatives achieve high level of participation, and can develop a member participation strategy</td>
</tr>
<tr>
<td><strong>Supportive environment theory (Atwood and Bhaviskar)</strong></td>
<td>Presence of promoters, good legal and fiscal environment. Government support but respect for autonomy of civil society</td>
<td>Development of co-operatives unfolds in stages, with strong, autonomous organisations created</td>
</tr>
<tr>
<td><strong>Theory of co-operative design and evolution (Shah)</strong></td>
<td>Design principles are discovered that put the members at centre of the business. These are replicated</td>
<td>Strong co-operative sectors emerge that command loyalty of member and maintain member focus over time</td>
</tr>
<tr>
<td><strong>Theory of ownership (Hansmann)</strong></td>
<td>A stakeholder will take ownership if this combats market failure, and/or if the costs of ownership are low. The more homogeneous the owners the lower the costs</td>
<td>Co-operatives are only be found in some sectors and at some times, because they need a homogeneous group of members with common interests</td>
</tr>
<tr>
<td><strong>Theory of voice (Hirschann)</strong></td>
<td>If the cost of exit is high, members will exercise voice instead. Loyalty raise the costs of exit and promotes voice</td>
<td>Co-ops that foster loyalty through patronage refunds, give opportunities for voice, and demand financial commitment from members will survive</td>
</tr>
</tbody>
</table>
In conclusion, this chapter has provided a summary of the main theories, which have been applied for research into co-operative enterprises. Among these theories, conceptual framework for research into co-operative, and NIE, which includes TCE, Agency theory, and Property right theory have been heavily focused on as this thesis based on these theories.
Chapter 3: The success and failure of co-operatives

Summary of the chapter

This chapter is structured into six sections. The first two sections describe the factors affecting the success or failure of co-operatives, followed by a review of research into the factors affecting the success or failure of agricultural co-operatives, particularly in developing economies. It then examines the institutional and governance problems affecting co-operatives and identifies gaps in the literature. Finally, a theoretical foundation framework and research propositions are outlined.

Factors affecting success or failure of co-operatives

Several authors have discussed the key determinants that may contribute to the success or failure of a co-operative enterprise, such as financial performance, net profit margin, input and output prices, return on investment and sales development (Cook & Burress, 2009). In addition, Bruynis, Goldsmith, Hahn, and Taylor (2001), Kherallah and Kirsten (2002) and Anderson and Henehan (2003) have identified some of the other factors contributing to sustainability of co-operatives, such as access to start-up costs, business development skills training which is available to co-operative members, degree of training and experience in marketing and market analysing, costing, accounting, literacy and management skills, attitudes towards work, and ethos level of co-operative community. According to Gertler (2001) some additional factors which also impact on the performance of a co-operative are the history, location, and economic condition of the institution, its regulatory context, and the experience of its management board. Banaszak and Beckmann (2006) also identified four factors including leadership skills, scale of group, benefit relationship among members, and a member selection process during group formation.
Importantly, Bruynis et al. (2001) concluded that a co-operative’s success was best assessed with regard to its longevity, its members’ business growth, profitability, and the general satisfaction of its members. Based on these points, twenty-seven independent variables were identified as impacting on a co-operative’s success, which were subsequently classified into three categories: i) co-operative principles factors; ii) formative and organisational factors, and iii) operating management factors. The factors of co-operative principles identified were associated with member equity, return on investment, patronage refunds, democracy in voting, and the openness of membership. The formative and structural factors consisted of the completion of a feasibility study, the type of feasibility study used, the use of start-up resources support, the offering of initiatives to members, member expectations, total equity distributed, scale of the business, key personnel, management skills of directors and executives, previous co-operative experience of the managers, and management training (Sexton & Iskow, 1988). The operating management factors included the independent variables of timely board meetings, use of strategic resource personnel, running plans, long-term planning and marketing strategies, accounting skills, timely distribution of financial statements, external audits, and relationships within the board.

To identify crucial factors which affect the success or failure of agricultural co-operatives, Sexton and Iskow (1988) employed vertical integration theory. The authors surveyed 61 U.S. agricultural co-operatives and asked the respondents to rank their co-operatives on a four-level success scale. Such factors as open membership, accepting non-member business, and employing full-time management were correlated with self-understood success. The findings suggested that organisational, financial and operational factors are key contributing factors that directly affect the success or failure of a co-operative.

Banaszak (2008) conducted research into the determinants of success of small-scale farmer co-operatives in Poland. The central question raised in the study was why some
agricultural co-operatives in markets survived and succeeded while others failed. To answer the question, a survey was conducted to collect data from 50 functioning co-operatives and 12 dormant ones in the Wielkopolsk, one of 16 provinces located in the western part of the country. A structured interview with producer group managers was used to collect data. An ordinal probit regression model was employed to measure the impact of the variables on four categories of success, such as leader’s strength, previous business acquaintances, initial selection of members, and number of members. The findings revealed that strong leadership, membership size, business volume (economic scale) and member selection process were essential to the success of a co-operative organisation.

Machete (1990) surveyed 80 members of six agricultural co-operatives in three magisterial districts of the Lebowa homeland in South Africa. They identified the major causes of ineffective performance of co-operatives were a lack of membership identity (with their co-operatives), lack of understanding on the part of membership (of co-operatives), failure of co-operatives to involve members in policy decision making, failures to compete with other businesses, inability of members to dismiss inefficient management, failures to offer transportation for delivery of members’ purchases, inability to keep sufficient stocks of requisites, inability to provide adequate credit, and the subsistence (non-marketed) nature of agriculture in developing areas.

Chibanda et al. (2009) examined how the institutional and governance setup impacted on the performance of small holder co-operatives that produced and marketed various agricultural products in KwaZulu-Natal, South Africa. The study employed NIE theory and the interrelationships between performance, institutions and governance were used as a conceptual model to test the theoretical proposition that good co-operative performance is dependent upon sound institutions and good governance. Qualitative and quantitative methodologies were applied. Data were collected from ten selected co-operatives in three different districts during
October and November 2007. This used structured questionnaires and in-depth interviews with the chairpersons, management committees and other members of the selected co-operatives. The data was analysed using descriptive and cluster analyses. The findings revealed that institutional arrangements and good governance played a crucial role in the co-operative’s performance and sustainability. Institutional challenges might lead to low levels of equity and debt capital, dependence on government support, low levels of investment, and subsequent loss of membership. Governance difficulties were strongly connected to the lack of a secret ballot, to low education levels and literacy, to the lack of training on production and management skills, weak marketing knowledge and consequent low dividends to members as patrons or investors (Chibanda et al., 2009).

One of the most recent studies of VACs in Vietnam was conducted by Cox and Le (2014). It investigated the impact of the government’s role on the development of agricultural co-operatives in Vietnam over sixty years through four distinct stages. An institutionalist approach was employed as the main framework in the study to highlight the causal relations between institutional arrangements and the firms’ structure and characteristics. This theory provides a valuable method for understanding the evaluation and perpetuation of the firm’s behaviours. Semi-structured and structured interviews were designed to collect primary data from two groups of interviewees comprising those inside and outside co-operatives. The findings of this study showed that a stable legal environment and suitable government policies and support were significantly associated with the successful development of co-operatives. In addition, the authors suggested that effective co-operative enterprise models that work in different sub-sectors, and for different types of products and services, should be recognised by regulatory agencies overseeing co-operatives so that they can be replicated in similar contexts.

Birchall (2010) indicated that the success factors vary significantly between types of co-operative, country and time periods. A literature review suggests that there are a number of
Institutional and governance problems in co-operatives

Academic research suggests that there are internal and external factors likely to impede or facilitate the creation and growth of co-operative enterprises (Couture et al., 2002). The internal
factors consist of governance structures, leadership and management skills. The external factors include external assistance, government policies, regulatory frameworks and market factors (Nkhoma, 2011; Ortmann & King, 2007b; Rankin, Dunne, & Russell, 2007). Recent studies from agricultural co-operatives in South Africa conducted by Ortmann and King (2007b), and Chibanda et al. (2009) found that institutional arrangements and good governance play a crucial role in the co-operative’s performance and eventual sustainability. In the conceptual framework for research into co-operative enterprise, Mazzarol, Reboud, Limnios, et al. (2014) suggest that institutional and governance factors play a significant role in delivering the co-operative’s value to its members. The question is to what extent weaknesses in these elements would constrain the establishment and development of co-operatives in a less-developed country like Vietnam. This was a key area for investigation in this current study, which focused on the effects of institutional and governance indicators on success or failure of agricultural co-operatives in Vietnam.

The review of the performance of co-operatives as listed in Table 2.1 highlights that there are many challenging factors that prevent co-operatives from achieving their objectives. The main challenges are in the organisational design of co-operatives regarding management of and the environments in which the co-operatives work (Banaszak, 2008; Machethe, 1990; Mazzarol, Reboud, Limnios, et al., 2014; Sexton & Iskow, 1988). In the traditional co-operatives, these factors can be classified into institutional and governance factors.

*Institutions* are defined as the “rules of the game” of a society or, more formally, the human-devised constraints that structure human interaction. Institutions are comprised of formal factors such as laws, contracts, markets and informal factors such as norms, traditions, customs, value systems, and sociological trends (Kherallah & Kirsten, 2002; Klein, 1998; North, 1990). These sets of factors facilitate transactions between, or govern economic decisions within, organisations (Kherallah & Kirsten, 2002).
**Corporate governance** may be defined as a process of striking the balance between economic and social aims as well as between personal and communal targets, in order to align as nearly as possible, the interest of individuals, corporations and society. Discipline, transparency, independence, accountability, responsibility, fairness and social responsibility are considered as good characteristics of governance (D. King, 2002). The appropriate institutional arrangements and good governance are significant to the performance of mutual enterprises initiated by groups of farmers (Chibanda et al., 2009). Related studies on factors influencing on the performance of Co-operative are summaried in a Table 3.1.

**Table 3.1: Institutional and governance problems in traditional Co-operatives**

<table>
<thead>
<tr>
<th>Factors</th>
<th>Authors</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Institutional Factors</strong></td>
<td></td>
</tr>
<tr>
<td>Political Institutions</td>
<td>(Banaszak &amp; Beckmann, 2006; Chibanda et al., 2009; Cox &amp; Le, 2014; Frances, 2004; Kirsch, 1997; North, 1990; Ortmann &amp; King, 2007a, 2007b; Wolz, 2000; Wolz &amp; Bao Duong, 2010; Bijman, 2018)</td>
</tr>
<tr>
<td>Government policies</td>
<td>(Chibanda et al., 2009; Clegg, 2006; M. L. Cook, 1995; Cornforth, 2004; Couture et al., 2002; Cox &amp; Le, 2014; Crawford, 1997; Deng, Huang, Xu, &amp; Rozelle, 2010; Golovina &amp; Nilsson, 2009, 2011; Hai, 2014; Kherallah &amp; Kirsten, 2002; Kirsch, 1997; Mazzarol, Reboud, Limnios, et al., 2014; Ortmann &amp; King, 2007a; Wolz, 2000; Iliopoulos and Valentinov 2015; Grashuis et al., 2018)</td>
</tr>
<tr>
<td>Legal and regulatory framework</td>
<td>(Coulter &amp; Onumah, 2002; Couture et al., 2002; Golovina &amp; Nilsson, 2011; Hai &amp; Iwamoto, 2014; Khoa, 2012; Nyoro &amp; Ngugi, 2007; Tu, 2011; Wolz &amp; Bao Duong, 2010; Grashuis et al., 2018)</td>
</tr>
<tr>
<td>Economic institutions</td>
<td>(Chibanda et al., 2009; Couture et al., 2002; Hai, 2014; Kirsch, 1997; Machethe, 1990; Mazzarol, Reboud, Limnios, et al., 2014; Rankin et al., 2007; Sexton &amp; Iskow, 1988; Tu, 2011; Wolz, 2000; Iliopoulos and Valentinov, 2018)</td>
</tr>
<tr>
<td>Financial market</td>
<td>(Chibanda et al., 2009; Couture et al., 2002; Hai, 2014; Khoa, 2012; Kirsch, 1997; Mazzarol, Reboud, Limnios, et al., 2014; Ortmann &amp; King, 2007a; Rankin et al., 2007; Wolz &amp; Bao Duong, 2010; Iliopoulos and Valentinov, 2018)</td>
</tr>
<tr>
<td>Business volume</td>
<td>(Banaszak, 2008; M. L. Cook &amp; Chaddad, 2004; Hai, 2014; Nghiem, 2006; Nyoro &amp; Ngugi, 2007; Ortmann &amp; King, 2007b; Rankin et al., 2007; Sexton &amp; Iskow, 1988; Wolz, 2000)</td>
</tr>
</tbody>
</table>

**Governance Factors**
Governance structures (Banaszak, 2008; Barraud-Didier, Henninger, & El Akremi, 2012; Chibanda et al., 2009; Cornforth, 2004; Dayanandan, 2013; Graham, Amos, & Plumptre, 2003; D. King, 2002; Matabi, 2012; Österberg & Nilsson, 2009; Saner & Wilson, 2003; Chaddad & Iliopoulos, 2013; Iliopoulos 2015; Grashuis et al., 2018; Bijman et al., 2018; Benos et al., 2018; Limnios et al., 2018)

Member participation (Barraud-Didier et al., 2012; Cechin, Bijman, Pascucci, Zylbersztajn, & Omta, 2013; Chacko, 1985; Ernita & Al Rozi, 2014; Hudson & Herndon, 2002; Limnios, Mazzarol, & Soutar, 2014; Makhura, 2001; Österberg & Nilsson, 2009; Xiang & Sumelius, 2010; Bijman et al., 2012; Cechin et al., 2013; Bijman et al., 2016; Benos et al., 2018; Limnios et al., 2018)

Membership structure (Birchall, 2010; Centner, 1988; Couture et al., 2002; Limnios, Mazzarol, & Soutar, 2014; Sexton & Iskow, 1988; Zheng, Wang, & Song, 2011; Chaddad & Iliopoulos, 2013; Grashuis et al., 2018)

Management skills (Banaszak & Beckmann, 2006; Cornforth, 2004; Crutchley & Hansen, 1989; Hai, 2014; Khoa, 2012; Kirsch, 1997; Limnios, Mazzarol, & Soutar, 2014; Rankin et al., 2007; Sexton & Iskow, 1988; Tu, 2011; Wolz, 2000; Wolz & Bao Duong, 2010; Chaddad & Iliopoulos, 2013; Grashuis et al., 2018; Iliopoulos and Valentinov, 2018; Benos et al., 2018)

Cook (1995) suggests that the institutional or ‘generic’ problems faced by traditional co-operatives (e.g., free-rider, horizon, portfolio, control, and influence cost problems) are attributable to their property right constraints. Valentinov (2007) described these as incentive problems and hence the institutional disadvantages of co-operatives. Nilsson (1999) suggests that free-rider, horizon and portfolio problems are investment-related while control and influence cost problems are decision-related. Chibanda et al. (2009) argued that a traditional co-operative may be challenged by free-rider, horizon and portfolio problems at the first stage of its establishment, while control and influence cost problems could also emerge as the co-operative develops and enlarges its membership and business volume. The decision-makers (e.g., directors) in a co-operative need to be aware of these problems and an analysis of the competitive role of the co-operative should be undertaken, in order to make effective long-term strategic decisions.
Similarly, Ortmann and King (2007b) and Chibanda et al. (2009) also agreed that these inherent problems could constrain investments in, and growth of, the co-operative in the future when members’ businesses grow, and wealth and patronage levels among members change. Difficulty in raising capital could leave many smallholder co-operatives dependent upon external aid for their survival (Cook & Iliopoulos, 2000; Magingxa & Kamara, 2003; Iliopoulos, 2015). They are, thus, considered the most crucial factors which should be considered to improve the performance (Chibanda et al., 2009; Cook, 1995; Cook & Iliopoulos, 2000; Mazzarol, Reboud, Limnios, et al., 2014; Iliopoulos, 2015).

**Governance factors**

The governance of the co-operative enterprise is one of the most important aspects of its success or failure as a business model (Mazzarol, Reboud, Limnios, et al., 2014). According to Wanyama (2016) the main pillars of good governance are transparency, accountability, risk management and control. While Prakash (2003) argued that, the co-operative governance model operates within four main spheres comprising: i) the membership of the co-operative, ii) the organisational structure of the co-operative iii), the community in which the co-operative exists, and iv) the co-operative’s board and executive team. In this present study, governance in a co-operative is simply defined as involving decision-making processes and the capacity to implement decisions (Chibanda et al., 2009; Chaddad & Iliopoulos, 2013) which should represent the interests of the group of people who comprise its membership and owners. As outlined in Table 3.1, the governance factors that would adversely affect the development of co-operatives in a developing economy include such things as governance structure, members’ participation, membership, and management skills. These elements are discussed further in the following sub-sections.
**Governance structures**

The academic literature suggests that organisational governance is widely identified as the process by which institutions determine how power is assigned and who should be involved, and that it is important for economic growth (Graham et al., 2003; Saner & Wilson, 2003; Chaddad & Iliopoulos, 2013). Cornforth (2004) described the conflicting roles of a co-operative’s board members, by using various theories: agency theory, stewardship theory, resource dependency theory and managerial hegemony theory. He suggested that the co-operative’s members and the board constitute two main structural organs, and their relationship and roles are important in the overall structure. His analysis concludes that co-operative enterprise governance is a complex, inherently difficult and problematic activity; thus, multiple theoretical perspectives offer a promising way to explain some of the difficult tensions and ambiguities that boards face (Cornforth, 2004; Chaddad & Iliopoulos, 2013). Cook (1995) suggested that these conflicts can be worsened by other wider contextual factors, such as agricultural industrialisation, government policies, and legal and regulatory frameworks.

Cook (1994) noted that the key factors of effective governance in co-operatives are the capabilities of the management team, their integrity and their ability to protect the interests of members and other stakeholders. An important challenge for co-operative managers is the ability to balance the often-conflicting interests of the members and the market or business interests of the co-operative as an enterprise. The directors of the co-operative are duty bound to protect the interests of both the co-operative and the members following the standards of co-operative organisations and corporate director responsibilities. Ortmann and King (2007b) believed that governance factors such as educating and training of co-operative members, and enhancing their knowledge of co-operative principles and members’ rights play a crucial role in the performance of co-operatives. According to Birchall (2005), co-operatives that lack
capital and business management capacity have generally shown a quite disappointing performance in less-developed countries.

Co-operatives, as member-owned and member-controlled business enterprises, have their own governance structures, which require a democratic process of control, making them different from most investor-owned firms (IOFs). They should adhere to the seven internationally recognised principles of co-operation. For example, important policy decisions are to be made by the members, based on a principle of “one member one vote,” regardless of any member’s investment in the co-operative. Collective decision-making following democratic principles is one of the important governance issues within co-operatives (ICA, 2011; NCBA, 2005). Failure to ensure member participation and commitment in the governance of the co-operative will not result in successful performance or even the sustainability of co-operatives (Bhuyan, 2007; Borgen, 2001; Österberg & Nilsson, 2009; Chaddad & Iliopoulos, 2013). However, consideration by the directors also needs to be given to addressing the free-rider problem which can constrain a co-operative’s growth (Cook, 1995).

**Members’ participation**

The democratic participation of members in the governance process significantly differentiates co-operatives from other forms of business organisation like IOFs (Birchall & Simmons, 2004). Active membership within a co-operative can involve a member attending the AGM meetings, serving on committees, involvement in recruiting other members, as well as supplying patronage (Österberg & Nilsson, 2009; Limnios at el., 2018). Participation is an important indicator in developing members’ understanding and appreciation of the co-operative organisation (Hudson & Herndon, 2002). The low level of members’ commitment and participation could be expected if co-operative members do not clearly understand the purpose of a co-operative, how it functions, and what members’ rights are (Chibanda et al., 2009). This might stem from their relative lack of education and training or from ignorance (due to
inadequate information). Moreover, Österberg and Nilsson (2009) and Limnios at el. (2018) concluded that the more members participate in their co-operative, the more they will be committed to this organisation.

**Membership**

The academic literature into consumer and member behaviour identifies several factors likely to influence member loyalty. This is consistent with what is already known within the marketing literature about customer perceived value. For example, Söderlund (2002) found that a customer’s decision to remain a customer of a business is affected by the perception that their relationship offers value for money and functional value such as high-quality service. Sweeney and Soutar (2001) also found that emotional value, or how a customer feels about their relationship with a business and its other consumers, is important.

Other research has found linkages between social value and a member’s decision to remain a member. According to Mazzarol, Reboud, Limnios, et al. (2014), a special feature of co-operatives is their ability to be embedded in their local community. Hence, social capital is an essential element in the formation and sustainability of the co-operative enterprise. The co-operative member’s role as a social actor and member of their community is a feature that should not be ignored. Congruence between the goals of the community and the goals of the co-operative can result in a virtuous circle and reciprocal loyalty (Mazzarol, Reboud, Limnios, et al., 2014; Limnios at el., 2018).

Membership is also affected by the performance of a co-operative as an efficient business. If the co-operative becomes economically successful and offers good prices and value, it is likely that membership will grow. For ‘distributing’ co-operatives (e.g., those that offer share capital that issues dividends and has appreciable value), members may be keen to join so as not to be left out if the share price rises and any cost of entry is likely to be higher for those who join later. This is a similar financial motivator found in IOFs, where the initial
risk of establishing the enterprise is borne by the founders who are rewarded for their success from the appreciation in value of their share capital.

However, in more traditional ‘non-distributing’ co-operatives (e.g., those that do not offer share capital that issues dividends or appreciable value), the members do not receive benefits greater than or indeed different from those who join late or in some cases are non-members or free-riders, trading only when prices are good (Kirsch, 1997; Wolz, 2000; Wolz & Bao Duong, 2010). As a consequence, existing members can be reluctant to remain loyal to the co-operative, particular in circumstances when the pricing is less attractive (Chibanda et al., 2009). In addition to the risk of free-riding, this lack of clearly defined ownership rights within the co-operative over share capital creates the conditions for the portfolio problem (Cook, 1995). This is particularly problematic for large co-operatives with heterogeneous membership bases.

As noted by Nilsson (2001), the portfolio problem arises because it is typically very difficult to reduce risk through the diversification of share capital into different assets that carry differing levels of risk and return. At best the investment decisions made within co-operatives are an ‘average’ of member preferences and may not fully satisfy all members. The need for the board to satisfy the community average so as to keep as many members satisfied as possible rather than making more objective decisions designed to maximise profit and return on investment can result in member dissatisfaction and economic inefficiencies.

**Management skills**

It is essential for the co-operative’s management team to acquire skills and knowledge of how to operate a business enterprise. Studies show that lack of adequate skills in management has contributed to co-operatives’ failure. For example, Sexton and Iskow (1988) found that the failure of co-operative enterprises was primary due to the low educational levels of the directors
on the board and executive managers, which was associated with ineffective management and passive membership.

By comparison Nyoro and Ngugi (2007) found that successful co-operatives had staff and management committees, with relatively higher qualifications than the unsuccessful ones. Management with required skills will be able to develop strategies for business volume, type of product and product quality, and for competing with counterparts in the market. Cook (1994) has suggested that a successful co-operative requires more organisational, communication, resource allocation and other leadership skills, than is required by an equivalent IOF operating within the same market conditions.

Cook (1994) argued that, in some cases, performing these managerial roles in a co-operative is more difficult. Thus, the potential top manager of a co-operative need not only these skills of IOF business leader but at least four additional qualifications: (1) must be comfortable with vagueness, complexity, and complicit; (2) must concentrate more planning efforts on developing entrepreneurial and operating abilities rather than on portfolio-related objectives; (3) Understanding the potential investor – versus – user stakeholder conflicts to become a professional spokesperson for members and the user-oriented firms’ public audiences; and (4) must be not only strategically conceptual, but also skilled in defining measurable sub-goals.

**Institutional factors**

North (1990) believed that together with effective governance, good institutional factors play a crucial role in promoting a co-operative’s performance. As outlined in Table 3.1, institutional factors encompass political and economic institutions (Chibanda et al., 2009; Ortmann & King, 2007a). These factors are discussed below.
**Political institutions**

According to Frances (2004) political institutions (e.g., parliaments, political parties, courts and judicial authorities, trades unions, local councils, and statutory authorities) create the process that issues legislation and regulation. These institutions also determine the legal system and control the processes that produce and enforce the law. Within environments where there are weak or unsupportive political institutions the growth and development of co-operatives is often slow and unstable (Frances, 2004; Oluyombo, 2012). Ideally, government institutional support should be related to long-term economic and social considerations, not to political motives. If the government uses the co-operative for political purposes, the members, such as farmers, may not gain satisfactory benefits. Under these conditions, farmers are likely to hesitate to join the co-operative (Chibanda et al., 2009; Chloupkova, 2002; Couture et al., 2002; Ortmann & King, 2007a).

**Government policies**

The government plays a key role in the regulation of the economy and the setting of the legislative and policy environments in which the co-operative must operate. Government interest in the development of the co-operatives sector varies from country to country and across time periods. However, any analysis of the co-operative enterprise must consider government activity (Mazzarol, Reboud, Limnios, et al., 2014). Key areas of government involvement that can impact on the co-operative are legislative frameworks that influence incorporation and governance structures for co-operatives. Also, of importance is the level of taxation relief that co-operatives can enjoy. Finally, there is the action taken by governments to maintain competition within the economy, plus the support they give to the enhancement of the social economy (Ingram & McEvily, 2007; Spear & Bidet, 2003).
According to Crawford (1997) any attempt to divert the purpose and resources of co-operative enterprises to the support of particular political goals is likely to adversely impact co-operative development. This is considered as a contributory factor to the control problem in co-operatives (Cook, 1995). The control or ‘follow-up’ problem which occurs when founder members see new members joining the co-operative without having to pay for the risk and costs incurred by the founders in the establishment of the enterprise (Nilsson, 2001) despite having the same voting powers as founders. Government pressure to see as many members as possible join co-operatives can lead to this as the ease of entry and exit fosters the free-riding, portfolio and control problems inherent in traditional co-operative business models. Despite this, Kirsch (1997) and Wolz (2000) argued that there still seems to be some intervention by the local administration on the management of the co-operatives. In some cases, in Vietnam, co-operatives were established mainly to meet the political and social interests of the communist party rather than those of the farmer members. Farmers, for this reason, were not keen to join.

**Legal and regulatory framework**

The legal, policy and institutional environment has been recognised as one of the most important factors influencing the development of co-operative enterprises. More importantly, the legal recognition and legislation for co-operatives is an important factor in the development of co-operatives (Couture et al., 2002). According to Chloupkova (2002), governments play a crucial role in terms of providing a proper legal framework, and the most important building block in regard to the legal framework are the Co-operatives Laws.

According to Nyoro and Ngugi (2007), weak legal and regulatory frameworks lead to corrupt and manipulative behaviour, and weak regulatory environment also make co-operatives vulnerable to exploitation by deceitful businessmen. Moreover, Coulter and Onumah (2002) identified that the lack of supportive regulatory framework and disabling policies are among
the issues that affect the development of market-oriented co-operatives. Similarly, there is a
great deal of mistrust amongst the players due to weak formal contract enforcement
mechanisms. As the result it leads to increases the transaction costs, as business firms are
tempted to screen every single firm or individual with whom they deal (Fafchamps, 1996).

According to Bijman at el (2012) most national laws, provide sufficient flexibility for
co-operatives to choose an internal governance model that fits the strategy of the co-operative,
although such flexibility may not always be accompanied with – the so much needed –
guidance. Bijman at el (2012) also found that co-operatives particularly benefit from a flexible
co-operative law, single taxation, and clearly defined competition rules. Thus, the scholar
recommends that governments at the national and EU levels develop policies and measures to
support capacity building and technical (organizational) assistance, especially in for small and
start-up co-operatives (Bijman at el., 2012; Bijman, 2018).

**Economic institutions**

Frances (2004) suggests that the role of political institutions in influencing the development of
economic institutions means that the latter will not always be created in ways that aim to
maximise economic growth. However, the distribution of political power can change over time
as the political and economic environment changes and creates an appetite for efficiency-
enhancing change in economic institutions. This, as will be discussed latter, has occurred in
Vietnam where a shift from a centralised command economy to a more open free market
economy has impacted the evolution of the co-operative sector. Of particular importance is the
role of economic institutions with respect to financial markets and product markets.

According to Ortmann and King (2007a), agricultural co-operatives must be viewed as
essentially economic businesses and as such they need financial capital to operate. If the co-
operative does not have equity or assets financed from equity, they may face difficulty in
operating and borrowing. Financial institutions are profit-making organisations that are often
risk averse and are subject to pressure from shareholders and government regulators. Hence, the higher the project risk, the less likely the co-operative will get funding without collateral (Ortmann & King, 2007). However, assistance may also contribute to free-rider problems as this may attract members who are after the benefit and not committed to co-operative success. Chibanda et al. (2009) suggest that in their study some farmers were establishing co-operatives as a means of getting government grants rather than in the interests of forming a genuine co-operative enterprise.

It is also essential for co-operatives to be handling sufficient business volumes in order to reduce costs and remain economically viable. By increasing the frequency of their transactions with members, the transaction costs can be decreased. The more frequently the transactions take place, the lower the fixed costs per unit (Banaszak, 2008). This also suggests that the frequency of transactions within the co-operative can be increased by enlarging its membership. The reduction in costs would consequently lead to increased earnings available for distribution to its members, hence increasing their income (Banaszak, 2008).

In a qualitative study undertaken by Nyoro and Ngugi (2007) it was found that co-operatives which had larger memberships and handled larger business volumes were more successful than those that were smaller with less volume of member turnover. This reflects the economies of scale that accrue as the volume increases, as the cost of transaction per unit item is expected to be reduced. However, as mentioned by Cook (1995), influence cost problems can arise in a co-operative with a wide range of activities. In the following section the findings from this review of the extant literature and the key observations and propositions emerging from this review are discussed.

**Theoretical foundations and propositions of the research**
As outlined in the preceding review of the literature, studies into co-operatives have focused primarily on the economic factors that motivate members’ perceived value in joining and remaining loyal to such enterprises. These studies cover a range of topics including: i) theoretical discussions; ii) demonstrative descriptions of the characteristics and the development of co-operatives; iii) ownership and property rights; iv) management structures and governance; v) the conditions of the regulatory and legislative environment of co-operative systems; vi) government policies, and vii) models of co-operatives. The implementation of all of these factors has been urged for the development of co-operatives. However, little attention has been paid to the subject of co-operatives and their members’ role in relation to value creation for stakeholders. A co-operative cannot exist without the participation of its members. Consequently, it is necessary to study co-operatives from a farmer-centred perspective (Birchall, 2010).

Arguably, a major contributor to the failure of co-operatives is an outdated approach to value creation that focuses on short-term financial performance and ignores wider stakeholders, thereby affecting long-term sustainability (Martin, 2009). There is thus an apparent need for a new comprehensive model for research into co-operative enterprises in a highly conflictual environment. Since the 1990s, the concept of the business model became a focus to many researchers and business model analysis has been employed for many kinds of enterprises (Wirtz et al. 2016). However, its relevance to the co-operative enterprises has not been well explored. This study will thus be based on the conceptual framework for research into co-operative enterprise (Mazzarol et al., 2014). As Mazzarol, Simmons, et al. (2014) argued, the most significant purpose of investigating an institution from a business model perspective is to get to know how its activities can be arranged in order to offer value for all its stakeholders. The conceptual framework for research into co-operative enterprises allows scholars and
managers to understand the behaviours of the co-operatives as well as how co-operative enterprises utilise the existing resources to optimise their configuration and goals.

According to Birchall (2010), no single theory is sufficient to explain success and failure in co-operatives. It is, nevertheless, proposed that NIE is one of the most relevant theories. As Nabli and Nugent (1989), and Kherallah and Kirsten (2002) argue that the purpose of the NIE is both to explain the determinants of institutions and their evolution over time, and to evaluate their impact on economic performance, efficiency, and contribution. The NIE is, therefore, a useful framework that could help determine the types of institutions needed to improve economic performance in developing countries. While Mazzarol, Reboud, and Mamouni Limnios (2014) argued that a co-operative does not exist within a vacuum, the main challenges are in the organisational design of co-operatives regarding management of and the environment in which co-operatives work. This theory and framework, therefore, is an appropriate base for this research.

**Conceptual model of the factors influencing agricultural co-operatives’ value to members**

Figure 3.1 illustrates a conceptual model that summarises the key theoretical propositions that guide the empirical component (data collection and analysis) of this study. The original model proposed by Mazzarol, Reboud, Limnios, et al. (2014) was modified to focus primarily on the external factors (system level) and internal factors (enterprise level) to understand the co-operative’s value-adding ability. Co-operatives, as with any organisations, do not exist in a vacuum; what happens internally within and outside the co-operative organisation affects the performance outcomes of the co-operatives and in turn affects the value that the co-operative offers to its members, the community, and other stakeholders at large (Mazzarol, 2015; Mazzarol, Reboud, Limnios, et al., 2014). Moreover, other scholars also found that together with good institutions, good governance promotes an organisation’s performance (North, 1990;
Based on the literature review and selected theories, the author proposes a theoretical proposition that, in Vietnam, the effective performance in creating value for co-operative members depends upon sound institutions and good governance (see figure 3.1). As a result, this leads to better value for members.

**Figure 3.1: Internal and external factors influencing co-operative performance**

Thus, the key proposition driving this study is that the ability of a co-operative to implement value-adding strategies is influenced by its internal and external contributors. The following are sub-theoretical propositions which stem from the primary proposition.

**Sub-theoretical propositions**

**Proposition-1**: The sound institutional arrangements and good governance contribute to good performance of a co-operative. Good performance of a co-operative means better value for its members and community.

**Proposition-2**: Sound institutional arrangements are influenced by good governance and conversely, good governance is influenced by sound institution arrangements.
Proposition-3: The better the co-operative performs, the more economic output it contributes to its members and community

Proposition-4: The better the co-operative performs, the more social capital output it contributes to its members and community

Proposition-5: The more economic and social capital outputs the co-operative offers to its members, the better member value the members and community will receive

Proposition-6: The better alignment between the values of the co-operative and the values of its members, the better member identity with their co-operative is. As the result, members are more committed to the co-operative.

Proposition-7: By promoting good policies, democratic governance and the co-operative values and principles, the more likely the co-operative will strengthen member identity and therefore improve member commitment with the co-operative.

Proposition-8: The more homogeneous the membership, the easier to achieve goal congruence and, thereby, which results in the best value for members.

The next chapter examines the co-operative movement around the world, its contribution to the world economy, and the development of co-operatives in the future.
Chapter 4: Co-operative movement at the global level

Summary of the chapter

The first part of this chapter reviews the relevant literature on the concept of agricultural co-operatives, the principles they are guided by, and their history, and the role of agricultural co-operatives in regard to the theoretical rationale of co-operatives. The second part of the chapter focuses on the agricultural co-operative, and especially its potential benefits for the small-scale farmers in developing economies. The final part of the chapter describes the five inherent problems of traditional co-operatives, various stages of the co-operative lifecycle, and how co-operatives are likely to develop in the future.

Co-operatives’ basic concepts and principles

The co-operative is a unique form of private business organisation that has been widely used for more than 100 years, especially in nations whose political systems are democratic and whose economies are capitalistic and market-oriented (Barton, 2000). The International Co-operative Alliance (ICA), the apex organisation that represents co-operatives worldwide, defines a co-operative as:

“An autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise” (ICA, 2011).

In other words, the management of co-operatives is based on principles of self-help, self-responsibility, democracy, equality, equity and solidarity. Members participating in a co-operative are told to believe in the altruistic “ethical values” of honesty, openness, social responsibility and caring for others (ICA, 2011).

In 1995, the ICA restated, expanded and adopted the seven internationally recognised principles of 1966 that were to guide co-operative organisations into the 21st Century; these
were based on guidelines written by the founders of the modern co-operative movement in England in 1844. These guidelines of co-operatives are:

1. Voluntary and open membership;
2. Democratic member control;
3. Member economic participation;
4. Autonomy and independence;
5. Education, training, and information;
6. Cooperation among co-operatives, and

These principles of co-operation are regarded as the best guide to distinguishing a co-operative from other forms of corporate organisation, although they have been applied differently in various parts of the world (ICA, 2011). According to Birchall (2005), in 1987 the United States Department of agriculture (USDA) adopted just the first three ICA principles, namely, user ownership, user control and user benefit under the arguments that co-operatives operating in worldwide markets, particularly agricultural marketing and supply co-operatives, cannot afford to internalise the ICA values and principles but must focus on fewer, more self-centred principles just to survive (Birchall, 2005).

Another widely accepted co-operative definition is the one by the United States Department of agriculture (USDA, 1995):

“A co-operative is a user-owned, user-controlled business that distributes benefits on the basis of use.”

Under this definition, the three-primary co-operative factors which distinguish co-operatives from other businesses are often expressed as three broad principles. These principles characterise all co-operatives and explain how they operate. They are: the user-owner principle, the user-control principle, and the user-benefit principle. The user-owner principle states that
persons who own and finance the co-operative are those using it. The user-control principle states that those who use the co-operative have control of the co-operative. The user-benefits principle states that the benefits of the co-operative are distributed to its users on the basis of their use (Barton, 1989). The Vietnam National Assembly included only four out of seven ICA’s co-operative principles into the 2003 co-operative law, namely voluntary, democratic member control, autonomy and independence, and cooperation for community development (Law, 2003). The Vietnam Co-operative Law which was enacted in 2003 defined a co-operative as:

“A collective economic organisation established in accordance with provisions of law by individuals, households and legal entities (referred to as members of co-operative) who share common needs and interests, and volunteer to contribute capital and labour to bring into play the strength of the collective and of individual co-operative members so as to assist one another in carrying out more efficiently production, business activities and improving their spiritual and physical life, thus contributing to the economic and social development of the nation” (Law, 2003).

However, because this definition is long and its meaning is not clear (Hai, 2014; Hai & Iwamoto, 2014) it is hard not only for foreign scholars to understand, but is also hard to understand the original version in the Vietnamese language. Therefore, the Co-operative Law was revised in 2012. This version defined a co-operative as follows:

“Co-operative is a collective economic organisation with co-ownership and legal entity status, established voluntarily by at least 07 members who cooperate with and assist one another in production, business or job creation activities to meet the basis of autonomy self-responsibility, equality and democracy in management of the co-operative” (Vietnam Co-operative law, 2013).

**Classification of co-operatives**

Ortmann and King (2007a) reported that many types of co-operatives have been established around the world to serve the interests of members, including consumer, producer, worker, and service co-operatives. The various co-operative types provide members with diverse products
and services, including financial services, equipment and farm supplies, marketing of agricultural products, consumer goods, utilities (e.g., electricity, telephone), housing, and other services (e.g., insurance).

Table 4.1: The Four Types of Co-operative Enterprise

<table>
<thead>
<tr>
<th>Attributes</th>
<th>Traditional Co-operative</th>
<th>Participation Co-operative</th>
<th>Subsidiary Co-operative</th>
<th>New Generation Co-operative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entry</td>
<td>Free</td>
<td>Free</td>
<td>variable</td>
<td>Variable</td>
</tr>
<tr>
<td>Individualised entry</td>
<td>No</td>
<td>Only for investors</td>
<td>Only for investors</td>
<td>Yes</td>
</tr>
<tr>
<td>Member equity contribution</td>
<td>Equal</td>
<td>Equal</td>
<td>Equal via Co-operative</td>
<td>Yes</td>
</tr>
<tr>
<td>Voting right</td>
<td>Equality for all members</td>
<td>Member – Usage Investor - shares</td>
<td>Member – Usage Investor - shares</td>
<td>Share based</td>
</tr>
<tr>
<td>Return on income</td>
<td>Use-based</td>
<td>Member – Usage Investor - shares</td>
<td>Member – Usage Investor - shares</td>
<td>Share based</td>
</tr>
<tr>
<td>Value added services</td>
<td>Limited</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Professional management</td>
<td>No</td>
<td>Not always</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

(Mazzarol, 2009; Nilsson, 1999)

According to Chukwu (1990) co-operatives can be classified in terms of their area of operation. In this way, co-operatives that engage in the agriculture sector (such as horticulture, and crops such as maize, tobacco, coffee, rice, cotton and others; livestock such as beef, dairy, pigs, goats, poultry; and Agri-processing) are classified as agricultural co-operatives. By contrast, industrial co-operatives are engaged in the industry sector. These many different types include handicraft co-operatives and other metal and woodwork co-operatives. Service co-operatives are those engaged in the service sector of the economy. They are usually engaged in such things as banking, insurance, transport, health, and electricity. (Chukwu, 1990). Nilsson
(1999), in an analysis of the nature of co-operative business models, identified four generic types or models: the traditional, participatory, subsidiary and new generation co-operative. These are illustrated in Table 4.1 and discussed in more detail below.

In the traditional co-operative ownership is collective and open to all and membership entry is free of charge, the principle of “one-member-one-vote” is applied, and share capital cannot be traded. The participation co-operative allows both members and non-members to patronise and hold shares as investors. The subsidiary co-operatives are hybrid organisational forms that typically have a parent co-operative with parts of their business operations located within subsidiary firms owned together with outside partners. There can be external ownership of shares which are able to be traded on secondary markets and earn capital gain. Finally, in the new generation co-operative (NGC), membership is not open and is usually limited to people who have bought trading rights with the organisations. All shares are tradable and can realise capital gains over time. Voting is equally distributed but also can be based on equity control. Members make the significant decisions but there can be some restricted involvement by minority external patrons. Members are also required to patronise the co-operative in proportion to their investment (Fulton et al., 1996).

Chaddad and Cook (2004) suggest that that co-operatives can be classified based on ownership rights. There are five non-traditional forms of co-operative. These include proportional investment co-operatives, member-investor co-operatives, new generation co-operatives (NGCs), co-operatives with capital-seeking components, and investor share co-operatives. These co-operative types can be characterised as follows:

- **Proportional investment co-operatives** – these differ from traditional co-operatives in that owner-patrons are required to invest in proportion to their patronage;
• **Member-investor co-operatives** – owner-patrons receive returns in proportion to both patronage and investment, with their dividend payments in proportion to shareholding, or by allowing appreciable share values;

• **New-generation co-operatives** – as described above;

• **Co-operatives with capital-seeking components** – these allow non-patron equity participation, enabling access to outside capital, but restricting this participation to be via such things as subsidiary companies and strategic alliances, rather than investing directly in a co-operative; and

• **Investor-share co-operatives** – these allow direct non-patron equity participation in the co-operative itself, usually involving the issuance of multiple classes of financial instruments (such as non-voting or investor shares) (Chaddad & Cook, 2004).

**The global co-operative movement**

Several authors have described the history and development of co-operatives in developed countries (Birchall, 2010; Cropp, 2002; Egerstrom, 1994; Ingalsbe & Groves, 1989; Mazzarol, 2009; Ortmann & King, 2007a; Thompson, 1994; Van Niekerk, 1988; Patmore and Balnave, 2018). Cropp and Ingalsbe (1989), and Cropp (2002), for example, provide a useful overview of the earliest known origins of co-operative principles and their application to economic endeavours.

Historically, the modern co-operative originated in Europe and spread to other industrialising countries during the late 19th century as a self-help method to counter extreme conditions of poverty (Hoyt, 1989). However, the establishment of the Rochdale Society of Equitable Pioneers in 1844 is viewed as the foundation of the modern co-operative movement. It was a consumer co-operative established due to unfair prices and dissatisfaction with retail shopkeepers in Lancashire, England (Barton, 2000; Patmore and Balnave, 2018). Another important establishment of savings and credit co-operative in 1864 by Friedrich Wilhelm
Raiffeisen in Germany is also considered as the first co-operative serving as a credit or banking institution. Raiffeisen Bank provided savings and credit services for urban and rural customers based on the idea of “self-help.” Since then the model has grown into other sectors and inspired the growth of financial co-operatives across the world. Raiffeisen’s rules are still applied for govern present-day credit unions (Ingalsbe & Groves, 1989; Patmore and Balnave, 2018). Table 4.2 summarises the earliest recorded co-operatives in selected countries.

The history of the co-operative movement can therefore be seen as taking place in at least four stages (Ingalsbe & Groves, 1989; Thompson, 1994). Stage one from the 1840s to the 1870s saw the emergence of co-operatives as a viable and effective enterprise with the capacity to alleviate economic hardship within disadvantaged communities. In stage two from the 1870s to the 1930s the co-operative movement grew globally as a mechanism of the bourgeoisie to enhance their economic power via producer, consumer co-operatives, or credit and insurance mutual societies. Stage three during the 1930s, 1940s and 1950s witnessed the Great Depression, the Second World War and its aftermath. These years of depression and war appeared to impact negatively on the co-operative movement. However, in the fourth stage from the 1960s to the present the co-operative movement grew again, particularly in the 1990s (Hoyt, 1989; Ingalsbe & Groves, 1989; Mazzarol, 2009; Patmore and Balnave, 2018).
Table 4.2: The earliest recorded co-operatives in selected countries

<table>
<thead>
<tr>
<th>Year</th>
<th>Country</th>
<th>Type of Co-operative</th>
</tr>
</thead>
<tbody>
<tr>
<td>1696</td>
<td>Great Britain</td>
<td>Fire Insurance</td>
</tr>
<tr>
<td>1752</td>
<td>United States</td>
<td>Fire Insurance</td>
</tr>
<tr>
<td>1816</td>
<td>Poland</td>
<td>agriculture</td>
</tr>
<tr>
<td>1842</td>
<td>Spain</td>
<td>Consumer</td>
</tr>
<tr>
<td>1848</td>
<td>Belgium</td>
<td>Bakery</td>
</tr>
<tr>
<td>1850</td>
<td>Sweden</td>
<td>Consumer</td>
</tr>
<tr>
<td>1851</td>
<td>Norway</td>
<td>Consumer</td>
</tr>
<tr>
<td>1853</td>
<td>Italy</td>
<td>Cattle Insurance</td>
</tr>
<tr>
<td>1863</td>
<td>Bulgaria</td>
<td>Credit</td>
</tr>
<tr>
<td>1864</td>
<td>Germany</td>
<td>Credit</td>
</tr>
<tr>
<td>1866</td>
<td>Denmark</td>
<td>Consumer</td>
</tr>
<tr>
<td>1876</td>
<td>Netherlands</td>
<td>Consumer</td>
</tr>
</tbody>
</table>

Source: (Ortmann & King, 2007a)

Since then, the co-operative movement has flourished, extending across the globe and encompassing all sectors of economy. Ingalsbe and Groves (1989) the development of co-operatives over time has been influenced by three main types (all interrelated): (1) economic conditions (caused by war, depression, technology, government economic policy, etc.); (2) farmer organisations (including quality of their leadership, their motivation and enthusiasm to promote co-operatives, power to influence public policy, etc.); and (3) public policy (as determined by government interest, legislative initiative, and judicial interpretation). Thus, the pattern of the co-operative structures is different in different parts of the world, depending on their initial stages of development (Thompson, 1994).

Co-operatives in developed countries

In newly industrialised countries such as South East Asian nations, co-operative enterprises have been developing since the 1970s (Birchall, 2010). Agricultural, credit, consumer and
multipurpose co-operatives are the dominating types. Importantly, large segments of the population are members of co-operatives. For instance, in Singapore, about 25 per cent of the population are members of a co-op, with about 1.4 million members (ICA, 2017). In the industrialised countries with market economy, the co-operative pattern is more diversified with the dominance of consumer co-operatives, closely followed by agricultural and insurance co-operatives, while credit co-operatives and housing co-operatives still constitute relatively small parts of the total co-operative sector, especially in the USA, Canada and France (Birchall, 2010; Mazzarol, 2009; Ortmann & King, 2007a). According to ICA (2017), the proportions of the population that participated in co-operatives in these nations are relatively high. In Finland, 72 per cent of the population are members of a co-operative. In Canada, 50 per cent of the population, about 18 million, are members of co-operatives. In the United States, there are more than 40,000 co-operative businesses with 350 million members (many people belong to more than one co-op). Within the G20 countries, co-operative employment makes up almost 12 per cent of the total employed population (ICA, 2017).

Co-operatives in developing countries

In developing countries, there are fewer co-operative organisations that would qualify to be members of the International Co-operative Alliance. Although co-operatives have the great potential to supply farm inputs and market farm products that are both important for agricultural development, attempts to organise farmers into co-operatives have often failed (Hoyt, 1989). According to Birchall (2010), and ICA (2017) primary agricultural co-operatives are the dominant type in these countries, followed by credit, consumer, fisheries and workers’ co-operatives. Furthermore, these nations might have various types of precursors of co-operatives, and more or less informal work groups belonging to the old culture. However, some successes have been recorded in recent years, including food processing co-operatives in
Argentina and Brazil, and co-operatives processing and marketing milk, sugar, and oil seeds in India (ICA, 2017).

**The role of co-operatives in the world economy**

By 2017 the number of co-operatives throughout the world was estimated to be around 2.94 million and the number of members in all types of co-operatives was estimated at 1.22 billion. Co-operatives employ almost 10 per cent of the world’s population, approximately 279.4 million individuals worldwide (indirect and induced employment not included), the vast majority being in agriculture (ICA, 2017). According to ICA (2017), employment is one of the most important contributions made by co-operatives throughout the world.

Source: ICA (2017)

**Figure 4.1: Distribution of the top 300 world’s largest co-operatives**

ICA’s annual report 2017 revealed that the top 300 world’s largest co-operative and mutual organisations created a total turnover of USD $2,164.23 billion. These world’s top co-operatives operate in different sectors such as insurance (41%), agriculture (30%), wholesale and retail trade (19%), banking and financial services (6%), industry and utilities (1%), health, education and social care (1%) and other services (1%) as described in figure 3.1 (ICA, 2017)
**Agricultural co-operatives**

A review of the literature on agricultural co-operatives suggests that there are hundreds of definitions of agricultural co-operatives (Barton, 2000; Groves, 1985; Helm, 1968; McBride, 2012; Nilsson, 1997; Staatz, 1984, 1991). Many overlapping properties of the definitions are unavoidable; some authors, thus, focused on deriving common denominators in defining agricultural co-operatives. However, it may be said that most of definitions of agricultural co-operatives revolved around the definition of co-operatives developed by Barton (1989, 2000).

This definition of an agricultural co-operative has recently been proposed based upon three principles: First, the user-owner principle: people who own and finance the co-operative are those using it. Second, the user-control principle: those who use the co-operative have control of the co-operative. And third, the user-benefits principle: benefits of the co-operative are distributed to its users on the basis of their use (Barton, 1989). Agricultural co-operatives can be defined as:

“Groups of farmers mutually linked in the corporation, which they form and whose services they avail themselves of, in a double relationship of active participation and full membership. Their principle activity is not agriculture, as might be expected from their title, but it is the farmers’ concerted use of the means at their disposal to facilitate and develop their economic activities” (Vienney, 1982).

Tran (2014) defined that agricultural Cooperative is a type of cooperative that unites agricultural producers for production or other activities needed by the members such as processing, marketing of output, or supply of the means of production.

While Tortia et al. (2013) based on the theory of the social division of labour suggested that the meaning of agricultural cooperatives is in enabling the self-provisioning of economic actors with goods and services whose delivery is precluded by the constraints on the social division of labour.

In addition, a report prepared for the Australian Agricultural Council in 1988 recognised that agricultural co-operatives are associations of primary producers who have come together to
achieve some common commercial targets more successfully than they do individually (Krivokapic-Skoko, 2002b).

The agricultural co-operative has been classified based on different criteria by several scholars such as Helm (1968), Murray (1983), Barton (1989), Cropp and Ingalsbe (1989), Cook (1995), Kyriakopoulos (2000), Van Bekkum and Nilsson (2000), Nilsson (2001), Van Bekkum (2001), Plunkett and Kingwell (2001), and Mazzarol (2009). For instance, Cropp (2002) pointed out that the agricultural co-operatives diverge greatly with regard to functions performed, and business volume. However, most of the agricultural co-operatives are relatively small scale of businesses. Cropp and Ingalsbe (1989) and Ortmann and King (2007a) agreed that agricultural co-operatives can be classified into three broad categories due to their key functions, as follows:

i) Marketing co-operatives (which may help co-operative members negotiating for reasonable prices of input, marketing and selling their farm produces and maximise the return that they receive from these goods);

ii) Farming supply co-operatives (which act as middle-men: they may purchase farm supplies (such as seed, fertilizer, petroleum, chemicals and farm equipment) in bulk and sell them to their members, and

iii) Service providing co-operatives (which offer various agricultural services to farmers such as trucking, storage, ginning, grinding, drying, artificial insemination, irrigation, credit, utilities, and insurance).

The characteristics and roles of agricultural co-operatives

As discussed above, the traditional co-operative model has been in existence for more than a century and has a number of well-known characteristics: a) The major part of the equity is unallocated and the pay-off is distributed to the members/owners via the price level, often partly paid as a bonus based upon the volume of trade at the end of the year; b) Membership is
open to everyone engaged in the type of business the co-operative operates. The membership fee is nominal and this is the only pay-off the member/owner receives if he/she decides to withdraw from the co-operative; c) Each member/owner has one vote when decisions are being made at the basic level in the governance structure of the co-operative and when representatives are being elected for higher positions (Chaddad & Cook, 2004; Cook & Chaddad, 2004; Nilsson, 1999, 2001). These factors influence how many agricultural co-operatives operate around the world.

According to Gripsrud, Lenvik, and Olsen (2001) as most farmers are small scale and numerous, their individual power is negligible compared to the power of a limited number of typically larger buyers, processors and suppliers. As a result, the traditional co-operative model was designed to take advantage of considerable economies of scale in collecting, processing and marketing basic agricultural commodities. From a review of the literature, the crucial role of agricultural co-operatives revolves around: market failures resuscitation (Nilsson, 1999; Shiferaw, Obare, & Muricho, 2006; Torgerson et al., 1998), instituting mechanisms for bargaining power (Christy, 1987; Cook, 1995; Cook & Chaddad, 2004; Cook & Iliopoulos, 1999), and poverty alleviation strategy (Christy, 1987).

O'Connor (2003) argued that co-operatives have also played a significant role in the agricultural sectors of all developed nations and many developing countries for well over a century. They have been important in both farm supply (providing fertiliser and other inputs) and product marketing (including transport, storage and processing). In addition, agricultural co-operatives also have a great potential to enhance the living standards for the rural poor if they can gain power in the marketing of their produce (Clegg, 2006).

**Potential benefits of agricultural co-operatives**

The rationale for establishing and joining co-operatives has been studied by several scholars, e.g., Foxall (1977), Gasson (1977), Misra, Carley, and Fletcher (1993), McLaughlin (1996),

From a community development perspective, co-operation can help to enhance the economic and social life of rural areas. For example, according to Barton (1989) co-operatives have significant potential to contribute towards reducing poverty, enhancing empowerment and creating employment. For this reason, governments in developing countries have often promoted the use of co-operatives as a vehicle to empower small-scale farmers. For example, since 1994, the government of South Africa has been supporting the growth of co-operatives as a strategy to alleviate poverty and create jobs (Chibanda et al., 2009).

For practical reasons, cooperation has been one of the crucial means by which small farmers managed to survive (Goodwin, 2017). The first co-operative was formed in England in 1844, where 28 Rochdale pioneers formed the Rochdale Society The foundation was due to unfair prices and dissatisfaction with retail shopkeepers in their region (Barton, 2000). Cooperating has often proven to be a satisfactory way of achieving objectives while at the same time helping others (Christy, 1987; NCBA, 2005; Zeuli et al., 2004). With respect to potential benefits, several scholars suggest that agricultural co-operatives can help small-scale producers strengthen their bargaining power, maintain access to competitive markets, capitalise on new market opportunities, obtain needed products and services on a competitive basis, improve income opportunities, reduce costs, and manage risks (NCFC, 2005; USDA, 1995; Zeuli et al., 2004). For example, several studies revealed that farmers formed co-operatives with the aim of generating greater profits: i) by obtaining inputs and services at lower costs than they could obtain elsewhere or that were not available, and ii) by marketing their products at better prices.
or in markets that were previously not accessible (Barton, 2000; NCFC, 2005; USDA, 1995; Zeuli et al., 2004).

Another common motivation for establishing co-operatives is the privileges offered by governments for this kind of mutual enterprise. These allow members to act together in a way that is not permitted for other businesses. In many countries, co-operatives are generally not required to pay tax on at least part of their earnings; thus, the farmers may see an opportunity to develop a particular business with lower costs through acting together. Another privilege offered to co-operatives in many countries is less onerous reporting and corporate governance requirements. These include less detailed financial reporting and prospectuses, and less onerous requirements of directors. The rationale for these concessions is that co-operatives exist only to service their members. Nevertheless, co-operatives benefit greatly from government assistance and there would be many fewer of them if that assistance were not available (Mazzarol, 2009; O'Connor, 2003; Ortmann & King, 2007a).

In some countries, co-operatives are utilised as the means by which governments achieve political objectives as well as reducing poverty. This situation particularly had found in Vietnam, China, former Socialist counties such as Central and Eastern Europe and the former Soviet Union. As the result, co-operatives were not looked favourably upon by most of the population, even though the farmers themselves are especially opposed to co-operative business (Birchall, 2010; Couture et al., 2002; Gardner & Lerman, 2006; Golovina & Nilsson, 2009, 2011; Mathijs & Swinnen, 1998; Möllers, Traikova, Bîrhală, & Wolz, 2018; Raymond, 2000, 2008; St John, 1997). In other countries, collective action is more politically oriented and used primarily to lobby elected officials to provide more services to the community (Grootaert & Van Bastelaer, 2002).

Agricultural co-operatives have a long history in Vietnam. Historically, agricultural co-operatives have been the most important organisations to provide support for rural development
in general and agricultural development (Cox & Le, 2014). Therefore, collective action has been promoted as a means to empower small-scale farmers in Vietnam during the restructuring and modernisation of traditional agricultural supply chains (Kirsch, 1997; Wolz & Bao Duong, 2010). The total number of poor households decreased to 14.2% in 2011, which has been related to the positive contribution of agricultural co-operatives (Khoa, 2012). However, this contribution seems to be insignificant due to the fact that the subsidies that governments provide to these co-operatives are far larger than benefits that co-operatives contribute back to the national economy (Dung, 2010). Therefore, the economic sustainability of many of Vietnam’s agricultural co-operatives is now becoming a matter of concern. This raises the broader issue of the key weaknesses that face many agricultural co-operatives in the underlying structure of their business model.

The generic problems of co-operatives

The characteristics that distinguish traditional co-operatives from other corporate structures reflect their advantages but are also the source of some of their disadvantages (Royer, 1999; Birchall, 2010; Cook & Iliopoulos, 2000; Cook, 1995; Hardesty, 2005; Nilsson, 2001; O’Connor, 2003). According to Nilsson (2001), Birchall (2010), and Mazzarol, Reboud, Limnios, et al. (2014) the traditional co-operative is a type of vertical integration of operations at the farm and processing levels, with multiple principal-agent relationships involved. Thus, conflicts over residual claims and decision control are inherent in the co-operative model. To be more specific, Hardesty (2005) illustrated that the traditional co-operative suffers from three key weaknesses. First, the co-operative is owned by its members who also use it as patrons. Second, the benefits to members are based largely on patronage rather than investment returns, as in the case of traditional investor-owned enterprises. Third, the co-operative enterprise is controlled by those who also are its suppliers or customers. These limitations become the major causes of vaguely defined property rights. Vaguely defined property rights create losses in
efficiency because the decision-maker no longer bears the full impact of his or her choices (Cook & Iliopoulos, 1999). As the result, the five major co-operative problems originating from these weaknesses include the free-rider problem, the portfolio problem, the horizon problem, the control problem, and the influence problem (Cook & Iliopoulos, 1999), elements of which had been advanced in previous works of LeVay (1983), Vitaliano (1983), Porter and Scully (1987), Staatz (1987), Cook (1995), Milgrom and Roberts (1996), Royer (1999) and in the wider economic literature of public goods.

As Cook and Iliopoulos (1999) note, where property rights are not clearly defined and the ownership of valuable assets cannot be assigned, there is little incentive to protect the assets. Investment will also be unattractive where ownership rights are poorly protected. As cited by Ortmann and King (2007a) these vaguely defined property rights, are a common problem in the co-operative business model. Further, they are a major cause of the problems that are widely identified as the ‘five generic problems’, which as noted by Cook (1995) and Royer (1999), may affect the sustainability of agricultural co-operatives. These challenges are classified as institutional problems and have been attributed to the nature of residual claims in traditional co-operatives (poorly defined, restricted to members, non-appreciable and not traded, with common property aspects), and increased member heterogeneity as the co-operative evolves through its life-cycle (Cook, 1995; Vitaliano, 1983). Although these generic problems have been discussed briefly above, their relative importance to the majority of agricultural co-operatives warrants a further discussion of them.

**Free-rider problem (Common property problem)**

O’Connor (2003) defined free riders as co-operative members who make use of the capital of the co-operative by supplying produce, but without contributing their full share of that capital. Cook (1995) argued that the free-rider problem happens when property rights are untradeable, insecure, or unassigned. Similarly, Royer (1999) referred to it as “a type of common property
problem that emerges when property rights are not tradable or are not sufficiently well defined and enforced to ensure that individuals bear the full cost of their actions or receive the full benefits they create.” Nilsson (2001) suggested that the cause of free riding was the common ownership of property in the co-operative. This can be compounded by the principle of free-entry and exit, whereby the member is unable to realise their investment in the co-operative if they have been loyal for a long time, and those that arrive late are able to benefit from the risk and investment of the pioneers. Further, because the co-operative’s capital is owned collectively, it can be difficult to reallocate from failing operations and markets, and moved into more promising investments. This can impact co-operatives that face high levels of market competition that require more flexibility and agility in investment decisions by the board. Both internal and external free-rider problems are often associated with traditional co-operatives due to these basic principles. The ultimate consequences are that production by free riders is subsidised, leading to oversupply, and members are reluctant to provide capital, leading to a shortage of capital and the inability of the co-operative to sustain and develop the business (O’Connor, 2003).

Horizon problem

Nilsson (2001) identifies the horizon problem as being the limited planning horizons and myopic strategic vision of many members of co-operatives. This he blames on the fact that residual rights to share capital is typically non-transferrable when members leave. Further, as members age – a common problem in many agricultural co-operatives – the time horizon for the members becomes much shorter than that of the directors and managers. According to Nilsson (1999) and Cook (1995) the horizon problem also arises from the manner in which capital is managed, and also results in a shortage of capital. Members who plan to be suppliers far into the future will favour continuing investment at a rate necessary to sustain their farms and the co-operative. Whereas retiring and dry (non-supplying) members may resist this
investment and may even wish to withdraw their money and stop their membership. As a result, this inhibits the overall development of the institution. Moreover, Vitaliano (1983) and Chibanda et al. (2009) argued that the consequence of horizon problems for the performance of a co-operative organisation is that shareholders may capture the benefits of investment decisions only over the time horizons of their expected membership in the institution.

**Portfolio problem**

From an organizational economics point of view, the portfolio constraint was initially identified by Jensen and Meckling (1979) in labour owned firms. However, the portfolio problem was first applied to farmer co-operatives by Vitaliano (1985) and was expanded by Iliopoulos (1998)”. Similarly, the original references of other four VDPRCs were found. This problem occurs in traditional co-operatives because members invest in the organisation in proportion to their use and because equity shares in the co-operative generally cannot be freely purchased or sold (Chaddad & Cook, 2004; Cook, 1995). Members are therefore unable to diversify their individual investment portfolios according to their personal wealth and preferences for risk taking (Royer, 1999). The effect of the portfolio problem is often that the co-operative adopts a strategy between the two extremes, and none of them is entirely satisfied (O'Connor, 2003). Moreover, this also leads to suboptimal investment portfolios, and co-operative members who have to accept more risk than they prefer will pressure the board of directors and managers to reorganise the co-operative’s investment portfolios to reduce risk, even if this means lower expected returns (Cook, 1995). In his study, Chibanda et al. (2009) argued that the portfolio problem restricts residual claims to a certain subgroup in co-operatives, which may prevent these members from diversifying their investment portfolios to minimise risk.
Control problem (follow-up problem)

According to Nilsson (2001), the control or follow-up problem results from the lack of common or share risk and return amongst members of a co-operative. Where the entry and exit for the members is free, and share capital is non-appreciable, non-transferrable and non-redeemable, and ownership rights are vaguely defined, there is risk that members will lose their interest and engagement with the co-operative. Here the managers and directors of the co-operative will often become distant from the membership and the democratic foundations of the business will erode. Cook (1995) argued that institutions in which ownership and management are separate may undergo principal-agent problems due to divergence of interests between the principal (e.g., co-operative members and their representative board of directors) and the agent (management). Severe control problems in a traditional co-operative arise because members’ interests are not aligned with those of the co-operative management board (Mazzarol, 2009). The common consequence of the control problem is less effective oversight by the owners than applies in public companies and excessive control by management (O’Connor, 2003).

Influence cost problem

Royer (1999) defined influence costs as costs linked with activities in which co-operative members or subgroups within a co-operative attempt to impact the decisions which affect the delivery of profits or other benefits within an institution. According to O’Connor (2003) influence costs are generally low in small, narrowly focused co-operatives, and high in big, diversified ones. These costs can include both the direct costs of influence activities and the costs of poor decisions in terms of misallocation of resources (Cook, 1995). For example, in agricultural marketing co-operatives, influence cost often goes up when members in a certain area want their local facility to maintain in operation while the co-operative would benefit from its closure (O’Connor, 2003). Royer (1999) explained that co-operatives may experience larger
influence costs than other forms of business because the shareholders’ interests, which relate to activities of individual farming production, are more wide-ranging than those of corporate stockholders, who share a common objective of maximising profit.

Nilsson (1999) identified that among these five major vaguely defined property rights co-operative problems, free-rider, horizon and portfolio problems are investment-related while control and influence cost problems are decision-related. Moreover, Cook and Burress (2009) and Chibanda et al. (2009) argued that a traditional co-operative may challenge free-rider, horizon and portfolio problems at the first stage of its establishment, while control and influence cost problems could also emerge as the co-operative develops and enlarges its membership and business volume.

**Co-operative life-cycle framework**

According to Cook (1995) and Cook (2018), the various factors affecting co-operative success (or failure) can be attributed to the different life-cycle stages which co-operatives have travelled. His analysis of the evolution and success or failure of co-operatives (many in the agriculture sector) produced the co-operative life cycle theory framework which suggests that co-operatives will tend to move through defined stages over time from their formation, through growth, and eventual decline Cook and Burress (2009). This framework outlines the five stages of an agricultural co-operative’s progress using neo-institutional economics (Cook, 1995), and the different challenges management experiences, at each stage (Cook & Burress, 2009). These stages are: i) economic justification; ii) organisational design; iii) growth, glory and heterogeneity; iv) recognition and introspective, and v) choice (Cook & Burress, 2009; Cook, 2018).

In the first stage the co-operative is established and is usually created in response to a market failure that unites the members to act collectively. During this stage the co-operative’s overall strategic posture is largely defensive in nature and focused on solving the problem for
which it was created. Stage two sees the co-operative successfully resolving the market failure, usually through challenging monopolistic or exploitative IOFs who offer unattractive prices to producers, or building common user infrastructure or services for members. In the third stage the co-operative becomes complacent and may be challenged by new market entrants, or IOFs that respond to its market entry with competitive prices and services. The co-operative turns inward and focuses on lowering its operational costs and is likely to suffer from the generic problems described above. In the fourth stage the co-operative – faced with the generic problems – finds it increasingly difficult to operate and retain member loyalty. It must make strategic decisions or risk demutualising or winding up. Finally, in the fifth stage, the board of the co-operative and its members must make a strategic decision as to whether it will adopt a new business model and demutualise into an IOF, or restructure its co-operative business model (Brewin, Bielik & Oleson, 2008).

In his study of co-operative and mutual enterprises or ‘member owned businesses’ (MOBs) Birchall (2010) utilised an overall “ecology” theory of businesses to identify seven periods in the life of people-centered businesses, namely founding, growth, consolidation, decline, death, conversion and renewal. This life-cycle of MOBs is in line with the other theories and can help explain why co-operatives succeed or fail. Considering Cook’s lifecycle framework (Cook & Burress, 2009; Cook, 2018) and the development of co-operatives in developing countries, particularly in Vietnam, we expect the problems associated with stages one and two to be common for these co-operatives.

The future outlook for co-operatives

According to Fulton (1995), Kyriakopoulos (2000), Ortmann and King (2007a) the five problems inherent in traditional co-operatives raise the questions whether co-operatives can
survive in, or adapt to, a rapidly changing environment characterised by technological change, industrialisation of agriculture, more competitive market, the globalisation of the market, and growing individualism. Moreover, Kyriakopoulos (2000) insisted that the traditional co-operative may not be adequate for developing the degree of market orientation where risk-taking and heavy investments in new product development are part of the game. They are, therefore, better suited to cope with the challenges facing many co-operatives these days (Nilsson, 1999).

However, despite this pessimistic view of co-operatives Cook (1995) has suggested that it is the ability of the co-operative’s decision makers (e.g., board, members and managers) to manage the trade-offs between these conflicting user and investor property rights that would determine if the co-operative: i) \textit{exited}: a co-operative has two alternatives available, namely, to liquidate the business or to restructure as an IOF; ii) \textit{continued} operations after adjusting. According to Ortmann and King (2007a) a co-operative that opts to continue operating tends to be undercapitalised due to its property rights structure. It generally has two options to raise capital, namely, it may seek external equity capital without restructuring as an IOF and generate additional equity capital internally by following a proportionality strategy, or it may \textit{shift} to a New Generation Co-operative (NGC) structure (Cook, 1995; Cook, 2018).

Hardesty (2004) suggests that the formation of an NGC will be an appropriated solution because the NGC business model seeks to overcome the problems arising from ill-defined property rights of traditional co-operatives through contracting with members over specific delivery rights based on the number of shares each member holds in the enterprise. Similarly, Royer (1999) also contended that as the market evolves, traditional co-operatives will have to exit or reorganise themselves to adapt to a rapidly changing economic and political environment. Despite these inherent weaknesses, King (1995) feels that the greatest strength of co-operatives is their ability to generate institutional innovations that allow them to respond
to changing conditions and needs. He contends further that much can be learned by simply observing and describing the formation, evolution, and operation of successful co-operatives. Roets (2007) recommends the use of co-operatives to facilitate the marketing of goats by small-scale farmers in South Africa. The author contends that collective action of goat farmer co-operatives can provide marketing services and inputs cheaper than farmers can acquire them individually. In their study on mutual business forms, Ortmann and King (2007b) illustrated that traditional co-operatives, or other member-owned business forms, are still the appropriate vehicle for lowering transaction costs and facilitating access of small-scale farming households in South Africa to input and product markets that could promote their development.
Chapter 5: The evolution of Vietnam’s co-operative sector

Summary of the chapter

This chapter focuses on addressing research question one (RQ1) by presenting a literature review on the theoretical background for the promotion of co-operatives in a transitional economy. To understand how to ensure sustainability of agricultural co-operatives in Vietnam, it is imperative to understand how co-operatives have developed their role in comparisons with other business forms. Hence, this chapter provides a review of the literature on the development of Vietnam’s co-operatives. This chapter has two main sections: the first is a general introduction about study area (Vietnam); the second section provides an overview of co-operative evolution in Vietnam, which includes different phases of co-operative development, categories of co-operatives and agricultural co-operatives’ characteristics as well as the roles of agricultural co-operative in Vietnam economy, while the final section is chapter summary.

General overview of Vietnam

The Socialist Republic of Vietnam is a country in transition from a centrally planned economy to a market-oriented economy (Fforde & De Vylder, 1996; Kirk & Tuan, 2009). It is located in Southeast Asia, sharing a long border with Cambodia, Laos and China, and facing the Philippines across the South China Sea. Its population size is nearly 95 million people - ranked the third in Southeast Asia, of which 70 per cent live in the rural areas (Busch, 2017; GSO, 2017). The political and economic renovation (Đổi Mới) introduced in 1986 transformed Vietnam from one of the poorest countries in the world, with a per capita income below US $100 per year, into a lower middle-income country with per capita income of US $1,407 per year by the end of 2011. The Vietnamese economy achieved around 8 per cent annual GDP growth from 1990 to 1997, around 7 per cent from 2000 to 2005, and continued at around 6.5 per cent on average in the following years, making it one of the world’s fastest growing
economies (GSO, 2017; Kerkvliet, 2018b). However, its economy has relied heavily on agriculture, forestry and the fishing sector for rice production, aquaculture, and forestry exploitation (Porter & Kerkvliet, 2018). In general, these sectors have employed more than 55 per cent of the labour force, distributed nearly 27 per cent of the GDP and contributed 25 per cent of the export value to the nation (GSO, 2017). Rice, fruit, coffee, rubber, cashew, and fish are typical products for exporting (Busch, 2017; WB, 2017).

Vietnam is approximately 331,212 km² in area, of which 28 per cent is agricultural land. The country has eight typical Agri-ecological zones, spreading from the North to the South. The weather, land conditions, number of administrative units, population, natural and agricultural land areas, and method of cultivation vary between these zones (GSO, 2017). According to Nguyen (2011) under the development trend towards commercial production, many specialised production zones have been established, such as intensive rice and fruits areas in the Mekong Delta (MD) and the Red River Delta; coffee areas in the Central Highlands and South East; tea areas in the North East and North West; rubber areas in the South East; fruit areas in the South East, MD, and some provinces in the North; vegetable areas in the Lam Dong province and Red River Delta; sugarcane areas in the Central area and the South. Vietnam has become a member of World Trade Organisation (WTO) in 2007 (Khoa, 2012; Nguyen, 2011; Xuan, 2018).

Rural Vietnam is characterised by extensive social networks, including formal, semi-formal and informal (Kerkvliet, 2018a). Formal and semi-formal organisations include the Commune Peoples’ Committees (PC), which are the lowest level of local government, and normally cover between 6 to 15 villages (Trần, 1998). Formal extension services for agriculture, forestry and fishing are normally provided through the district levels. In addition, there are a number of semi-formal organisations, such as the Farmers Union, Women’s Union, and Youth Union, through which information is disseminated and voluntary labour for public works are
often mobilised. While traditional clans, labour-exchange teams, self-help groups, and co-operatives are informal organisations which play a significant role in promoting people’s self-help and cooperation among persons with similar interests. In particular, co-operatives have been wide-spread in Vietnam and recognised as one of the most prominent examples of local rural institutions. These mutual enterprises are also found to connect with other local institutions to varying degree. Through these combinations e.g., marketing, irrigation, veterinarian services and credit, they have become more accessible to the public, which is an important element in the rural transformation (Couture et al., 2002; Kerkvliet, 2018b; Kirsch, 1997; Sultan & Wolz, 2012). Importantly, Vietnam has a one-party government, the ideology of the Vietnamese Communist Party emphasises stability and equality, and the government is keen to ensure that the growing inequality does not become a source of dissatisfaction, which could pose a threat to stability (Fforde & De Vylder, 1996; Thayer, 2018). Therefore, development assistance to rural areas is high. In summary, Vietnam has succeeded in transforming the agrarian sector from one that was dominated by state-led co-operatives to one now characterised by household-based farms with relatively equal and secured land tenures (Thayer, 2018).

**Agricultural co-operatives in Vietnam**

Co-operatives are considered as one of the early models of mutual enterprise in Vietnam. They involve in business activities in order to achieve social goals of bringing mutual benefits to their members. Co-operatives in Vietnam have a long history of development since the early 20th Century. They operate in various sectors, and importantly, they used to be dominating economic entities besides state-owned enterprises in the centrally-planned economy (pre-1986) in which the state played the governing role. After the implementation of the reform policy, with the emergence of the private sector, co-operatives lost their popularity. Under the 1996 Co-operative Law, co-operatives evolved into a more autonomous model, with more
independence and democracy in the overall process of production, decision-making and profit distribution. Today, over 50 per cent of co-operatives are active in the agriculture field, where there are a large number of the rural poor. With its significant contributions to the GDP, collective economy is still identified as one of five principle economic sectors of the Vietnam economy.

**The evolution of the agricultural co-operative movement in Vietnam**

The Vietnamese agricultural co-operatives (VACs) movement in Vietnam has a long history. It was Ho Chi Minh who first brought the idea of co-operatives into Vietnam in his book “The Revolution Way” published in 1927 (JCCU, 2012; Nghiem, 2008). The term “co-operative” was traditionally used to indicate a collective organisation run by the government. The emphasis was on generating great co-operative units as they were believed to be the motivators of progress, development and a larger socialisation (Harms, 1996).

The co-operative movement in Vietnam has been the concern of a number of scholars. However, a majority of them believe that the timeline of the evolution of co-operatives in Vietnam could be divided into the period before 1986 and that after 1986 (Couture et al., 2002; Nghiem, 2006; Pattison, 2000; Sultan & Wolz, 2012). The reason for this is that in 1986 the Vietnam government initiated its economic reform process to move from a centrally-planned economy to a market-oriented one. Under this economic reform process, individual farm households were considered the sector’s basic economic units, and the Co-operative Law, which is based on the ICA’s seven principles of co-operation, was enacted to create a favourable environment for the development of co-operatives (Hai, 2014; Nghiem, 2008; Wolz & Bao Duong, 2010). As a result, 1986 is considered a milestone in the development of the co-operative movement in Vietnam. Other scholars have divided the collective process in Vietnam into several stages as summarised in Table 5.1.
Table 5.1: The stages of co-operative development in Vietnam

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<tr>
<th>The stages of co-operative development</th>
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<td>The collectivisation phase since 1959 - 1980</td>
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<td>The nationalisation phase since 1980 - 1987</td>
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<td>The privatisation phase since 1987 onwards</td>
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<td>The pre-transition period 1954 -1986</td>
<td>Pattison (2000); Couture et al. (2002); Nghiem (2006); Sultan and Wolz (2012)</td>
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<td>The transition period 1986 – present</td>
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<td>Pre-colonial period 1954 backwards</td>
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<td>The colonial period (1859-1954)</td>
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<td>Post-colonialism (1954-1975)</td>
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<td>Post-Vietnam War 1975 onwards</td>
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<td><strong>Historical background 1954–80:</strong></td>
<td>Kirk and Tuan (2009); Yadava, Mukherjee, and Sato (2009)</td>
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<td>Socialist land reform and agricultural collectivization</td>
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<td><strong>Pre-reform period 1980–88:</strong></td>
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<td>Incentives to increase the efficiency of collective agriculture</td>
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<td><strong>Market-oriented reform 1988–93:</strong></td>
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<td>Land relocation to farm households and de-collectivization</td>
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<td><strong>Building market institutions 1993–2001:</strong></td>
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<td>Land Law 1993 and new form of agricultural co-operatives</td>
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<td><strong>Market reform consolidation 2001–present:</strong></td>
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<td>Land market liberalisation, agricultural commercialisation, and international integration.</td>
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<td>Colonial Period 1858 – 1954</td>
<td>Cottrell and King (2014)</td>
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<td>Post-Colonial Period 1954 – 1975</td>
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<td>Post- Reunification 1975 onwards</td>
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<td>The voluntary collectivisation period of 1954-1975;</td>
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<td>The de-collectivisation period of 1981-1997 and</td>
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<td>The neo-collectivisation period since 1997.</td>
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<td>Period before Unification in 1975</td>
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<td>Unification period from 1975 to 1986</td>
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<td>Period of structural change from 1986 to 1996</td>
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<td>From 1996 to the present</td>
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The evolution of the co-operative movement in Vietnam can be divided into five stages, reflecting the development of co-operatives in Vietnam as having been heavily influenced by centrally designed agricultural policies, especially land-tenure policy reforms. Experiences with recent policy introductions show that there is potential for this trend to continue (Rankin et al., 2007; Sultan & Wolz, 2012; Wolz & Bao Duong, 2010). Thus, the history of the collective process goes back as far as 1927, when mutual aid was first established in the early twentieth century under the governance of French Colonialists (Birchall, 2010). The five key stages are:

1. Pre-colonial and French colonial period (1927–1954);
2. Pre-Socialism – period before unification 1954 to 1975 in the South and in the North the co-operative of Socialist production model era;
3. Period of unification (1975–1986) and the introduction co-operatives into the South;
4. Period of economic structure change (1986–1996) and the co-operatives under the innovation period; and
5. Period of transformation (1996 to the present), and the co-operative movement under the co-operative law.

In the following sub-sections, each of these five periods is discussed in more detail.

**Pre-colonial and French colonial period (1927–1954): Pre-period of socialism**

**In the North:** The co-operatives were introduced into Vietnam in the perspective of socialist philosophy that the co-operative business model can play a crucial role in transformation of an economy towards socialist-oriented production model (Kerkvliet, 1993, 2018b; Kirsch, 1997; Wolz & Bao Duong, 2010). As noted above it was in 1927 that Ho Chi Minh, the first President of the Socialist Republic of Vietnam, conceived the idea of co-operative production system in his book “The Revolution Way”. At the time of independence in 1945, over 90 per cent of the Vietnamese population were engaged in rice cultivation. The idea of a co-operative production
system was considered suitable for an agrarian nation like Vietnam. The Dan Chu Co-operative, specialising in handicraft production, was the first co-operative to be established in Thai Nguyen Province in 1948. With the success of this co-operative, the co-operative movement expanded into other sectors (Ngiem, 2006; Yadava et al., 2009).

According to Patmore and Balnave (2018) the colonial co-operatives provided inputs such as fertilizer and farm credits to farmers, and there was little encouragement of farmer participation. The colonial state also established marketing boards to process and market export crops. Finally, there developed the ideal of the Co-operative Commonwealth, particularly associated with the socialist Laurence Gronlund (1886), where the market economy would be transformed so that all forms of economic activity would be organized along co-operative lines (Patmore & Balnave, 2018; Xuan & Baumgarte, 2000; Sultan & Wolz, 2012).

**In the south:** Until it was eventually abandoned in the late 1990s, rice cultivation in the South of Vietnam used to be done typically by groups of people who were linked by kin, neighbourhood or friendship. These self-help groups were known as “Dân công”, meaning labour-exchange group or mutual-assistance group. Farmers have a long history of collective farming via these mutual aid groups, particularly in the Mekong delta, the biggest rice bowl of Vietnam (Birchall, 2010; Cottrell & King, 2014; Kerkvliet, 1993). Farming practices demanded a high level of cooperation among rice farmers, who were driven by the need to collaborate to overcome difficulties in rice production. Mutual aid in farming was particularly popular among low-income households. There is no co-operative was found to be established in this period. These practices reflected a form of social cooperation that endured over many decades throughout the French colonial era, the First and Second Indochina Wars (1954-1975), and the period of socialism following reunification in 1975 (Cottrell & King, 2014; Kerkvliet, 1998; D. J. Porter & Kerkvliet, 2018).
The Post-colonial Period (1954–1975): the co-operative of socialist production model

Soon after the end of the French war (1954) and the establishment of the Democratic Republic of Vietnam in the North, co-operatives were formed as a part of the centrally planned economy. During 1954-1975, VACs developed only in northern Vietnam, and none existed in southern Vietnam due to the Vietnam War. Interestingly, the co-operative sector of North Vietnam was found to have played an important role in the US–Vietnam War by providing supplies like food to the Vietnamese military (Yadava et al., 2009).

In Northern Vietnam

During the period, VACs operated under conditions of a centrally planned economy and the influence of the war. As an organised group for economic development, the co-operative movement was strongly promoted in the 1950s by several favourable policies (Kirsch, 1997; Wolz, 2000). For example, in its Eighth Session (1955), the SRV National Assembly First Legislature adopted a set of policies with the objective to develop various forms of mutual aid and co-operative endeavours in the countryside. Also, in this year, the Management Committee for Supplying and Marketing of Co-operatives in Vietnam was set up. And in 1961 the Union of Small Handicraft Industry Co-operatives was established. These were two organisations at the national level to manage, represent and support the supply, and marketing of small handicraft co-operatives in the country (Yadava et al., 2009). In 1959, the National Assembly of Vietnam issued a Resolution on Agricultural Co-operatives that formed the highest legal framework for co-operatives in the North of Vietnam. That legal framework was promulgated and enforced during the period from 1950 to the 1980s in governing the set-up, organisation and operation of co-operatives in the nation. The above-mentioned legislations remained in place and applied to the South of the country after unification during 1980s (Raymond, 2000, 2008).
Initially, the collectivisation movement achieved some success. In 1956, there were 190,000 mutual self-help groups (pre-co-operatives) in the whole country, attracting about 50 per cent of all farming households. In 1958, the number of agricultural co-operatives established was 4,723. Between 1959 and 1960, a sharp increase in the number of co-operatives was witnessed. By the end of 1960, 40,422 co-operatives were established throughout North Vietnam, encompassing over 2.4 million peasant households, accounting for 86 per cent of the total (Trần, 1998).

However, this early success was short-lived. The reasons that the system did not function as expected are many. During this stage, the main features of VACs are as same as of that of other socialist countries (Kirsch, 1997). As this is the period of command economy (Nghiem, 2008), all primary activities of VACs were administered by the state authorities, and co-operatives were established with collective assets, labour and distribution (Kirsch, 1997; Nghiem, 2008). All farm households were members of the co-operatives, and membership was determined by place of birth as joining co-operatives was compulsory. For instance, children born in member farm households were automatically registered as members when they reached 16 years. Significantly, co-operatives managed farming production for the whole commune or village and co-operative members cultivated farms in groups. However, the international principles of voluntary cooperation were not applied and members were not involved in any decision-making processes, as co-operatives were run under the guidelines of central plans issued by the government. Moreover, net-profits were distributed to members equally regardless of considering the individual contribution of land and labour to the organisation (Kirsch, 1997; Kirsch et al., 1984; Tran, 2014; Wolz & Bao Duong, 2010; Yadava et al., 2009).

Moreover, at this time, the existence of the household economy remained unacknowledged officially, and private economic organisations were forced or encouraged to join the state or collective sectors. This process was designed to eliminate the market
mechanism as the spirit of the socialistic philosophy. As a result, farmers did not show any interest in collective production and were thus reluctant to join in the co-operative. The co-operative members just focused on cultivating their private plots for food and income (Kirsch, 1997; Wolz, 2000; Wolz & Bao Duong, 2010). Subsequently this provided strong disincentives for increasing output, with the economy witnessing steady declines in production and productivity in vital industries, including agriculture (Kirsch, 1997; Wolz & Bao Duong, 2010). Between 1962 and 1975, the average growth in the yield of rice, the most important crop of the country, was only 1.1 per cent per year with negative growth in seven out of fourteen years. By 1975, co-operatives in the north of Vietnam dramatically declined to 17,000, with nearly 96 per cent of farming households affected (Kirsch, 1997; Tran, 2014; Trần, 1998).

According to Patmore & Balnave, (2018) the governments have established or incorporated co-operatives as part of a broader public policy. These parastatal co-operatives can be found in fascist, communist, and developing countries, such as Ghana, Kenya, and Tanzania, and farmers saw the co-operatives as an extension of the state. As the results, the forced nature of parastatal co-operatives made the concept of co-operatives unpopular even with the dismantling of state oversight (Birchall, 2011; Patmore & Balnave, 2018; Sultan & Wolz, 2012).

**In Southern Vietnam**

During the post-colonial period in South Vietnam, most land was privately owned and agricultural activities were aimed at commercial purposes. However, it was estimated that 75 percent of villagers in South Vietnam remained involved in mutual assistance for agricultural production. Labour exchange continued during the post-colonial period and was so common that people who worked on labour exchange teams typically did not get paid. They simply took turns working in each other’s fields on a reciprocal basis. Mutual aid continued to operate after reunification in 1975. According to Xuan (2018), and Xuan and Baumgarte (2000), during
attempts at socialist collectivization in the South from 1976 to 1988, mutual aid groups became even more common (Dang, 2007; Kerkvliet, 1998; Kerkvliet, 1993; Cottrell & King, 2014; Kerkvliet, 2018; Porter & Kerkvliet, 2018).

**Period of unification (1975–1986): the introduction co-operative into the South**

After reunification in 1975, the socialist production model was rapidly introduced into the hitherto capitalist-oriented South where it ran into many controversial challenges (Trân, 1998). The Communist Party outlawed tenancy and enforced agricultural collectivisation in Southern Vietnam by setting up some pilot co-operatives. In these co-operatives, the cultivation of crops, the division of labour, and the distribution of the harvest was bureaucratically managed and the state retained the ownership of land (Cox & Le, 2014; ICA, 2012). Moreover, the food obligation policy which forced co-operative members to sell a quota of grain to the state at fixed prices in exchange for fertiliser, gasoline, bricks, and consumer goods at subsidised prices, was also applied. However, current market prices for grain were eight times higher than government prices, while government-supplied goods were usually inferior in quality, insufficient in quantity, and delivered late, which interrupted planting and thereby hurt production (Cox & Le, 2014; Raymond, 2000, 2008; Trân, 1998).

These policies faced stiff resistance from farmers in the South from the very early stage. Thus, the level of success of collectivisation and the forced co-operatives program was questioned (Yadava et al., 2009). According to Trân (1998) despite the tremendous efforts made by the government, the use of a collective production model to increase productivity and achieve a large-scale socialist production was mostly unsuccessful. For example, in the Mekong delta, the situation was the worse as only 0.2 per cent of all peasant households joined co-operatives during this period.

However, at this time, the number of VACs reached a peak of 75,000 (1986). The membership amounted to over 20 million members, with 97 per cent of households in the North
involved in these state-control co-operatives (Hai & Iwamoto, 2014; Que, 1998). However, according to Trần (1998), more than 75 per cent of all farming collectives in the nation failed to reach the government’s expectations of co-operatives, and the national rice yield grew by a rate as low as one per cent per year. As a result, Vietnam became a major food importer during this period. Declining agricultural production in the North and limited success with collectivisation in the South saw the country fall in to a position of severe food shortages. For these reasons, the Vietnamese Government was forced to acknowledge a number of failures of central planning and began a process of policy renovation with particular focus on institutional reform in agriculture (Kirsch, 1997; Wolz, 2000).

**Period of structure change (1986–1996): co-operatives under the innovation period**

This period was marked by significant reform in the Vietnamese economy in general and agricultural co-operatives in particular. Despite the official efforts, the attempts to use the new collective model of production to heighten productivity and achieve a large surplus had been mostly unsuccessful. By the early of 1980s, agriculture had stagnated to a point of crisis. All technical advancements promoted by the state had brought about no significant changes to the peasants’ income. This forced the Vietnamese government to acknowledge its failure and the policies had to change to improve the situation (Trần, 1998). At the Sixth National Congress of the Communist Party in 1986, the Vietnamese government introduced a comprehensive reform program, known as Đổi Mới (Reform), which recognised a number of the failures of central planning and was designed to gradually de-regulate and liberalise the economy (Cox & Le, 2014).

In this period, Vietnam entered a comprehensive period of innovation, moving from a centralised management of economic units with subsidies to a more market-orientated economy. Under this economic reform, the government abolished subsidies on various
production inputs; individual farm household was repositioned as the basic unit of production instead of the co-operative system. Farm land was re-allocated to individual farming households to use for production, and provided security in land use rights for farmers. Farming household was acknowledged as the self-control units of agricultural production and further empowered farmers to manage all stages of production. The only obligation of the peasants and of the co-operatives to the state was to pay agricultural taxes (Cox & Le, 2014; Kerkvliet, 2018b; Kirsch, 1997; Pattison, 2000; Trần, 1998).

According to Yadava et al. (2009), the true cost of co-operatives was hidden in the series of subsidies. With these changes, the flow of such subsidies gradually reduced and many inefficient co-operatives ran into loss. As they were facing actual cost-profit scenario, the co-operative movement entered into the declined period seriously. To survive, some co-operatives transformed themselves to meet the requirements of the new market mechanisms and evolved accordingly. For example, to meet members’ demands, many agricultural co-operatives have transformed themselves into service providers (Kirsch, 1997; Nghiem, 2008; Wolz, 2000). From then on, the collective system was completely replaced by an independent farm household economy system (Que, 1998; Wolz, 2000). The co-operative movement declined significantly during this period, because of the difficulties some had in adapting to the new market-driven mechanisms (Cox & Le, 2014; Trần, 1998). By December 1996, the number of co-operatives was only 17,462, roughly 22.1 per cent of its size in 1986 due to the fact that the economic crisis hit the country.

**Period of transformation (1996 to the present): co-operative movement under the co-operative law**

Since the mid-1990s the legal environment has been improving gradually to encourage the formulation and development of the new model of co-operatives. At its 9th Session in December 1996, the Vietnam National Assembly passed the first National Co-operative Law, which had
become effective in January 1997. According to Sultan and Wolz (2012) and Pham, Nguyen, and Nguyen (2016), the law, which included the concept of new types of co-operatives, organisational principles and operational modalities, was developed based on the co-operative concept, principles and values introduced by the ICA. The Co-operative Law was then amended twice in 2003 and 2012, the later version has been modified and improved based on a practical consideration of economic development in previous years. For example, the Co-operative Law in 2012 simplified the administrative procedures for co-operatives including the registration, setting up of branches and closure. The time it takes to register a co-operative was cut from 15 days to 5 days. This aimed to facilitate the registration of new co-operatives, and expansion and even closure of ineffective ones. Further, to enforce the law effectively, the government also played significant roles in promoting, supporting and guiding agricultural co-operatives, transforming from subsistence farming to a commercialised and export-oriented agricultural sector. For instance, the most popular policy, often known as the “four-party” contract, promotes cooperation between the state, farmers, research institutions and enterprises to improve procurement of agricultural co-operatives’ products, and to promote technology innovation in the rural economy (Cox & Le, 2014; Nghiem, 2008; Tran, 2014). However, according to Cox and Le (2014) the model has not been very successful due to lack of trust, lack of professionalism, mis-management of contract, and lack of cooperation between parties. There is a need for clearly defined roles of the four parties, good governance of the contract and an effective value chain.

The Vietnamese co-operative movement began a period of strengthening as under the 1996 Co-operative Law all the existing co-operatives established before 1997 were required to transform into member-oriented service co-operatives and become competitive over time, or the co-operatives had to be liquidated. Actually, three development options were provided: They included: i) the transformation of the old-style agricultural co-operatives into viable
agricultural service co-operatives that had to be newly registered (this is *transformed co-operative*); ii) the dissolution of old-style agricultural co-operatives; and iii) the formation and registration of *new agricultural service co-operatives*. This conversion aimed to create conditions to consolidate organisation, renew production relations and strengthen the labour force in co-operatives. Many co-operatives set up a working plan, and mobilised the contribution from members to face the new challenges. Since then, immense efforts have been undertaken to transform, dissolve and establish new co-operatives in all sectors. As discussed above, the co-operative law recognised three types of co-operative in Vietnam: old-styled co-operatives, transformed co-operatives and newly established co-operatives (Kirsch, 1997; Nghiem, 2008; Wolz & Bao Duong, 2010). Below are their identities and distinctive features:

**Old-styled co-operatives** (*established from 1954 – 1995, state-led agricultural co-operative, no law regulated co-operatives*): were followed the model of the Soviet Co-operative Union. The farmers were forced to join the co-operatives, which meant their real properties (including cultivated lands and tools) were completely expropriated. This practice also meant these real properties belonged to the co-operatives. In addition, individual farming was abolished. The decision-making powers of members and management were almost non-existent as co-operatives had to follow the instructions of the central plans. The local government assigned duties to farmers in these co-operatives and equally distributed profits to each farmer regardless to farmers’ contributions (properties and labour). The 1996 Co-operative Law provided farmers two options: They either had to transform their old-style co-operatives into member-oriented service co-operatives and become competitive over time, or the co-operatives had to be liquidated. The government also appointed management boards. Thus, internationally recognised cooperation principles were completely ignored.
**Transformed co-operatives:** these in fact are newly established co-operatives. However, they originally were transformed from the old styled co-operatives to new-style co-operatives under the first co-operative law.

**Newly established co-operatives:** *(established after the Co-operative Law became effective in January 1997):* a newly established co-operative is a collective economic organisation, involving co-ownership with legal entity, and is established voluntarily by at least 07 members and mutually cooperates and assists in the production, sales and job creation to meet the general needs of all members, on the basis of self-control, self-responsibility, equality and democracy in management of co-operative.

According to Patmore & Balnave, (2018) there are transformational co-operatives, where the form of the co-operative shifts over time to match changes in local economic conditions. The Macleay Co-operative on the mid-north coast of New South Wales (NSW) in Australia, founded in 1905, began as a dairy co-operative with a butter factory and transformed into a retail co-operative as the dairy industry went into decline. According to Patmore and Balnave (2018) the new types of co-operatives keep emerging, with two recent examples being social co-operatives and platform co-operatives.

Under the 1996 co-operative law, there are two kinds of co-operative in Vietnam, the successfully transformed and the newly established co-operatives. Several main features of them are discussed in table 5.2.
Table 5.2: Comparison of characteristics of transformed and newly-established co-operatives

<table>
<thead>
<tr>
<th>No</th>
<th>Differences</th>
<th>Transformed co-operatives</th>
<th>Newly established co-operatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Membership</td>
<td>Open to all agricultural Households</td>
<td>Restricted to those who follow the highly focused objective</td>
</tr>
<tr>
<td>2</td>
<td>Number of members</td>
<td>300 – 500</td>
<td>10 – 20</td>
</tr>
<tr>
<td>3</td>
<td>Subscription of shares in Cash</td>
<td>(in general) No</td>
<td>Yes</td>
</tr>
<tr>
<td>4</td>
<td>Value of total assets</td>
<td>300-800 million VND</td>
<td>15 - 100 million VND</td>
</tr>
<tr>
<td></td>
<td>- available as current assets</td>
<td>- about 20 per cent</td>
<td>- almost 100 per cent</td>
</tr>
<tr>
<td></td>
<td>- available as “cash-in-hand”</td>
<td>- less than 10 per cent</td>
<td>- almost 100 per cent</td>
</tr>
<tr>
<td>5</td>
<td>Activities</td>
<td>5-10</td>
<td>1-3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Emphasis on: irrigation, electricity supply, plant protection, input supply, Extension (new crops, varieties, production techniques, etc.)</td>
<td>Emphasis on: input supply, extension (quality management), joint marketing.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Multi-purposes</td>
<td>Single purpose</td>
</tr>
<tr>
<td>6</td>
<td>Number of decision-making persons</td>
<td>5 – 10</td>
<td>1 - 3</td>
</tr>
<tr>
<td>7</td>
<td>Stakeholders involved</td>
<td>Multiple stakeholders (influenced by local administrative when making decisions)</td>
<td>Single stakeholder (without influence of local administrative in making decision)</td>
</tr>
</tbody>
</table>

Adapted: (Cox & Le, 2014; Tran, 2014; Wolz & Bao Duong, 2010)

In January 1997, once the Co-operative Law had become effective, the number of agricultural co-operatives stood at 13,120. The majority of old-style co-operatives and transformed co-operatives are found in the North of Vietnam. According to Wolz and Bao Duong (2010) some co-operatives transformed successfully, while the majority of them failed to meet the new legislation. This period also recorded that there are nearly a thousand new co-operatives that have been established each year (JCCU, 2012; Nghiem, 2008). However, since then the growth of co-operatives has kept declining; after the initial euphoria, the number of co-operatives never reached that of 1986 level, as illustrated in the figure 5.1 (Hai & Iwamoto, 2014). At the end of 2017, there were 19,487 mutual enterprises in the country, with more 4
million members, and the average income was VND 1,750,000 (equal AUD $100) (VCA, 2017). The figure 5.1 shows the rise and fall in the number of co-operatives in Vietnam from 1955 to 2017.

Figure 5.1: The Co-operative movement in Vietnam from 1995 to 2017 (ICA, 2017)

As part of the process of renovation and development of co-operatives, the Vietnam Co-operative Alliance was established by combining two national organisations: The Union of Small Handicraft Industry Co-operatives of Vietnam and the Management of Committee for Supplying and Marketing of Co-operatives in Vietnam in the October 2003 (Yadava et al., 2009). The Vietnam Co-operative Alliance was set up as the national co-operative organisation representing and supporting co-operatives and co-operative unions of all sectors in the nation (VCA, 2012). In general, the 1996 Co-operative Law is considered as the first and the most important legal framework of co-operatives in the nation. The Co-operative Law not only provides the legal framework for the transformation of old-style agricultural co-operatives, but also – more importantly – the basis for setting up new ones (Kirsch, 1997; Wolz & Bao Duong, 2010).
Categories of co-operatives in Vietnam

Wolz and Bao Duong (2010), and Tran (2014) identified ten categories of co-operatives namely: agricultural co-operatives, trade and service, transportation, construction, small-scale industrial, credit, and other co-operatives such as electric and water, environment, health, school, fruit and livestock co-operatives (Hai & Iwamoto, 2014; Nghiem, 2008). Figure 5.2 shows the co-operatives sector’s structure in 2017. As can be seen from figure 5.2, within these kinds of co-operatives, agricultural co-operatives account for the highest proportion (approximately 60%). The other kinds of co-operatives account for no more than 10 per cent.

Figure 5.2: The 2017 Classification of agricultural Co-operative in Vietnam (VCA, 2017)

However, as illustrated from the figure 5.3, the average monthly income of agricultural co-operative is the lowest while that of construction co-operative is the highest one.
Characteristics of agricultural co-operatives in Vietnam

According to Kirsch (1997), and Wolz (2000), agricultural co-operatives in Vietnam can be classified into three types according to their key functions: input supply and marketing co-operatives, agricultural service providers, and agricultural production co-operatives (Aquaculture, Clean vegetable, Fruit, Poultry/pig fattening). Services offered by co-operatives are diverse. Generally, agricultural co-operatives in Vietnam have provided common services such as irrigation, harvest, input supplies, production technology, credit, collection and distributions, electricity supply, plant protection, extension, marketing, waste collection, clean water supply, and land preparation (Wolz & Bao Duong, 2010).

Figure 5.3: The 2017 average monthly income per member (VCA, 2017)
Figure 5.4: The 2017 popular services of agricultural co-operative (VCA, 2017)

As illustrated in figure 5.4, among these services, irrigation is the most popular and has been offered by a majority of agricultural co-operatives (about 80.5%), followed by plant protection service (57 per cent), inputs supply (46.2 per cent), extension service (46.3 per cent), and collection and distributions (43.2 per cent) (VCA, 2018).

In addition, the characteristics of co-operatives also vary throughout the country. The comparison of typical co-operatives in the North and The South was made (Table 5.3) in order to gain a comprehensive understanding about co-operatives in both sectors of the nation.
Table 5.3: Comparison main features of co-operative between the North and the South

<table>
<thead>
<tr>
<th>No</th>
<th>Differences</th>
<th>Unit</th>
<th>Co-operatives in the North</th>
<th>Co-operatives in the South</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Enrolment as membership</td>
<td></td>
<td>Compulsory</td>
<td>Voluntary</td>
</tr>
<tr>
<td>2</td>
<td>Member/Coop</td>
<td>Farmer</td>
<td>1,000 - 2,000</td>
<td>50 - 200</td>
</tr>
<tr>
<td>3</td>
<td>Capital/Coop</td>
<td>Mil. VND</td>
<td>1,452</td>
<td>400</td>
</tr>
<tr>
<td>4</td>
<td>Members subscribed shares</td>
<td>% of total</td>
<td>3.9</td>
<td>64.4</td>
</tr>
<tr>
<td></td>
<td>Capital</td>
<td>Capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Capital assets</td>
<td>% of total</td>
<td>85.1</td>
<td>19.7</td>
</tr>
<tr>
<td></td>
<td>Capital</td>
<td>Capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Working Capital</td>
<td>% of total</td>
<td>11</td>
<td>18.9</td>
</tr>
<tr>
<td></td>
<td>Capital</td>
<td>Capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Co-operative scale size</td>
<td></td>
<td>Commune</td>
<td>Hamlet</td>
</tr>
<tr>
<td>8</td>
<td>Capital assets</td>
<td>% act value</td>
<td>20-30</td>
<td>70-80</td>
</tr>
<tr>
<td>9</td>
<td>Dividend</td>
<td>(in general)</td>
<td>No</td>
<td>Yes (annually)</td>
</tr>
<tr>
<td>10</td>
<td>newly established ACs</td>
<td>%</td>
<td>20.5</td>
<td>79.5</td>
</tr>
<tr>
<td>11</td>
<td>Intervention by the local administration</td>
<td>Yes</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Management</td>
<td></td>
<td>Local administrative</td>
<td>Co-operative members</td>
</tr>
</tbody>
</table>

Adapted: (Cox & Le, 2014; Tran, 2014; Wolz & Bao Duong, 2010)

**Enterprise level analysis of a typical Vietnamese agricultural co-operatives**

This is general information about agricultural co-operatives in Vietnam, not for a specific co-operative. Data was collected from a wide range of relevant studies about development of agricultural co-operatives in Vietnam under the transitional economy, as well as annual reports from government agencies. The conceptual framework for research into co-operative enterprise developed by Mazzarol, Reboud, Limnios, et al. (2014) was used to analyse these co-operatives at the meso level.
**Purpose**

**Member Value Proposition (MVP)**
Agricultural co-operatives are member-oriented service organisations, and they commit to provide their members agricultural services with lower prices (lower than the market price). Members, in general, already benefit as their production costs can be reduced with the help of their co-operatives (Dung, 2010). Co-operative members are enjoying the benefits of co-operatives and unions of co-operatives (Nghiem, 2008).

**Target members**
Membership is restricted to those who follow the highly focused objectives. Members are asked to subscribe for a certain number of shares to be a member. In general, agricultural co-operatives the south starts with a relatively small membership (80-150 members) and a larger membership in the Middle and the North (Wolz, 2000; Wolz & Bao Duong, 2010).

**Profit Formula**

**Cost structure**

*Capital structure*: Most of the capital is invested into physical assets such as tractors, combine harvester machines, and electric pumping stations. The smaller proportion of total capital is considered as working capital for running business (Wolz, 2000).

*Payments* (Kirsch, 1997): In some co-operatives, management staff is paid by:

- Level of service providing (for example: 10% of turnover is distributed for staff’s salaries);
- A fixed amount of money which is regulated by charter of co-operatives;
- In some cases, they work for free (volunteer without any payment);
- Receiving a small compensation for their work.
Revenue model

Most co-operatives’ revenue is generated by providing services for their clientele. Customers will be paid in kind (e.g., 900 kg of paddy per season) or in cash. In some co-operatives, the main source of income derives from commissions gained from selling members’ outputs (Kirsch, 1997; Wolz, 2000).

Profit distribution policy

Different co-operatives distribute benefits to their stakeholders in a very different ways, which are regulated by the charter of the co-operative (Wolz & Bao Duong, 2010). For example, at some co-operatives, after deduction of management costs, the net-profit is used as follows:

- 40% to increase working capital,
- 40% to increase social funds,
- 10% to increase reserve funds and
- 10% is distributed to members, but directly converted into shares.

In some co-operatives, profit surplus (net profit) is not distributed as patronage refund or profit to members but ploughed back into community services (electricity supply, social services, such as health etc.) (Wolz, 2000; Wolz & Bao Duong, 2010). Some co-operatives introduce the allotment of profit based on capital (dividend on share) as well as the allotment of profit based on level of service use (dividend on patronage). However, patronage dividend policy is rarely applied while dividend on share policy is popular in many co-operatives. A lot of co-operatives currently still pay quite high interest for share capital and encourage members to transfer their dividend payment to their share in co-operatives (Nghiem, 2006, 2008).

Share structure

Value configuration

In case the co-operative has been economically successful during the previous years, its total value and the average value per member increase. Some co-operatives require the new
members to pay this increased price for a share. In that case, it will become difficult for potential members to join as the price keeps on increasing. Therefore, if the co-operative becomes economically too successful, there is the danger that potential new members will be left out (Kirsch, 1997). It is often argued that newly joining members should pay the increased average value per member as a share. For instance, instead of VND 300,000 at the beginning, the new members now should pay VND 388,000 after one year (Tran, 2014). It has to be seen whether the potential members have enough funds to do so (Wolz, 2000). In some cases, co-operative members do not receive benefits greater than or indeed different from those who are non-members (Kirsch, 1997).

**Ownership rights**

According to Vietnam Co-operative law (2013), Article 14, Rights of members:

1. Being provided with products and services by the co-operatives and unions of co-operatives under service contract.

2. Being contributed income as specified by provisions of this Law and charter.

3. Enjoying the benefits of co-operatives and unions of co-operatives

4. Attending or electing deputies for attendance of general meeting of members.

5. Voting the contents of the right of general meeting of members under the provisions of Article 32 of co-operative Law.

6. Self-nominating and nominating Board members, supervisory Board or the controller and other elected positions of co-operatives.

7. Making proposal and request to the Board of Directors, Director (General Directors), supervisory Board or the controller to explain the operation of the co-operatives and; making request to the Board of Directors supervisory Board or the controller to convene an extraordinary general meeting of members under the provisions of this Law and regulations.

8. Being provided with the necessary information related to the operation of co-operatives; supported with the training, retraining and improvement of professional level in service of activities of co-operatives and unions of co-operatives;
9. Leaving co-operative and unions of co-operatives as prescribed by the charter.

10. Being returned contributed capital upon leaving co-operatives as prescribed by this Law and charter.

11. Receiving the remaining divided value of assets of co-operatives.

12. Making complaint and denunciation and initiating lawsuit as prescribed by law.

**Voting rights**
According to co-operative Act 2012, “One member one vote” principle is applied to all co-operatives national wide. There is no privilege for anyone who owns a larger proportion of shares (Hai, 2014; Rankin et al., 2007; Wolz & Bao Duong, 2010).

**Governance**
Agricultural Co-operatives in Vietnam are vertically organized in a three-tiered system; primary co-operative at district level and alliance at provincial and national level as the following:

![Diagram of vertical structure of co-operative federation](image)

Source: VCA, 2017

Figure 5.5: Vertical Structure of Co-operative Federation
All of the co-operatives at district level are members of Provincial Co-operative Alliances, all of the Provincial Co-operative Alliances are members of Vietnam Co-operative Alliance. The primary co-operatives consist of individual members while members of provincial and national alliances are co-operatives.
The general structure of primary co-operatives in Vietnam is presented in the Figure 5.6 below.

According to VCA (2017), at the general meeting, members elect the management Board who formulates the policies of the co-operative and appoints the staff to run the entire operation of co-operative.

**Management board structure**

Typically, 1 to 3 people will be elected at the general assembly to be management staff. They are usually co-operative members, and their term will last 2 years. Co-operative management Committee is on behalf of members to resolve workaday affairs of Co-operative. To help Co-
operative Management Committee, apparatus of Co-operative organized of the following departments: Control section, Planning section, Accounting section, and credit section. However, these people are usually incompetent to run co-operative business due to low education and lack of knowledge in management, finance, marketing, and law issues. Therefore, non-members who have competency are strongly fostered to join to management board. At some cases, co-operatives are willing to pay appropriate salaries to ensure talented staff (Wolz, 2000; Wolz & Bao Duong, 2010).

**Audit and control committee (Supervisory board structure)**

Supervisory Board present in all co-operatives. The boards comprise 1 to 3 people on average. They are members and elected in the general assembly and their term also lasts for 2 years (Kirsch, 1997; Wolz, 2000; Wolz & Bao Duong, 2010). They are in charge of supervising, controlling organizations and members of Co-operative on implementing regulation, resolution of General Meeting, statute of Co-operative and decisions of Management Committee (VCA, 2017).

**Member engagement**

According to the Co-operative Act 2012, all members are encouraged to join in all important activities of the co-operative. For example, voting for management and supervisory board, approving co-operative’s business plans and benefit distribution method (Vietnam Co-operative law, 2013).

**Key resources**

**Core competence**

Poor management capacities are one of the main characteristics of agricultural co-operatives in comparison with other kind of co-operatives and IOFs (Hai, 2014; Wolz, 2000; Wolz & Bao Duong, 2010). The majority of management board members are local farmers who are at low level of education and specialised knowledge. Their knowledge about product markets,
marketing is very limited. The agricultural co-operatives’ educational degree of board management is lowest compared with other types co-operative in Vietnam. They are lack of legal knowledge as well.

**Financial capital**
Most of the agricultural co-operatives claim that they lack capital resources (Hai, 2014; Khoa, 2012; Kirsch, 1997; Wolz, 2000). Capital assets of co-operatives are very limited, and the value of operational funds is even smaller. Therefore, most of the co-operatives are very short of operating funds, but the needs for investments are high. The value of share capital is quite small (VND 200,000 - 300,000, = $20 – 30 per share; it is very common that each member subscribed a share only), but it is difficult to raise capital (43% AC members are poor and landless farmers). It is difficult to get bank loans, and good investment proposals will not be eligible for any credit from the banks for the time being.

**Reputation**
Many farmers have been reluctant to join due to the bad experiences with production co-operatives in the past, which can be only overcome in the long run (Rankin et al., 2007; Wolz & Bao Duong, 2010). Agricultural co-operatives do not enjoy the trust and confidence of the banks despite a directive that banks should provide credit to them. Even those without any debts and good investment proposals will not be eligible for any credit from the banks for the time being (Kirsch, 1997).

**Physical assets**
The most valuable assets of most of the agricultural co-operatives in Vietnam are tractors, fuel engines, electronic pumping stations, and irrigation channel systems (Kirsch, 1997; Wolz, 2000).

**Partner network**
Some co-operative has already formally cooperated with others surrounding them to establish their co-operative union. Co-operatives can also be members of co-operative unions (Vietnam
Co-operative law, 2013). Informally, some co-operatives formed linkages with other co-operatives in nearby localities and have maintained a regular exchange of information on market conditions, prices of materials and commodities, and sub-contracting prices in consumption contracts. This has helped to enhance the competitiveness of the co-operatives. Importantly, a number of marketing co-operatives in particular, are also involved in the signing of contract farming with purchasing companies in order to help their members sell their outputs (Cox & Le, 2014; Dung, 2010; Wolz & Bao Duong, 2010). The model of province and district-level co-operative’s chairmen club has been adopted in some places in which the main purpose is to exchange information and management experience (Cox & Le, 2014). Central and local government agencies who are responsible for co-operative development are also very important partners of co-operatives (Vietnam Co-operative law, 2013).

**Key processes**

**Distribution channel**

Most of the co-operatives’ goods and services are delivered to their clientele directly without the presence of any middle-man (Kirsch, 1997; Wolz & Bao Duong, 2010).

**Relationship**

In some cases, co-operatives are representatives of their members to sign farming contracts with purchasing companies and help farmers to sell their products to the market at the fair prices. Moreover, co-operatives also play a bridging role in transferring advanced farming technologies from government agencies and academic institutions to farmers (Hai, 2014; Wolz, 2000; Wolz & Bao Duong, 2010).

**Products/Services**

The irrigation service is the most popular business service of AC in Vietnam (Hai & Iwamoto, 2014; Kirsch, 1997; Rankin et al., 2007; Wolz & Bao Duong, 2010). Other services include
harvest, input supplies, production technology, credit, collection, electricity supply, plant protection, extension, marketing, waste collection, clean water supply, land preparation.

**Positioning**
The service prices that co-operatives offer to their members are competitive and lower than those of the market (lower than that of IOFs as well) (Hai, 2014; Hai & Iwamoto, 2014). However, co-operatives’ service diversification is evaluated as ineffective and low speed. Most co-operatives provide only “pure” and simple agricultural-related services without expanding their business lines and are small-scale in size, due to a lack of capital, poor facilities and shortage of specialised knowledge (Hai, 2014; Hai & Iwamoto, 2014).

**The role of agricultural co-operatives Vietnam’s economy**

Historically, agricultural co-operatives are the most important organisations in providing support for rural development in general and agricultural development in particular (Cox & Le, 2014). Vietnam, which considers itself an agriculture-based country, has a population of more than 90 million; 70 per cent of the population depend on agriculture, 50 per cent are labourers working in the agricultural sector, and the majority of those are small-scale producers (Khoa, 2012; Tu, 2011). Although farm sizes vary throughout the country, they are typically small and highly fragmented, especially in the north, at around 0.2 hectares per capita (Marsh & MacAulay, 2003). Collective action has, therefore, been promoted as a means of empowering small-scale farmers in Vietnam during the restructuring and modernisation of traditional agricultural supply chains (Kerkvliet, 2018b; Kirsch, 1997; Wolz & Bao Duong, 2010).

According to VCA (2017), the co-operative movement has embraced over 13 million labourers, economic households, small and medium businesses and production units; thus, the collective economy has become a large socio-economic sector with an important and irreplaceable impact on other economic sectors, cultural and social infrastructures, and
professions, such as agriculture, micro credit, small industry and handicraft, commodity and passenger transportation. It also directly affects the livelihoods of about 47-50 million people, especially in the rural and mountainous areas (Pham et al., 2016; VCA, 2017). The collective economy, therefore, is considered to be one of five key economic sectors which hold a significant role in the national economy (Kirsch, 1997; Wolz & Bao Duong, 2010). As illustrated in figure 5.5, co-operatives have contributed 5.5 per cent in average to the national GDP.

In addition, the rate of poor households decreased to 14.2 per cent, some of which is due to the positive contribution of agricultural co-operatives (Khoa, 2012). Therefore, agricultural co-operatives are considered to be the most important institutions that empower the rural development process in general and the agricultural development particularly, through the activities and services beneficial to farmers (Dung, 2010; Pham et al., 2016).

![Figure 5.7: GDP contribution of Collective Economy (VCA, 2017)](image)

In short, strong government support and the economic benefits achievable through cooperation have seen the formation of many new farmer co-operatives nationwide. As with other kind of co-operatives in Vietnam, ACs mainly work under the Co-operative Law. The
Law not only provided the legal framework for the transformation of old-style agricultural co-operatives, but also - more importantly - the basis for setting up new ones. Since its first issue in 1997, the law has been revised in 2003 and 2012 (Kirsch, 1997; Wolz & Bao Duong, 2010). The AC regulations were made based on the premise that an AC is a private enterprise controlled by its members, and in which supporting and guidance are only offered by the government (Nghiem, 2008). Tu (2011) and Khoa (2012) argued that the improving legal environment (Co-operative law 1997, which was revised in 2003 and 2012), the growing commodity agriculture production globally and the context of globalization have created various opportunities to promote more sustainable development of co-operatives.
Chapter 6: Research Design and Methodology

Summary of the chapter

This chapter outlines the philosophy behind the research design and discusses how the proposed methods could answer the research questions. Thus, it covers the research methodology which was used to assess the factors influencing the performance of selected agricultural co-operatives in Vietnam. The chapter highlights the research design, target population, sample size and sampling procedure, research instruments, pilot testing, and the process of data collection procedures while describing the philosophy behind the data collection strategy. This chapter also outlines the development of the case study protocol and the selection of the nine cases based on the theoretical sampling approach as recommended by Eisenhardt (1989) and Yin (2014).

Research strategy and design

This study examined the interrelationship between institutional and governance factors on the performance of agricultural co-operatives in Vietnam. It did so by using a multiple case study methodology guided by the conceptual framework for research into co-operative enterprises (Mazzarol, Reboud, Limnios, et al., 2014) and New Institutional Economics (NIE) in agricultural co-operatives (Christensen, Johnson, & Turner, 2011; Veal, 2005; J. Wilson, 2014).

![Figure 6.1: Steps in Deductive research approach (Trochim, 2005)](image)

The deductive approach as illustrated in figure 6.1 was utilised for several reasons. First, this study has been developed from a pre-existing conceptual framework and a set of pre-existing theoretical propositions (see chapter 3). Second, the type of reasoning employed was deductive.
and objective and followed a cause-effect relationship. Third, the types of research questions used were pre-specified and outcome-oriented. Fourth, the types of analysis undertaken to examine these questions involved not just a purely qualitative analysis (e.g., NVivo), but the text-analytic software Leximancer, which applies algorithms to offer a more objective approach to the analysis (Shuttleworth, 2008; Sotiriadou, Brouwers, & Le, 2014; Trochim, 2005; J. Wilson, 2014).

**Qualitative methodology using multiple case-studies**

This study employed qualitative approaches. Qualitative method research is valuable when seeking to answer questions that can only be addressed by investigation through in-depth interviewing, observation and analysis of secondary source data. This methodology is also practical and does not restrict the researcher to a single research paradigm. It also offers a comprehensive investigation focusing on qualitative data sources (Belk, Fischer, & Kozinets, 2012; Christensen et al., 2011; Wilson, 2014). A multiple case study design was employed with eight agricultural co-operatives selected, drawn in equal numbers from both North and South Vietnam. In-depth face-to-face interviews were undertaken with co-operative members, directors and managers from each co-operative, as well as with representatives from government agencies tasked with the responsibility to support and regulate the co-operative sector. Further details of the selection process for these cases and the data collection process are discussed below.

Case study methodology can be used to formulate new theory (Eisenhardt, 1995), or to test theory (Yin, 2013). Importantly, case studies enable researchers to observe phenomena as they occur in their real-life contexts, and the features that allow surrounding social and structural intricacies to be exposed and unravelled (Marshall & Rossman, 2010; Yin, 2013). This essentially provides a more accurate conception of events and behaviours, and a more comprehensive understanding of the associations that influence the phenomenon in question.
In other words, case study methodology offers a suitable mechanism for the understanding of complex causal relations, and allows more robust theories to emerge (Eisenhardt, 1995; Yin, 2013). Moreover, multiple case studies offer more pragmatic outcomes, considering the large number of co-operatives operating under different conditions, and more robust findings than would be possible for a single case example. They also offer the advantage of strengthening the external validity of findings, since they allow for cross-case analysis, in addition to the fact that comparisons can be made with theory (Yin (2013); Eisenhardt (1995)).

**Figure 6.2: Proposed steps for conducting a case study research (Yin, 2013).**

There are three main types of case studies: exploratory, descriptive, and explanatory (Yin, 2013). However, the case studies involved in this research have a dual exploratory and explanatory purpose. This approach was required to not only discover how the co-operatives were developing within their environments (exploratory), but also to explain why different outcomes are happening and to argue the effects that this may have on co-operative evolution as a strategy for rural and enterprise development (explanatory). Yin (2013) has developed the case study research method and suggested techniques for this research successfully. The study’s development procedures were guided by this work and the six steps illustrated in figure 6.2.
**Pilot study**

A pilot study of one smallholder agricultural co-operative in An Giang province was conducted first to pre-test the questionnaire and case study protocol. The purpose of the pre-test was to assess the relevance, validity and cultural acceptability of the questions. The pilot study helped to revise questions which seem ambiguous so that the target respondents can better comprehend them. Representatives (e.g., managers and members) from eight Vietnamese agricultural co-operatives in both northern and southern Vietnam were then interviewed. A detailed case study protocol used to guide all case data collection was developed.

**Population of the study and data collected**

As discussed in preceding chapters, this study focused on agricultural co-operatives in Vietnam. The importance of agriculture to the Vietnamese economy and the central role that has been given to co-operatives over time by the Vietnamese government were outlined in chapter 5. There it was noted that 70 per cent of Vietnam’s population participate in the agricultural sector, but most producers are smallholder farmers with limited resources (Nghiem, 2008). Of the many types of co-operatives found in Vietnam, the most prolific are those within the agriculture sector at 60 per cent of the total co-operatives (Hai, 2014; Rankin et al., 2007; VCA, 2017; Wolz & Bao Duong, 2010).

To meet the purposes of the study, both secondary and primary data were collected in order to ensure that the findings were based on sufficient evidence (Cooper & Schindler, 2003; Sekaran, 2006; J. Wilson, 2014; Yin, 2013). Moreover, the use of multiple data sources provided good triangulation (Bryman & Bell, 2015) in the identification of a series of significant incidents of strategic importance within the organisational timeline (from founding to the present day).
Secondary data sources

A range of secondary data were obtained from various sources such as academic literature and past research on co-operatives (books, journals and websites), annual reports from the Ministry of Planning and Investment, Ministry of agriculture and Rural Development, and the Vietnam co-operative Alliance (policy documents), reports on programs and projects working with agricultural co-operatives in Vietnam, and internal organisational reports, memos, presentations, and books of accounts. This data was used to assess the history, size, and overall performance of each case study co-operative selected for the study.

Primary data sources

In order to investigate the influence of institutional and governance factors on the performance of Vietnam’s agricultural co-operatives, primary data were collected from co-operatives and government agencies through fieldwork in Vietnam. This included in-depth interviews with the directors and managers (current and past executives), of the agricultural co-operatives across both North and South Vietnam, as well as with members, and government stakeholders (at local and central level) (Flanagan, 1954; Gremler, 2004). Additional data collection took place via field observation, fieldwork diary entries, feedback workshops and participant’s observation. The procedure of data collection and analysis were undertaken in stages as discussed below.

Data collection

The data collection procedure was guided by a case study protocol containing questionnaires, procedures and rules governing how the data collection process would be conducted. As recommended by Yin (2014), the development of the protocol was undertaken with attention to four key areas: i) an overview of the case study; ii) field procedures; iii) case study questions, and iv) a guide for the case study report. These four areas are described below with an
explanation of how each area was dealt with in the data collection process. The full case study protocol can be found at Appendix A.

**Selection of cases**

The selection of representative co-operatives was guided by theoretical rather than a random sampling approach (Eisenhardt, 1995; Yin, 2013). A purposeful sampling technique (Belk et al., 2012; Ritchie, Lewis, Nicholls, & Ormston, 2013) was applied to recruit case studies and participants who had been and/or were actively involved in the co-operatives. This kind of selection is both a deliberate and flexible selection of specific contexts, events or individuals because of the crucial information they can provide (Bryman & Bell, 2015; Carpenter & Suto, 2008). It constitutes a means for selecting data-rich cases to provide in-depth understanding and insights (Hennink, Hutter, & Bailey, 2010; Liamputtong, 2009).

In this instance, case studies of purposefully selected co-operatives provided the data needed to confirm or reject the propositions of the conceptual model summarised in Figure 3.1, and to develop a thorough understanding of ways in which the institutional, and governance attributes of the case studies impacted on their ability to create and sustain value-creating activities. Purposive sampling was used to ensure rich data and to generate information that would help to accept or reject the theoretical propositions (Eisenhardt, 1989).

**Table 6.1: Showing selected co-operatives**

<table>
<thead>
<tr>
<th>Case</th>
<th>High Performance</th>
<th>Low Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>North</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>South</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td><strong>8</strong></td>
</tr>
</tbody>
</table>
As shown in Table 6.1, from each part of the country (North and South), 4 co-operatives were selected based on their performance as the main criterion. The criteria used to classify performance of these co-operatives were based on Circular No. 09/2017/TT-BNNPTNT of the Ministry of agriculture and Rural Development which provides guidelines for the classification and evaluation of co-operatives performance in the agricultural sector. Please see Appendix B for more details. Two were assessed as representing high performance and two were considered low performance. A list with the names of these co-operatives was obtained from the Ministry of agriculture and Rural Development which has issued the criteria to rank a co-operative’s performance. Table 6.2 details the firms selected from North and South Vietnam.

In consideration of the objectives of the research, the following criteria were applied for recruiting sample co-operatives: i) their industry – they should be agricultural operators; ii) their size - priority was given to co-operatives that have a larger number of members, which reflects their economy of scale; iii) their age - those which have survived after experiencing various impacts of social, political and economic changes in government policies; iv) availability of records, and v) their willing to co-operate with the researcher.

The selection was validated by officials from the Vietnam Co-operative Alliance (in the North) and the Centre for Co-operative Development (in the South) in order to gain additional viewpoints as to the performance of each co-operative. It also ensured that the sampling process was able to obtain the representative co-operatives as well as key executives and board members in these organisations that were typical, so that the results could be applied or replicated for other kinds of co-operatives found across Vietnam.
Table 6.2 Comparison co-operative characteristics between the north and the south

<table>
<thead>
<tr>
<th>No</th>
<th>Differences</th>
<th>Unit</th>
<th>Co-operatives in the North</th>
<th>Co-operatives in the South</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Enrolment as membership</td>
<td>compulsory</td>
<td>Voluntary</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Member/Co-op (membership size)</td>
<td>Farmer</td>
<td>1,000-2,000</td>
<td>50-200</td>
</tr>
<tr>
<td>3</td>
<td>Capital/Co-op (capital size)</td>
<td>Mil. VND</td>
<td>1,452</td>
<td>400</td>
</tr>
<tr>
<td>4</td>
<td>Members subscribed shares</td>
<td>% of total Capital</td>
<td>3.9</td>
<td>64.4</td>
</tr>
<tr>
<td>5</td>
<td>Capital assets</td>
<td>% of total Capital</td>
<td>85.1</td>
<td>19.7</td>
</tr>
<tr>
<td>6</td>
<td>Working Capital</td>
<td>% of total Capital</td>
<td>11</td>
<td>18.9</td>
</tr>
<tr>
<td>7</td>
<td>Co-operative scale size</td>
<td></td>
<td>Commune (one commune includes several hamlet)</td>
<td>Hamlet</td>
</tr>
<tr>
<td>8</td>
<td>Capital assets</td>
<td>% act value</td>
<td>20-30</td>
<td>70-80</td>
</tr>
<tr>
<td>9</td>
<td>Dividend</td>
<td>No (in general)</td>
<td>Yes (annually)</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>newly established agricultural co-operative</td>
<td>%</td>
<td>20.5</td>
<td>79.5</td>
</tr>
<tr>
<td>11</td>
<td>Intervention by the local administration</td>
<td>Yes</td>
<td>Not much</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Management</td>
<td>Local administrative</td>
<td>co-operative members</td>
<td></td>
</tr>
</tbody>
</table>

Sources: (Cox & Le, 2014; Sultan & Wolz, 2012; Tran, 2014; Wolz & Bao Duong, 2010)

After the selection of the cases the respective co-operatives were contacted four to five days prior to the anticipated date in order to notify them of the visit and its purpose. To access the research areas, the agricultural and rural development officers were expected to accompany the researcher. As most of the Vietnamese agricultural co-operatives are in the remote areas where internet is not available. Moreover, it was supposed that local villagers were not willing to cooperate and answer the questions, which were inquired by strangers.

**Target informants for the interviews**

As outlined in chapter 1, this study examined five research questions

RQ1: What does the historical evolution of Vietnamese agricultural co-operatives tell us about the nature of existing institutional and governance structures?

RQ2: How have institutional factors influenced the performance of Vietnamese agricultural co-operatives?
RQ3: How have governance factors influenced the performance of Vietnamese agricultural co-operatives?

RQ4: What changes to institutional factors relating to Vietnamese agricultural co-operatives might improve performance?

RQ5: What changes to governance factors relating to Vietnamese agricultural co-operatives might improve performance?

The first research question (RQ1) was investigated primarily through the document analysis, supplemented by interviews with education officers. RQ2 and RQ3 were addressed exclusively through interviews with relevant stakeholders, supplemented by document analysis, while the last two questions were based on the findings of the previous ones. A purposive selection approach was employed to recruit participants. This aligns with a qualitative research design that aims to develop an in-depth understanding of a particular phenomenon, and to discover socially constructed meanings, and to understand the context within which the phenomenon exists (Hennink et al., 2010). The view emphasises the significance of obtaining in-depth data, and the selection of informants with specific characteristics who can best contribute to getting the research objectives (Belk et al., 2012; Yin, 2013).

For the purpose of comparative analysis and triangulation of perspectives, the target informants in the study included directors from the co-operatives’ management boards (current and past executives), co-operative members, government officials (from provincial department of Co-operative Development, the Provincial Co-operative Alliance, the Vietnam Co-operative Alliance, and Ministry of agriculture and Rural Development). A list of target informants is shown in the Table 6.3 below. In addition, external stakeholders of potential relevance were also identified by key informants or through references made in interviews with management boards and members.
Table 6.3: Target Informants for collecting qualitative data

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
<th>Data Collection Methods</th>
</tr>
</thead>
<tbody>
<tr>
<td>Macro level - relevant government departments</td>
<td>3</td>
<td>In-depth interview</td>
</tr>
<tr>
<td>Meso level - associations of co-operatives</td>
<td>2</td>
<td>In-depth interview</td>
</tr>
<tr>
<td>Micro level – individual co-operatives</td>
<td>8</td>
<td>In-depth interview</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>13</strong></td>
<td></td>
</tr>
</tbody>
</table>

Members and managers were interviewed about their perspectives on taking part in co-operatives, as well as the vital elements which influenced the performance and evolution of co-operatives. Co-operative management bodies at district, provincial and ministerial level were also interviewed on these matters and about their perspectives on the recent and current developments of co-operatives. Semi-structured interviews, document study, fieldwork diary, and observation were employed for collecting data. These approaches are consistent with a study adopting a symbolic interactionist theoretical perspective within the interpretivist paradigm (Belk et al., 2012; O'Donoghue, 2006; Yin, 2013).

**Interviews**

Interview data collected during the fieldwork was used as the primary source for concept identification. In this research both formal and informal interviews were conducted with the aim of ensuring internal validity of the interview data.

Along with case study protocol, the interview protocol also was developed to guide the interview procedure (see Appendix B for more details) as it helped to enhance the reliability of qualitative data (Yin, 2013). Semi-structured interviews were used to gather qualitative data for responding to the research questions as they are flexible and allow the researchers to interact with the participants and to get an understanding of their perspectives on the issues at hand. Marshall and Rossman (2010) also agreed that in-depth interviews in qualitative research are
important to help researchers understand the meaning that participants attribute to human action – their thoughts, beliefs and values. Furthermore, it allows the participants freedom to express their views and discuss them with the researcher.

The interviews were conducted as a guided discussion in order to ensure that a consistent line of enquiry is pursued and to avoid unnecessary distractions (Yin, 2013). The data collected was a combination of retrospective information on co-operative formation, current experiences of participants, and opinions on the future development of the case-study co-operatives. The interviews were relatively unstructured to allow for a free flow of discussion. Only towards the end of the interviews would focus be redirected towards the interview guide to determine if potentially important topics had been overlooked.

In-depth interviews were carried out with 13 participants, who were co-operative members, co-operatives’ management boards, members of the Vietnam Co-operative Alliance (provincial and national level), Ministry of agriculture and Rural Development (provincial and national level). The length of an average interview ranged from 30 minutes to up to 60 minutes. Case study protocol and interview protocol were used to guide the interviews and to elicit responses from the participants. Notes were taken during the interviews. These interviews were focused on the following themes: i) background information of the respondents; ii) a brief history of their co-operative; iii) perceived member value proposition (MVP); iv) governance factors that serve to drive and shape co-operative strategies; v) institutional factors that have played a role in the process of the development of contemporary agricultural co-operatives, and vi) the general performance of the co-operatives (See Appendix A and B for more details).

All formal interviews were digitally recorded, with the permission to do so given by the participants. The interviews were conducted in Vietnamese. A Vietnamese-speaking researcher transcribed and translated the interviews into English for analysis by the research team who provided assistance with arranging the interviews and translation of Vietnamese
transcribe into English. Although all interviews were transcribed, however, it was not possible to translate all the interviews into English due to time and budgetary constraints. In the case of later interviews, the transcriptions were notes taken at interview, with key passages subsequently translated into English. This data collecting method is also the most appropriate for a study adopting the interpretivist paradigm (O'Donoghue, 2006).

Informal interviews were also an important part of the data collection strategy which supported the formal interview data collected. Chances for conducting informal interviews were plentiful and these short discussions often resulted in further data for comparison and unexpected information. Inviting participants to lunch after interviews conducted in the commune was a successful strategy for encouraging informal discussion on co-operative development and sharing of information amongst key informants. It also offered an opportunity for observations to be made about the relationships between participants. Significant points from informal interviews were recorded in daily fieldwork diary entries. Totally, 5 informal interviews were taken notes carefully.

**Document review**

Document analysis is “a systematic procedure for reviewing or evaluating documents – both printed and electronic materials” (Bowen, 2009). The analysis of documents is an unobtrusive method which allows the researcher to learn about the values and beliefs of participants by examining the materials produced by them and others within their contexts (Hesse-Biber & Leavy, 2010). Marshall and Rossman (2010) argued that document analysis contributes to create knowledge of the background and historical context surrounding a particular phenomenon. Thus, researchers are required to review and interpret data in order to elicit meanings, gain understanding and develop empirical knowledge about the phenomenon (Corbin & Strauss, 2008).
A variety of relevant documents were reviewed throughout the research period as suggested by Yin (2013) for the purpose of supporting and corroborating evidence identified in primary data sources. These included national, local policy documents and legislation, relevant donor project documents, other publications such as quarterly newsletters published by MARD and MPI, newspaper articles, final reports of visited co-operatives, the co-operative organisations; reports were obtained from local co-operatives alliances, country co-operative movement strategy reports, literature available through the internet, and the like. Statistical information was also considered an important source. A total of 239 relevant documents were collected during this period and stored in the NVivo analysis software under topic folders.

These documents were particularly useful in enabling the researcher to develop an understanding of the evolving policy environment and current issues facing agricultural development in Vietnam. Importantly, the documents were also sufficient to help descriptions of the history of the co-operative developments as well as the economic, social and political contexts in which the developments occurred. The review of documentation provided additional information that enriched what had been learned from semi-structured interviews, and observations.

**Fieldwork diary**

In addition, throughout fieldwork, researcher reflections were captured in fieldwork diary entries. These entries often reflect on how interviews had been conducted and limitations that had occurred. Informal interviews are also a key part of the data collection strategy which helps to support the formal interview data collected. Key points from informal interviews were recorded in daily fieldwork diary entries. As fieldwork progressed, entries would also discuss conceptual relationships emerging in the data and include models of how concepts were related.
Observation

Observation was an additional method of data collection employed in this study. According to Hennink et al. (2010), this method allows the researcher to “systematically observe and record people’s behaviour, actions, and interactions” (p.170). It especially allows the researcher to become sensitised to the study sites and to see if, following interviews, scholars might suggest further specific questions that had not originally been articulated (Hennink et al., 2010; Punch, 2000). Both direct and participant observation were undertaken and provided useful additional evidence to supplement interview data. Direct observations usually took place in the field during visits to the villages. Pre-interview ritual tea-drinking presented a great opportunity for reflecting on issues such as co-operative performance, members’ perception on the current status of the co-operative, size of farms, level of technical skill displayed in orchards etc. Photos were often taken in conjunction with observation and were helpful in reminding researcher’s memory of the interview context when transcribing interview data in Australia.
Chapter 7: Data Analysis - NVivo

Summary of the chapter

This chapter outlines the qualitative data analysis with the support of QSR NVivo software packages to better explore qualitative data. The data analysis process includes coding and analysis strategies, methods of establishing validity and reliability of data collection instruments, operational definition of variables, ethical considerations, and preliminary findings. The analysis also shows the sources of qualitative data and how data abstraction leads to potentially new categories of coded data. The chapter also describes the category-coding method for data analysis. Data was analysed, based on the transcribed tapes. Categories and relationships were identified, in order to draw results from the study. The results were compared and contrasted with the theory, in order to draw conclusions and policy implications.

Data coding

Coding is simply the term given to the analytic process of categorising and sorting data (Charmaz & Belgrave, 2012). Corbin and Strauss (2008) emphasise that coding includes asking analytic questions about the data, making comparisons between data, generating concepts to empirical data, and constructing those concepts in terms of their properties and dimensions (Corbin & Strauss, 2008). Miles and Huberman (1984) and Ryan and Bernard (2003) believe that codes and coding data play a crucial role in the qualitative data analytic process of case study. Qualitative analysis classifies two types of coding: substantive coding, which includes both open and selective coding procedures, and theoretical coding (Holton, 2007). For the purpose of this study, open coding was adopted to analyse the data, followed by content analytic induction techniques (Belk et al., 2012; Corbin & Strauss, 2008; Elo & Kyngäs, 2008).

The coding structure was based on research questions and theoretical propositions of this study. Thus, the pre-existing business model frameworks proposed by Mazzarol, Reboud,
and Mamouni Limnios (2014) and Clark et al. (2014) is used to provide an initial coding framework. A Computer Assisted Qualitative Data Analysis Software NVivo was utilised for coding and managing data. This program helps making coding more efficient, and improves its quality (Brent & Slusarz, 2003).

**Analytic strategies**

According to Robson, Farshid, Bredican, and Humphrey (2013), a researcher is guided by the aims and research questions of the study in choosing the contents to analyse. Therefore, the qualitative data collected was analysed with a view to gaining an understanding of external “systems level” factors and the internal “enterprise level” environment that hinder or facilitate the operations of co-operatives. Interview transcripts were analysed using content analysis method, as this allows the researcher to test theoretical issues and enhance understanding of the data (Well, First, Dignity, it Out, & Training, 1997). Through content analysis, it is possible to distil words into fewer content related themes and make valid inferences from text (Belk et al., 2012; Weber, 1990).

The transcribed data was grouped on a case-by-case basis into themes suggested by the theoretical propositions. This approach was particularly useful in selecting relevant data for analysis. The process tests theoretical propositions by matching them to patterns observed in the data. If the observed patterns are consistent with theory, the proposition is accepted. This technique increases the validity of the conclusions drawn if the patterns predicted by theory are supported by the data (Marquart, 1989; Trochim 1989).

**Content analysis**

Content analysis is a method of analysing written, verbal or visual communication messages (Cole 1988). In the 19th century it was firstly employed as a method for analysing hymns, newspaper and magazine articles, advertisements and political speeches (Harwood & Garry,
Today, content analysis is applied in the fields of communication, journalism, sociology, psychology and business. The aim is to obtain a condensed and broad description of the phenomenon, and the results of the analysis is concepts or categories describing the phenomenon. Generally, the aim of these concepts or categories is to generate a model, conceptual system, conceptual map or categories. During the last several decades its application has shown steady growth as content analysis is extremely well-suited to analysing data on the multifaceted, sensitive phenomena characteristics. Based on the purpose of the study, content analysis may be used in an inductive or deductive way. The inductive approach is recommended if there is not enough former knowledge about the phenomenon or if this knowledge is fragmented. A deductive approach is based on an earlier theory or model and therefore it moves from the general to the specific (Burns and Grove 2005). In this thesis, the inductive content analysis is recommended as the appropriate approach as it meets the purposes of this study.

**Analytic induction**

Analytic induction is an approach to data analysis in which the researcher creates propositions about the phenomenon under investigation (Belk et al., 2012; Bryman & Bell, 2015). The method necessitates that the researcher systematically analyses the data, moving from the specific to the general, so that a range of instances are observed and then combined into a larger whole or general statement. In this way, researcher aims to ensure that the propositions generated cover the entire range of the available data (Chinn & Kramer, 1991; Elo & Kyngäs, 2008). Thus, it allows the researcher to test theoretical issues to enhance understanding of the data. Moreover, through content analysis, it is possible to distil words into fewer content related themes as well as making valid inferences from text (Belk et al., 2012; Weber, 1990). As mentioned in the previous chapters, the genuine factors affecting the evolution of agricultural co-operatives in Vietnam are not fully understood. Moreover, the extant knowledge about the
phenomenon is fragmented and insufficient to fully explain the current situation (Belk et al., 2012; Lauri & Kyngas, 2005).

**Analytical processes**

There are no systematic rules for analysing data. The key feature of all content analysis is that the many words of the text are classified into much smaller content categories (Burnard, 1996; Weber, 1990). While Elo and Kyngäs (2008) suggested that both inductive and deductive analysis processes are represented as three main phases: preparation, organising and reporting, in Yin’s (2013) approach to analysing qualitative data, the process had a five-phased cycle which includes compiling, disassembling, reassembling, interpreting, and verifying.

Both manifest content and the latent content (such as silence, sighs, laughter, posture etc.) were analysed. The aim is to fully understand hidden meanings (Catanzaro, 1988; Morse, 1994; Robson et al., 2013). The analytical processes employed, therefore, were informed by a combination of the writings of Yin (2013) and Elo and Kyngäs (2008) as shown in figure 7.1. The two scholars used different terms to describe somewhat similar analytical processes. Each phase interacted recursively and iteratively throughout the analysis. Two-way arrows suggest how the various phases may be repeated in an alternating manner.
Figure 7.1: Three combining phases of analysis and their interactions (Elo & Kyngäs, 2008; Yin, 2013)

**Phase 1: Preparation phase**
This phase started with a careful compiling of the data, the selection of the units of analysis, and the making sense of the data (Elo & Kyngäs, 2008; Guthrie, Petty, Yongvanich, & Ricceri, 2004; McCain, 1988; Well et al., 1997; Yin, 2013). In this study, the unit of analysis was the interview data with interviewees and individual co-operative, as this directly addressed the research questions (Elo & Kyngäs, 2008; Graneheim & Lundman, 2004). All the interview transcriptions were read thoroughly to gain depth of understanding of the context of each interview and were then uploaded into the qualitative analysis software package NVivo for analysis. This enabled the researcher to make sense of the data and to learn ‘what is going on’ (Morse & Field 1995) and obtain a sense of the whole context from the interviews (Burnard, 1996; Tesch, 2013). A framework for analysis was developed based on the objectives and the research issues. A content analysis of each transcript was conducted with the open-coding technique to examine themes and sub-themes in the text data.

**Phase 2: Organisation**
After making sense of the data, further analysis was conducted using an inductive approach (Braun & Clarke, 2006). This process included open coding, creating categories and abstraction (Elo & Kyngäs, 2008; Well et al., 1997).
Open coding

A content analysis of the data commenced the open-coding technique (Elo & Kyngäs, 2008). Open coding is the interpretive process by which the verbatim transcripts are deconstructed into words, lines, segments, and incidents with the aim of generating conceptual labels and categories for use in content analysing (Corbin & Strauss, 2008). First, free nodes were used to capture the concepts and ideas mentioned by respondents. These free nodes were subsequently categorised and put into a tree node structure. As categories were identified based on the concepts and ideas which were manifest or were salient in the narrative data, they were coded and sorted into logical groupings.

Formulating categories enables the researcher to come to a decision about which things were to be classified in the same patterns to precisely describe the phenomenon with the aim of increasing understanding and creating knowledge (Dey, 2003; Well et al., 1997). By using matrix queries, different pieces of data were constantly compared with each other to capture categories. The similarities and differences of perspective between different groups of respondents (i.e., members, managers, and government officials) were explored in this step. Comparison also involves constantly asking questions to identify more patterns from the data (Corbin & Strauss, 2008; Dey, 2003). According to Glaser (1978), this process forces the analyst to confront similarities, differences and degrees of consistency of meaning within the data. An example of the data analysis that led to the construction of categories is presented in Tables 7.1 and 7.2.

Table 7.1: Open Coding Interview Transcript 4

<table>
<thead>
<tr>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Open coding for an extract from the transcript of an interview held on 22 November 2017 with participant I4.F.S, a director of co-operative in the South, in addressing RQ6 and RQ7. Quotes taken from the translation are as near as possible to an accurate representation of what was said (or main idea) and any incorrect grammars made by the translator have been left uncorrected for the sake of accuracy (see quotes used in case studies Chapter 6, and 7).</td>
</tr>
</tbody>
</table>
Interview Transcript

"Hiện nay, hệ thống kênh rạch do xây dựng từ lâu đã xuống cấp, một số tuyến kênh rạch bị xàm bùi, deo cá, đầy cát... Hệ thống kênh rạch đã giảm đến mức đó, khiến khả tích Mường do xây dựng từ lâu đã xuống cấp, một số tuyến kênh rạch bị xàm bùi. Nếu cấu trúc vật tư phân bón, thuốc bảo vệ thực vật, giống, quản lý chung do hội nông dân HTX chưa được điều kiện để đầu tư xây dựng khi lớn,... Những khó khăn này đều được HTX nhìn nhận rõ nhưng vì thiếu vốn nên chưa thể giải quyết" - Giám đốc HTX Nghị Liên Nguyễn Đăng Tuấn bấy giờ.

Theo Giám đốc HTX, “HTX đã thành lập 14 năm nhưng đến nay vẫn chưa có đất xây dựng văn phòng, nhà truyền thống, hiện phải mượn nhà dân để làm việc, đã kiến nghị hỗ trợ nhiều lần nhưng đến nay vẫn chưa được giải quyết. Chưa kể hai năm gần đây, HTX được phép đóng tàu cá vỏ thép theo Nghị định 67, cần nhiều vốn. Không vay được ngân hàng vì không có tài sản thế chấp, HTX buộc phải vay bên ngoài với lãi suất rất cao, do đó doanh thu HTX tuy lớn nhưng lợi nhuận lại thấp vì nợ lãi ẩn hết”.

Translation

At the present, the irrigating system of the co-operative which was constructed many years ago is seriously degraded, some sub-canal keeps leaking continuously. In addition, the demands for agricultural inputs such as fertilizer, pesticides, breeds, and varieties are sharply raising, however the co-operative cannot afford a warehouse which is large enough to store these agricultural inputs and make them available for farmers when they need them. Due to lacking of capital, these issues have not been solved for many years.

Our co-operative has been established for 14 years, however until now we were still not provided any plot of land to build our office or traditional house as regulated by law, and we have to utilize our house as an office of the co-operative. Although we have requested for many times, the issue has not been solved yet. Moreover, in the last two years the government encouraged us to replace wood fishery ships by steel ones which is costly but more effectively. To make it happen, the government issued Decree 67 to require all banks providing capital for co-operative without any requirement of collateral. However, in the reality, without collateral co-operative cannot get any capital from the bank. Thus, the co-operative has to borrow from outside with very high interest rates, so the revenue of co-operatives is big but the profit is low because they have to pay for high interest rate.

Open coding

- Poor facilities due to lacking of capital.
- Reducing access to water for rice production
- Challenging in meeting members’ needs due to lacking of capital.
- Insufficient facilities
- Weak enforcement and implement government policies
- Insufficient working capital to fund co-operative services (access to capital)
Table 7.2: Open Coding Interview Transcript 7 Open coding

Open coding for an extract from the transcript of an interview held on 25 November 2017 with participant I7.V.N, a member of co-operative in the North, in addressing RQ6 and RQ7.

<table>
<thead>
<tr>
<th>Interview Transcript</th>
<th>Translation</th>
<th>Open coding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Việc giữ quyền điều hành và quản lý Hợp Tác Xã hiện nay là một vấn đề lớn, theo tôi việc này dựa vào quy định của các Hợp Tác Xã trên cả nước, không chỉ riêng một địa phương nào, Giám đốc HTX phải là Đảng viên Đảng công sản, được UBND xã để cử, thành viên HTX sẽ chỉ được bầu những người do Xã để cử thôi. Tuy nhiên những Đảng viên này lại không có có thức chuyên môn, điều hành hoạt động kinh doanh yếu kém, trình độ học vấn thấp, trình độ quản lý không có, thiếu kiến thức về tiếp thị, quản trị kinh doanh, tài chính, v.v vậy họ không thể nào quản lý HTX tốt, do đó việc làm ăn kinh doanh của HTX dễ dàng bị thua lỗ, theo quan điểm của tôi là vậy.</td>
<td>It is the manpower in the Management Board that is the problem and to my knowledge in general, nationwide, almost all the co-operatives, the Management Board must be Communist Party members, but they are not able to manage the co-operative. As they lack professional knowledge to run business of the co-operative such as marketing, business planning strategy...they are not professional in management of the co-operative...to my knowledge.</td>
<td>- Political intervention in operating the co-operative</td>
</tr>
<tr>
<td>Ngoài ra, trong HTX, đặc biệt là những HTX ở phía bắc như chúng tôi đây, thông thường ở mọi HTX sẽ phải thành lập một Đảng Ủy của HTX dưới sự yêu cầu của UBND Xã, Đảng Ủy HXT là nơi sinh hoạt Đảng cho những Đảng viên là xã viên HTX và Ban Giám Đốc HTX, chính vì vậy có những cuộc họp chúng tôi không được tham gia, điều này dẫn đến một số quyết định không quan trọng của HTX không có sự tham gia rộng rãi của bà con xã viên.</td>
<td>The Management Board have built up a sub-organisation of the Communist Party called the Communist Party of the co-operative, … co-operative members cannot attend meetings of the Communist Party of the co-operative; they can only attend general co-op meetings</td>
<td>- Undemocratic decision-making process</td>
</tr>
</tbody>
</table>

The purpose of this analysis was to generate an understanding on the issues faced by members and leaders at the enterprise level. Several particular issues indicated by the participant were...
related to political intervention, undemocratic management, lack of working capital, and weak management skills. The participant also highlighted issues in relation to the poor enforcement of regulations and policies. Based on this analysis, concepts, themes and categories were generated and available to proceed to next steps of the analysing process. In the following section, table 7.3 and table 7.4 provide examples of the document analysis undertaken.

Table 7.3: Open Coding for a Document Gathered in the Course of examination of Written Data

The document is an extract from The Political report of the 12th National Party Congress. It was utilised in addressing RQ5, RQ6, and RQ7.

<table>
<thead>
<tr>
<th>Translation</th>
<th>Open coding</th>
</tr>
</thead>
<tbody>
<tr>
<td>... The Political report of the 12th National Party Congress defines: “To encourage the sustainable development of the co-operative economy, the core of which is co-operatives with various forms of cooperation and collaboration, and replication of effective co-operative economic models, creating conditions for the household economy to develop effectively in the fields of agriculture, industry, and services, contributing to the formation of value chains from production to processing and consumption, ensuring the harmony of the interests of participating parties, and facilitating the formation of Agri-industrial-high-tech complexes”.</td>
<td>- Dedicated central governments and Party showing their commitment to the co-operative development.</td>
</tr>
<tr>
<td>The development of a collective economy is one of the important contents in-line with the policy of socio-economic development of our Party and State in the course of national renewal. Over the past years, the Party and the State have issued guidelines and policies to promote the development of the collective economy.</td>
<td>- Making favourable environment.</td>
</tr>
<tr>
<td>Implementing the guidelines of the Party, the State has gradually improved legal documents such as the Law on co-operatives in 2003, the amended Law on co-operatives in 2012; Decree no. 193/2013/ND-CP dated November 21st, 2013 detailing some articles of the Law on co-operatives; Decision no. 2261/QD-TTg by the Prime Minister dated December 15th, 2014 approving the support program on co-operative development in the 2015-2020 period; Directive no. 19/CT-TTg by the</td>
<td>- Appreciating the economic role of co-operative.</td>
</tr>
<tr>
<td></td>
<td>- Commitments from the Communist Party in creating enabling environment.</td>
</tr>
<tr>
<td></td>
<td>- Creating enabling environment by central government.</td>
</tr>
<tr>
<td></td>
<td>- Encouraging the co-operative evolution.</td>
</tr>
</tbody>
</table>
Prime Minister dated July 24th, 2015 on boosting the implementation of the Law on co-operatives, etc.

On the basis of the guidelines and policies of the Party and the State on developing the collective economy, Lam Dong Province has issued a number of mechanisms and policies to materialize and support the development of the collective economy in Lam Dong Province. On June 23rd, 2016, Lam Dong Province’s Party Committee issued Plan no. 07-KH/TU on the implementation of Conclusion no. 56-KL/TW of the Politburo dated February 21st, 2013 and Directive no. 19/CT -TTg dated July 24th, 2015 of the Prime Minister in Lam Dong Province for the 2016-2020 period.

Table 7.4: Open Coding for a Document Gathered in the Course of examination of Written Data

The document is an extract from recent online news, issued by Nhan Dan Online News – The central organ of the Communist Party of Vietnam – on 21st June 2018. This article is about the directions of Vietnam Prime Minister on enhancing collective economy and co-operatives. It was utilised in addressing RQ6 and RQ7.

<table>
<thead>
<tr>
<th>Translation</th>
<th>Open coding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prime Minister Nguyen Xuan Phuc has directed strengthening co-operatives at all levels with the support of authorities as they have an important mission in the country’s integration effort and contribute significantly to the national socio-economic development. He made the instruction during a working session in Hanoi on June 21, 2018 with the Vietnam co-operative Alliance (VCA).</td>
<td>- Strong provincial policies in supporting and developing co-operatives.</td>
</tr>
<tr>
<td>He said the household-based economy model is not strong enough to compete in the current market economy so that there should be a professional linkage among them towards sustainable development to meet public demand. The PM admitted shortcomings in the State support and management of co-operatives, adding that infrastructure for production in rural and mountainous areas has been downgraded, thus failing to meet demand for high-scale and hi-tech manufacturing. The leader asked localities to refine mechanisms and legal regulations to develop value chain from manufacturing to consumption. The Government will continue issuing new documents relating to co-operatives, he stressed.</td>
<td>- Enforcing the central government policies to flourish co-operative development</td>
</tr>
<tr>
<td>Translation</td>
<td>Open coding</td>
</tr>
<tr>
<td>Prime Minister Nguyen Xuan Phuc has directed strengthening co-operatives at all levels with the support of authorities as they have an important mission in the country’s integration effort and contribute significantly to the national socio-economic development. He made the instruction during a working session in Hanoi on June 21, 2018 with the Vietnam co-operative Alliance (VCA).</td>
<td>- Dedication from head of the government.</td>
</tr>
<tr>
<td>He said the household-based economy model is not strong enough to compete in the current market economy so that there should be a professional linkage among them towards sustainable development to meet public demand. The PM admitted shortcomings in the State support and management of co-operatives, adding that infrastructure for production in rural and mountainous areas has been downgraded, thus failing to meet demand for high-scale and hi-tech manufacturing. The leader asked localities to refine mechanisms and legal regulations to develop value chain from manufacturing to consumption. The Government will continue issuing new documents relating to co-operatives, he stressed.</td>
<td>- Getting involve and directing in flourishing co-operative</td>
</tr>
<tr>
<td>Translation</td>
<td>Open coding</td>
</tr>
<tr>
<td>Prime Minister Nguyen Xuan Phuc has directed strengthening co-operatives at all levels with the support of authorities as they have an important mission in the country’s integration effort and contribute significantly to the national socio-economic development. He made the instruction during a working session in Hanoi on June 21, 2018 with the Vietnam co-operative Alliance (VCA).</td>
<td>- Evaluating the current situation of the co-operatives</td>
</tr>
<tr>
<td>He said the household-based economy model is not strong enough to compete in the current market economy so that there should be a professional linkage among them towards sustainable development to meet public demand. The PM admitted shortcomings in the State support and management of co-operatives, adding that infrastructure for production in rural and mountainous areas has been downgraded, thus failing to meet demand for high-scale and hi-tech manufacturing. The leader asked localities to refine mechanisms and legal regulations to develop value chain from manufacturing to consumption. The Government will continue issuing new documents relating to co-operatives, he stressed.</td>
<td>- Requiring the cooperation from local government to facilitate performance of co-operative</td>
</tr>
<tr>
<td>Translation</td>
<td>Open coding</td>
</tr>
<tr>
<td>Prime Minister Nguyen Xuan Phuc has directed strengthening co-operatives at all levels with the support of authorities as they have an important mission in the country’s integration effort and contribute significantly to the national socio-economic development. He made the instruction during a working session in Hanoi on June 21, 2018 with the Vietnam co-operative Alliance (VCA).</td>
<td>- Promising in making enabling for co-operative development.</td>
</tr>
</tbody>
</table>
These documents are examples of the many that were analysed to generate an understanding of the recent developments in relation to the historical background, the favourable policies and the encouragement of the government to the evolution of co-operatives. It provides insights into how the Vietnamese government has appreciated the beneficial contribution of co-operatives to Vietnam’s economy in the past, present and the future. In particular, it highlights how the government intervened in the introduction and expansion of the mutual enterprise model and its administration of the country.

**Grouping and creating categories**

Following open coding is the application of analytic induction to produce integrated statements about the phenomenon (Glaser & Strauss, 1967). To do it, the lists of categories are grouped under higher order headings (Burnard, 1996; McCain, 1988). The aim of grouping data was to reduce the number of categories by collapsing those that are similar or dissimilar into broader categories (Burnard, 1996; Dey, 2003). The identified categories were then tested against the text data to ensure they are empirically grounded and grouped into higher order categories. Finally, these emerging categories were checked back with participants in order to ensure that they represented their perspectives on the phenomenon (Corbin & Strauss, 2008; Yin, 2013). This was undertaken because it enabled one to generate more precise and specific propositions that could be further developed and related (Corbin & Strauss, 2008).
Abstraction
Abstraction means creating a general description of the research topic through formulating categories (Belk et al., 2012; Burnard, 1996; Robson et al., 2013). Every single category is named using content-characteristic words. Sub-categories with similar events and incidents are gathered together as categories and they are grouped as higher order categories (Dey, 2003; Robson et al., 2013). The abstraction process continues as far as is reasonable and possible. An example of the abstraction process is shown in figure 7.2.

Phase 3: Reporting the analysing process and the results
Miles, Huberman, and Saldana (2013) pointed out that better displays enhance the validity of the qualitative analysis by being able to “see” the data to draw justified conclusions or to assess if further analysis is needed. In the following chapters, the data is displayed in forms of thematic maps and charts as suggested by Yin (2013) and Braun and Clarke (2006) as it is the most
appropriate data display approach to interpreting the results of this study. Wolcott (1994, pp.10, 36) describes the interpretation as “what can be explained with the degree of certainty usually associated with analysis,” to reach an understanding that “transcends factual data and cautious analyses and begins to probe into what is to be made of them.” Conclusion is the process through which emerging patterns, propositions and explanations are gradually confirmed and verified (Miles et al., 2013; Simons, 2009). According to both authors, the meanings emerging from the data have to be tested for their plausibility, their sturdiness, and their confirmability for validity purposes. Moreover, authentic citations could also be used to increase the trustworthiness of the research and to indicate from where or from what kinds of original data categories are formulated (Patton, 2005). The researcher also made sure that informants are not identified by quotes from the data (Bryman & Bell, 2015).

Content analysis requires the researcher’s capacity for selecting, evaluating and synthesising appropriate data contained in documents rigorously (Corbin & Strauss, 2008). Therefore, thematic analysis was employed to organise the data into major themes, and categories (Braun & Clarke, 2006). The researcher carefully reviewed the selected data, performed coding and constructed categories by adopting the six guiding steps to perform thematic analysis suggested by Braun and Clarke (2006). These steps are described as a process of analysis which involves a constant moving back and forth between the entire data set, the coded data being analysed, and the analysis of the data being produced. Table 7.5 outlines these steps.
Table 7.5 Steps of thematic analysis process (Braun & Clarke, 2006)

<table>
<thead>
<tr>
<th>Steps</th>
<th>Description of the processes</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Familiarising oneself with the data</td>
<td>Repeated reading of the data and highlighting meaning units, taking initial notes on ideas and thoughts</td>
</tr>
<tr>
<td>(2) Generating initial codes</td>
<td>Producing coding features of the data in a systematic way across the data set</td>
</tr>
<tr>
<td>(3) Searching for themes</td>
<td>Sorting different codes into potential themes and collating all relevant coded data within the identified themes</td>
</tr>
<tr>
<td>(4) Reviewing themes</td>
<td>Reviewing and redefining the collated themes against the individual interview transcripts and the complete data set and creating a ‘thematic map’ of analysis</td>
</tr>
<tr>
<td>(5) Defining and naming themes</td>
<td>Examining the map and organising themes into a coherent and internally consistent account</td>
</tr>
<tr>
<td>(6) Writing the analysis</td>
<td>Choosing examples from the transcribed data to illustrate elements of the themes and respond to the research questions</td>
</tr>
</tbody>
</table>

In general, interpreting and verifying the results relied upon quotes from verbatim transcripts, which were coded by key words and then categorised into specific themes. In other words, it enabled the researcher to reveal general ideas, categories, and themes. These were used as the basis for generalising about the data. The results of exploratory qualitative research were used not only to address research questions, but also to select important independent variables to develop and revise the survey hypotheses, the conceptual framework, as well as the survey questionnaires.

**Ensuring validity and reliability in the research design**

The production of valid and reliable knowledge in an ethical manner should be at the forefront of research design and conduct. Developing ways to improve the validity of the research was constantly at the forefront of the researcher’s mind. Merriam (1998) uses the terms “internal validity,” “reliability” and “external validity” to assess the methodological soundness of research. Several tactics were undertaken throughout the course of this research to ensure that
the research findings were produced in a way that could be considered valid and reliable to outsiders.

**Validity**

The issue of internal validity refers to the congruence of the research findings with the socially constructed realities of the participants. To ensure the validity, multiple sources and methods of data collection were adopted in line with case study requirements for triangulation of information and perspectives (Yin 2003). The constant comparative method of data analysis and the use of fieldwork diary entries and memos to capture emerging ideas/value judgements was particularly valuable. Using this approach, values and biases were simply treated as more data for comparison to confirm/disconfirm emerging theory as part of a qualitative, interpretive approach (Creswell 1998). Careful attention was given to ensuring an accurate cross-translation from English to Vietnamese was obtained from data collected through the questionnaire in Vietnamese. Validity of data collection instruments was established before engaging them in the actual process of data collection. A sample questionnaire and interview schedule were prepared and handed over to the experts to check on their suitability. This followed corrective and adjustment measures on the data collection instruments to ensure the validity required.

**Reliability**

According to Sekaran (2006), reliability is a measure of the degree to which a research instrument yields consistent results or data after repeated trials. In deductive research, the issue of reliability also refers to the extent to which research findings can be replicated. It is expected that the researcher demonstrates that the research results make sense and are consistent with the data collected (Merriman 1998). The use of case study protocol and case study database provides strong guidelines for ensuring reliability of the research.
Translation of the questionnaire

To ensure sufficient validity, it was essential to translate the forms into Vietnamese before proceeding to field. Harkness (2003) and Krótki (1989) stated that the main reason for translating questionnaires is to make it accessible in the language required in the field. Thus, in this study, all questionnaires and forms were translated into Vietnamese as our research targeted Vietnamese participants.

Usunier (1998) classified translation into four categories: direct translation, back translation, parallel translation, and mixed translation. Among those, back-translation is the most common technique used by a number of scholars to ensure reliability and accuracy of the translated questionnaire in a cross-cultural environment (Krótki, 1989). Hence, in this research the back-translation technique was employed. Back translation refers to the procedure in which a translator understands, interprets and translates a document previously translated into another language back to the original language. As suggested by Usunier (1998), the translation process begins with translating the original questionnaire into the target questionnaire and vice-versa, and then both newly sourced questionnaires would be compared to the original questionnaire to develop the final translated questionnaire.

The original questionnaire (English version) was translated to the target questionnaire (Vietnamese version). Then, the Vietnamese version has been re-translated into the English questionnaire by two expert translators. After that, other two scholars who specialised in this research domain compared the two newly sourced versions to the original questionnaire. Then, the appropriate adjustments were taken to elicit the final version (Harkness, 2003; Krótki, 1989; Usunier, 1998). Moreover, the researcher got help from a friend who is the manager of a Centre for Research and Development of a co-operative to do the final check. The scholar performing the final check had also conducted his PhD in the same domain. He confirmed that the final version was suitable enough and thus ready to take to the field.
Ethical considerations

Ethics involves considering the best code of behaviour when dealing with other people to avoid negative effects on them in the process. According to Kerridge, Lowe, and Stewart (2009), ethics involves making a judgement about what is right and wrong behaviour. The assessment and approval of the research proposal were made by the university’s Ethics Committee, the study came under low risk consideration, and therefore there is low risk to the researcher and participants.

This study also complies with the National Health & Medical Research Council’s National Statement on Ethical Conduct in Research Involving Humans (1999). The purpose of the study was explained to the participants before the interviews or any gathering of information from them. This included participants being made aware of the study objectives and what was expected of them. Each respondent received a written undertaking before the interview and voluntarily signed a consent form.

A possible ethical issue in this project was confidentiality of the information provided by the respondents. The participants were assured of confidentiality of the information provided and their privacy was respected. Should respondents have wished to revert to the university for any recourse for how their information was being treated, they could do so via the University’s Ethics Committee as outlined in this excerpt from the consent form:

“The Human Research Ethics Committee at the University of Western Australia requires that all participants are informed that, if they have any complaint regarding the manner, in which a research project is conducted, it may be given to the Chief Investigator, or alternatively, to the Secretary, Human Research Ethics Committee, Registrar’s Office, University of Western Australia.”
The preliminary findings

The interview transcripts data provided a combination of retrospective information on members’ current experiences of participation and opinions on the future development of these co-operatives. Initial content analysis of interviews conducted with these participants was consistent in identifying themes. There was no great disparity between information provided among these participants. These findings were further triangulated and supported by literature review as well as secondary data.

Interview transcripts were initially open-coded and a total of 27 open codes were generated. These codes were refined into 9 conceptual themes. These conceptual themes were then subsumed into four categories as having the vital impact on perceptions of co-operative development. Finally, two core themes were then identified as having the greatest effects on the process of co-operative performance. These themes were finally checked for interpretation and the logic of the organisation of concepts reviewed. The preliminary core themes that create the conceptual framework of co-operative development in Vietnam were labelled “Governance factors” and “Institutional factors” as illustrated in tables 8.1 and 9.1.
The initial sub-themes that formed the two core themes were identified as Internal Motivators, Internal Inhibitors, Institutional Motivators, and Institutional Inhibitors. Although all four categories and their interactions critically impact on the development of the Vietnamese co-operative, it is the final category of Institutional Inhibitors that can be seen to constrain the development of co-operatives. Figure 7.3 highlights the simplified relationships that exist between the categories. The following chapters will discuss each core category in detail and demonstrate how it can be traced back through the data from which it emerged. To support this process, representative data pieces have been integrated into explanations to highlight how categories and their properties were identified and theoretical insights built from interpretation of the data.
Chapter 8: Governance factors – initial findings

Summary of the chapter

This chapter examines the initial findings from the NVivo analysis relating to the influence of the governance factors internal to the enterprise that affect the process of creating value for the co-operatives’ members. It presents the results of the data analyses using displays and charts as recommended by Miles and Huberman (1994). Statistics illustrating the coding structures are illustrated. The findings reveal that high performance in the co-operative is generally associated with clarity of purpose (e.g., mission), an effective organisational structure, and a high level of member commitment. Conversely, low performance is generally associated with poor member participation and weak management capacity.

Governance as a motivator and inhibitor of member value

Governance factors refer to the internal operations of the co-operative which directly impact the enterprise’s ability to deliver member value. This concept is made up of two sub-categories that can be classified as internal motivators and inhibitors. These are factors that affect a co-operative’s performance and eventually impact its overall sustainability.

Figure 8.1 illustrates the simplified relationships that exist between these main categories. As shown, there are three key factors that have a positive impact on the co-operative’s performance and in turn upon the enterprise’s ability to deliver value to its members. These are its clarity of purpose, organisational structure and the sense of commitment that its members have towards it. By contrast, there are two factors that inhibit the co-operative’s performance, and then have an inhibiting effect on its ability to deliver value to members. The analysis that generated the simplified model shown in figure 8.1 is described in more detail below.
Table 8.1 outlines these categories in more detail as well as illustrating the hierarchy of these emerging categories as found in the NVivo analysis. These are discussed further in this chapter.
<table>
<thead>
<tr>
<th>No</th>
<th>Child-Node</th>
<th>Number of sources</th>
<th>Parent Node</th>
<th>Number of parents</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>child coded</td>
<td></td>
<td>coding references</td>
</tr>
<tr>
<td>1</td>
<td>Meet member’s demands (expected benefits)</td>
<td>13</td>
<td>Missions of co-operative</td>
<td>80</td>
</tr>
<tr>
<td>2</td>
<td>Concern to the community</td>
<td>13</td>
<td>Effective Organisational structure</td>
<td>53</td>
</tr>
<tr>
<td>3</td>
<td>Clear management system</td>
<td>11</td>
<td>Sense of commitment</td>
<td>98</td>
</tr>
<tr>
<td></td>
<td>Cost-effective human resource</td>
<td>13</td>
<td>Poor Member participation</td>
<td>76</td>
</tr>
<tr>
<td>4</td>
<td>Flexible governance structure</td>
<td>9</td>
<td>Low Management capacity</td>
<td>88</td>
</tr>
<tr>
<td>5</td>
<td>Trust in management board</td>
<td>8</td>
<td>Internal Inhibitors</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Homogeneity of member (shared vision)</td>
<td>11</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Lack of superior options</td>
<td>10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Benefit incentives</td>
<td>13</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Poor reputation</td>
<td>9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Misconception about the nature of co-operative</td>
<td>13</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Lacking of Democracy</td>
<td>11</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Inadequate professional knowledge about management</td>
<td>13</td>
<td></td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Inadequate and inappropriate specialized training courses</td>
<td>7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Irregular Communication</td>
<td>5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Dependence on external supports (knowledge, skills, and technologies)</td>
<td>5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>Limited business capacity</td>
<td>6</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**Internal motivators**

This key theme refers to the internal motivations that facilitate the development and sustainability of the co-operatives examined in this study. Based on an analysis of the data collected in this study, it is believed that the establishment and development of co-operatives has been created as the result of three key contributing factors: i) the co-operative’s purpose; ii) the organisational structure, and iii) the sense of commitment the membership has in the co-operative. These key drivers emerged through their strong connections with the first core theme (internal motivational factors) which impact positively on development of the co-operative. Figure 8.2 describes how these emerging categories are formed. The frequency of each sub-category is described in figure 8.3.

![Diagram](image-url)

**Figure 8.2 internal positive factors influencing on co-operative performance**
The following discussion of internal motivational properties is supported by quotes that demonstrate the rich conceptual structure of the context in which co-operatives were facilitated to develop.

![Bar chart](image)

**Figure 8.3 Internal Inhibitors: Frequency of individual sub-category**

**The co-operative’s purpose**

A co-operative’s purpose (mission) was defined from the data as a co-operative’s strategic reason for existing and the offer of value that it is able to make to members. In other words, it is the ability of a co-operative to attract and retains members through the co-operative’s central focus. Many key informants put it in this way:

“The co-operative was set up to help its members. Now we can buy farming materials for our farm from the co-operative with reasonable prices.” *(I1.RH.SVN)*

“We had already cultivated fruits before 2001, but the quality of products was not good enough. We had faced difficulties in finding the collectors for our products. We
thought it would be easier to sell our outputs if we gathered with the other producers in our community together. It was the reason for establishing the Co-operative.”

(I3.FH.SVN)

The testimonies of the various respondents helped the researcher to identify the main community survival needs that the co-operatives were originally established to meet. Data analysis showed that the co-operative purpose consisted of two distinct properties labelled meet member’s demands and its concern to the community.

Meet member’s demands (expected benefits)
Meet members’ demands refers to whether the formation of the co-operatives had generally satisfied the basic interests of their own members. From the collected data, most of respondents were satisfied with the contribution of their co-operatives in providing and improving the availability of services and products. Following is a sample of co-operative members’ responses regarding why the co-operative was set up that substantiates the above arguments:

“The middleman cheated us by offering low prices in season to force us to sell our agricultural outputs. So, it is clearly that we needed the common voice of the co-operative to have a good selling price. Under such circumstances, our co-operative was established. After its establishment, the co-operative helped us many things, especially negotiating with the middleman to sell our products with higher prices.”

(I4.FH.NVN)

“It is in my main interest to have a reliable and economically well-managed organisation which supports my farming activities effectively. My co-operative is a kind of it.”

(I9.VH.NVN)

“It is not important that we will get paid dividends of shares at the end of financial year. If our production costs can be reduced with the help of the co-operatives, we consider it as an increase in our farm income.”

(I5.FH.NVN)

Several studies showed that in Vietnam, as well as in other developing countries, the co-operatives were formed largely among poorer people and in rural areas (Birchall, 2010; Wolz & Bao Duong, 2010). The co-operatives were also formed to respond to problems in the market,
or the failure of the government or other public-sector organisations in providing the kinds of services needed to help the farmers.

**Concern for the community**

This factor refers to how the co-operative benefits people in the community in terms of economic and social benefits. Regarding the question of bringing benefits in addition to jobs to the community, most co-operatives were considered to have brought benefits to the community. The following quotation from interview data exemplifies the attitude toward the benefits that co-operative offer to the community:

“… If any disadvantaged member in the village gets sick the co-operative is willing to donate money or provide means to rush them to hospital. If any charity campaign is promoted to raise money for flooding victims, co-operative is one of the main sources contribute to this fund. They support the population in the festivities, village sports activities and others if are asked.” (I2.RL.SVN)

“In creating of jobs ... you can see that the co-operative has not generated many jobs, however some jobs have been offered to the villagers. In the community activities, the co-operative has participated almost everything they can.” (I10.GO.P)

“... Yes, the co-operative is important to province. It has benefited hundreds of people, especially people in the remote and disadvantaged areas, and every day more people become members.” (I13.GO.P)

Other scholars also found that governments in developing countries have utilised co-operatives as a means to reduce poverty and empower the rural poor (Birchall & Simmons, 2007, 2009; Garnevska, Joseph, & Kingi, 2014; Khumalo, 2014; Simmons & Birchall, 2008)

**Effective organisational structure**

The effectiveness of the co-operative’s organisational structure was found to be comprised of three sub-components: i) having a clear management system; ii) having a cost-effective human resources system; and iii) having a flexible governance structure. These three elements are discussed further in the following sub-sections.
**Logic management system**

This element refers to how the co-operative is organised so as to be the most flexible and cost-effective body. As in the past, under the top-down system, co-operatives were managed and intervened by a number of government agencies, and the hierarchy of management system was unclear. The co-operative management board, thus, found this model difficult to manage, and ineffective to run the business (Rankin et al., 2007; Tran, 2014; Wolz & Bao Duong, 2010).

The Vietnam Co-operative law (2013), which regulates the organisation and governance of all kinds of co-operatives in Vietnam, has stipulated the need for co-operatives to have organisational models that provide clearer governance, structure and hierarchy. To be specific, agricultural co-operatives, which are supposed to operate at the grass roots community level, are vertically organised into a three-tiered system: primary co-operatives at a district level and alliance at provincial and national levels. All the co-operatives at district level are members of the Provincial Co-operative Alliances. All the Provincial Co-operative Alliances are members of Vietnam Co-operative Alliance. The primary co-operatives consist of individual members while members of provincial and national alliances are co-operatives (Vietnam Co-operative law, 2013). Thus, it provides management board of the newly established co-operative a clear system to get help when they are in need.

“... We got confusing with the previous management of co-operatives, the current one is much better, at least we know where to get help when we are in need...”

(I3.FH.SVN)

From the data collected, the management of all the visited co-operatives had the same structure, comprised of board members and management. The board is comprised of farmers, whilst the management is comprised of hired staff: the co-operative’s manager is responsible for the day-to-day running of the organisation.
Cost-effective human resource
This element refers to the number of people who get paid to work for the co-operative and how the co-operative is organised to make these people work effectively together. As mentioned by a co-operative manager, his co-operative became more effective as the number of employees was cut down under the new co-operative law.

“With the new model, co-operative become more cost-effective as the management staffs are downsized significantly. Management boards, which used to comprise 20-30 persons, are reduced to 7 persons. Out of them just 2-3 persons are elected by the general assembly, i.e. the chairman, his deputy and one more member. These people are in charge of the day-to-day business. The other (up to four) members of the management board are appointed to be the cashier, accountant and bookkeeper. The election period usually lasts for three years.” (I11.GO.C)

Flexible governance structure
Under the 2012 Co-operative Law, with 7 members farmers can establish their own co-operative. The small-scale co-operative with a simplified management structure allows the management board work more flexibly and more effectively in running their business, which leads to cost-saving for the co-operative, as mentioned by its manager:

“Within the smaller-scale co-operatives the chairman also acts as the general manager. Only, if the co-operative is offering a lot of services a general manager will be employed who is accountable to the (inner) management board.” (I8.VL.NVN)

With this new kind of organisational structure, co-operatives in Vietnam seem to be more cost-effective enterprises, and it is flexible for the board of co-operative to manage their daily business activities.

Sense of commitment
Member commitment was defined from the collected data as the intention of co-operative members and management to remain involving in the co-operative indefinitely, with the expectation of future beneficial gains to be accrued from involvement. Throughout fieldwork,
high levels of member commitment in some cases were identified. For example, there were high rates of members committed to attend monthly meetings, and member participation in information exchange and decision-making was consistently high. The management boards were particularly proud of the strong sense of “solidarity and unity” that the co-operative had developed. Based on the literature review of commitment as a precursor to co-operatives in the context of relationship marketing (Fullerton, 2003; Morgan & Hunt, 1994; Palmatier, Dant, Grewal, & Evans, 2006) and analysis of the data collected, four interdependent elements were eventually identified to drive commitment: i) trust in the management board; ii) homogeneity of members; iii) lack of superior agricultural options, and vi) benefit incentives. It is believed that the high level of member commitment demonstrated has been created as a result of the presence of these four properties.

**Trust in management board**
Trust in the co-operative’s management board refers to trust between the management board and the co-operative members. It is true that the development of any co-operative heavily reliant on the ability of the management board to overcome inhibitors (particularly management skills) and successfully convert expected benefits to realised benefits. Thus, there is no doubt that trust in the management is the cornerstone to get member commitment for participation. With this in mind, many respondents expect that the top management should work in the best interest of the members. This would increase the skill base of the management board and enhance their ability to provide realised benefits to members:

“We strongly believe in the management board as they are the elderly who are the most prestigious people in our village, and the co-founders of the co-operative. Although they are at low level of education and lack of knowledge about business, marketing or accountant, they are very committed to develop our co-operative to be the best of it in the region” (I7.VH.NVN)

“He has personal interest in social activities, that why he is one of the founders of the co-operative, he also is very reasonable, he doesn’t have selfish interest, he cares about other people, the co-operative is quite successful.” (I6.FL.NVN)
Given the relationship between trust as a major determinant of relationship commitment (Morgan & Hunt, 1994), farmers would not have joined the co-operative, invested in shares, voted for managers and remained involved for more than three years if some degree of trust did not initially exist. Thus, a significant decline in trust will cause the potential to reduce future commitment to the co-operative and negatively impact on business activities.

**Homogeneity of members (shared vision)**

The element of homogeneity of the membership highlights the shared values and objectives that exist amongst members, management and external stakeholders that enhance the commitment of members to the co-operative. As the data from the informants suggests, homogeneity of members in the co-operative was created through the process of common participation in cultivating, harvesting and marketing fruit or vegetable activities by all members (shared experience). That is also because they have common purposes or common values of life which they seek from joining to the co-operative. As one of the interviewees put it:

> “The aim of this co-operative is to help the farmers work together, stay together and help them become stronger than single individual when it comes to dealing with the collectors in the future, dealing with the consumers.” (I1.RH.SVN)

> “Because you have something in common, it is vegetable-related cultivating technologies, we can share and learn from other members about their experience of cultivating vegetable, especially the new kind of varieties, so I can easily talk to other members about something to do with cultivating process and become good friends.” (I5.FH.NVN)

> “The other members have similar interests at different levels. And I guess they are people I enjoy to associate with. They are nice people that you get to know after a while as we have very common interest in joining the co-operative.” (I7.VH.NVN)

From data collected, informants also admitted that to be effective competitors in a highly changeable global marketplace, individual producers need to be effective co-operators in
certain organisations. Thus, allowing potential members have enough time to consider if co-operative objectives are aligned with their needs prior to making a formal commitment to membership is necessary.

**Lack of superior options**

Lack of options identified both as a result of lack of trust in private sectors and a high level of market uncertainty. In the situation of Vietnam, the co-operative represents the best option for members to have their agricultural inputs and secure them a superior market for their product when compared to existing local markets (Dung, 2010; Nghiem, 2008; Sultan & Wolz, 2012; Tran, 2014). For this reason, the relationship between members and the co-operative is considered to be highly important and therefore directly feed into Member Commitment:

> “Since the establishment of the co-operative, we can buy inputs for our farm without any risk; I mean we used to get fake agricultural outputs from the private sectors which resulted in the losses of our crops and a loss of our trust in local private sector. Co-operatives are now the main means for delivering the vast majority of the seed and fertilizer that farmers purchase each year.” (I4.VL.SVN)

> “Even though it is not making any profit, I am still there with the co-operative because the irrigation system of our co-operative is the best of it in locality; the irrigating team always supply water to our farm timely. As the results, Crop yields have risen steadily.” (I2.RL.SVN)

> “… Co-operative also secures our products higher price those private collectors. We get better income than the others who are outside of the co-operative, that why I still retain our membership.” (I9.VH.SVN)

Thus, it is believed that the above-mentioned factor directly feed into member commitment as the co-operative represents the best option for members to secure a superior market for their product when compared to existing local markets. For this reason, the relationship between members and the co-operative is considered to be highly important and therefore worthy of commitment.
Benefit incentives

Although the development of Vietnamese co-operative historically illustrates more of a top-down evolution driven by Party and State policies, the survival and growth of most co-operatives in every single economic sector has been strongly related to the extent to which the co-operatives satisfy community economic needs, as they were generally set up to promote the continuity and interests of their own members (Balisacan, 2011; Cox & Le, 2014; Raymond, 2008; Wolz & Bao Duong, 2010). This was also acknowledged by the property of “Meet member’s demands and Concern to the community” under the category of Co-operative purposes. From the data analysis, the benefits that farmers can get from their co-operative are one of the most important factors attracting the farmers to their co-operatives:

“There are some strong incentives for being co-operative member e.g. in form of lower prices for farming irrigation or electricity utilising or selling our farming products to co-operative at the higher price than in the regular market. Members might also get some agricultural inputs on credit with a low or even without interest. For such a kind of benefits, nobody wanted to be an outsider.” (I13.GO.P)

“We realized that the collective would have a stronger voice, would help to get a better price and stable sales, and therefore would bring benefits and more income”. (I9.VH.SVN)

Benefit incentives are of particular importance in the early stages of co-operative formation and development. They are required to secure member participation, as without superior benefits, co-operative formation would not have occurred.

“I don’t know why the co-operative was established. I heard that they purchase fruits for better prices, so I came to sell fruits and came to know about this Co-operative. After sometime, I joined in because it secures our products a better price than regular market”. (I6.FL.NVN)

“Since all the investments in any activity of the farmer is related to their life – their family, their orchard, their benefits, if they see that it brings more income, more benefits, the farmers are willing to join without any invitation, without any force.” (I10.GO.P)

“… We wish the co-operative board find out the good buyer… to negotiate with price otherwise, we are still under the dominant of the collector.” (I8.VL.NVN)
The participants’ accounts revealed that one of the most significant reasons for members participating is the expected benefits that they desire to get through their membership.

Generally, the study found that the interview data support for a positive relationship between members’ commitment and co-operative’s performance.

**Internal inhibitors**

Based on field data it became clear that there were several barriers limiting the progress of the co-operative. The local stakeholders identified these problems as key inhibiting factors which have limited co-operative development; rarely did they offer any solutions that could be implemented autonomously. Thus, requests for additional support ranging from technical training to help securing customers were consistent throughout the data (as reinforced by the element of Dependence in External Support).
The category of Inhibitors is made up of two main properties. These properties have been classified as internal to the co-operative unit. Figure 8.4 simplifies the relationship between these categories. The frequency of every single sub-category which formed main categories is illustrated in figure 8.5.

**Poor member participation**

As illustrated in figure 8.4, the factor of poor member participation was comprised of three sub-elements: i) poor reputation; ii) misconception about the co-operative, and iii) lack of democracy. Each of these three elements is discussed in the following sub-sections.
Poor reputation

Poor reputation refers to the view people have of the co-operative. The data analysis showed that the co-operatives were not looked upon favourably by most of the population. The farmers themselves, in some case, are especially opposed to co-operative enterprise.

“Individual farming was abolished. My family were forced to join the co-operatives, which meant our real properties (including cultivated lands and tools) were completely expropriated. This practice also meant these real properties belonged to the co-operatives. The local government assigned duties to farmers in co-operative and equally distributed profits to each farmer.” (I4.VL.SVN)

“… being co-operative members at that time, famers lost all of their land use right and cultivation tools. That has made a poor reputation of agricultural production co-operatives until now.” (I11.GO.C)

“At first, because of the bad reputation of the state-managed co-operative model, people were sceptical and unwilling to contribute money. The commune People Committee’s chairman and Party Committee secretary were among the first contributing and founding members” (I12.GO.P)

Both the transformed agricultural co-operatives and newly established co-operatives have to face the negative image of co-operatives which can be only overcome in the long run. As a result, many farmers have been reluctant to join due to bad experiences with production co-operatives in the past (Rankin et al., 2007; Tran, 2014; Wolz & Bao Duong, 2010). In addition, the Vietnam Co-operative Law which was based on internationally recognised principles of co-operatives came into effect on the first of January 1997. However, the law still uses the same term to name co-operatives as during the collective period - Hợp Tác Xã, meaning “collective co-operative at the village level,” which cause people’s hesitancy about joining the co-operative (Tran, 2014).

Misconception about the nature of co-operative

What emerged from the data was that the awareness of the nature of newly established co-operatives under the Co-operative Law 2012 is not fully understood at all levels and sectors,
especially the definition of co-operatives and the roles they play, as explained by the informants:

“... The awareness of the nature of the co-operative among officers and members is inadequate and inconsistent. Policy mechanism is lacking, so the implementation process is confused...” (112.GO.P)

“By Law farmers freely to form their own co-operatives, however, it seems that not many understand the concept of co-operative which based on the three basic internationally recognised principles of co-operatives due to the fact that the old term – Hợp Tác Xã – still utilised in co-operative law in reference to new style co-operative” (110.GO.P)

“... Co-operatives should not be regarded as social bodies that supply charity to needy farmers.” (113.GO.P)

Activities of co-operatives in social and economic areas were not clearly differentiated. According to Oxfam (2015), in some cases co-operatives are still assigned (unofficially but regularly) the role of socio-political organisations to mobilise, organise and regulate community activities, especially in the North. Tran (2014) also found that the definitions of the term “co-operative” as used in legal documents are ambiguous and not consistent with the accepted ICA terminology. Additionally, document analysis also revealed that current policies are not providing a clear distinction as to whether a co-operative is a business enterprise, an interdependent economic unit, or a social enterprise. For example, legal provisions apply for a co-operative as a business enterprise, while requiring them to operate as a social enterprise. This is a contradiction between the policies and the development of co-operatives in practice (Oxfam, 2015). In other words, the co-operatives are not purely economic units. It appears that their main goals are to do with maintaining political stability and reducing poverty in rural areas (Kirsch, 1997; Tu, 2011; Wolz, 2000). Moreover, Tran (2014) also argued that co-operatives were regarded as social organisations that provide charity to needy farmers, and they were mentioned as a means of reducing poverty in remote areas. As a result, people hesitate to
join the co-operative (Nghiem, 2008; Tran, 2014; Tu, 2011; VCA, 2012). As explained by the interviewees:

“By Law, there are around 5,000 co-operatives have completed converting from old style to new style co-operatives, however, these converted co-operatives are still confused in their operation (mainly in the North), as they are not sure that whether they are genuine co-operatives or organisations providing public services and essential services in rural areas.” (I11.GO.C)

“… Many agricultural co-operatives are confused in orienting activities and investing in production and business development.” (I12.GO.P)

For the above reasons, co-operative members did not clearly understand the purposes of a co-operative, how it functions, and what members’ rights are. This is one of the main causes of a low level of member participation.

**Lacking in democracy**

By law, agricultural co-operative are democratic organisations controlled by their members, who actively participate in establishing their policies and making decisions. It is, therefore, expected that co-operative members contribute equitably to and participate in democratic control of the co-operative. However, in some cases, respondents complained that they have no voice in participating in the co-operative’s governance due to the fact that no one listens to them or they are not allowed to talk. For example:

“We even have no opportunity to nominate co-operative manager candidates, the commune and party almost always appointed the manager candidates of the co-operatives, these candidates from People Committee, Communist Party, Labour Union, or Veterans Union. What we can do I is going to the meeting and vote for these proposed people” (I5.FH.NVN)

“Nobody hates the president it is just that her dictatorial ways difficult to accept at times. But even though…if they have any questions they dare not to ask because almost all of them are communist members so they are afraid of breaking the relationship…this happens. Things could be better.” (I2.RL.SVN)

“Actually, in almost all the meetings of the co-operative the farmers still not speak out strongly what they want. They just give some general opinion. And actually,
they don’t want to break the relationship in the community so they don’t want to protest severely.” (I12.GO.P)

It is stated in the Co-operative Law 2012 that Co-operatives are owned and operated jointly by their members and the governance structure must be based upon equality among members in order to ensure the growth of genuine, democratic and autonomous co-operatives in Vietnam without any intervention from the government (Vietnam Co-operative law, 2013). However, according to Sultan and Wolz (2012), local officials seem to be required by their superiors to foster agricultural service co-operative development. They are also given guidelines about the number of co-operatives to be established within their area of jurisdiction and the respective membership to be covered. The better they fulfil the guidelines, the better are their career prospects. These officials might influence the selection of the co-operative leadership more indirectly by proposing specific candidates (Harms, 1996).

As the result of this lack of democracy, very few people are committed to contribute to the co-operative or they keep their contribution at a low level. The proportion of farmer enrolment in ACs remains low. In general, the newly established agricultural co-operatives start with a relatively small membership (80 - 150 members). Also, a majority of them are the middle strata of the farming population (Hai & Iwamoto, 2014; Kirsch, 1997; Wolz, 2000).

**Low management capacity**

Low management capacity refers to insufficient knowledge required to understand the market and develop business activities. Low management capacity was identified by all participants as a key factor contributing to poor performance and inhibiting commitment of member participation. This category is made up of six elements which can be classified as:

i) inadequate professional knowledge about management; ii) inadequate and inappropriate specialised training courses; iii) irregular communication; iv) dependence on external supports
(knowledge, skills, and technologies), and v) inadequate marketing activities. These inhibitors are considered to constrain the development process of Vietnamese co-operatives.

**Inadequate professional knowledge about management**

A lack of professional skills was identified by members and external stakeholders as a key factor inhibiting co-operative development. In Vietnam the members who are elected to be the Board of Directors of their co-operatives are farmers with a low level of education and limited knowledge of co-operatives principles and governance:

> “Generally speaking, in An Giang Province, low level of legal skills and limited knowledge about product markets are the biggest issue of co-operative. As you can see, the necessary legal skills can be acquired with the help of special training courses or legal advising team from provincial co-operative alliance, but knowledge about the markets and marketing have to be built up through professional training courses or only experience in daily life…. The pretty low level of education of co-operative management board is challenging us to upgrade their knowledge” (I10.GO.P)

> “To provide reliable marketing services to their members in the coming years, the human resource for co-operative should be up-graded their knowledge, and more importantly, the elderly managers should be replaced by the youth one.” (I11.GO.C)

To explain for this situation some of the interviewees stated:

> “Generally, almost of management board and employed staff are co-operative members. They work for co-operative on a part-time basis as their principle occupation is farming. They do not have professional knowledge to qualify the requriment of the job because their educational level is quiet low. However, bigger co-operatives can employ some full-time staff who are more professional and acknowledgable on product market, marketing, and accounting.” (I13.GO.P)

> “Management capacity of leaders is very limited, as the result, they lack of the ability to create effective business plans as well as their annual reports are unclear and unprofessional.” (I12.GO.P)

From data collected, it appears that many co-operative leaders have low capacity to manage and govern a well-functioning enterprise due to insufficient skill development. Thus members, as well as external stakeholders, have begun questioning the capacity of the Management Board
to carry out the enterprise tasks. As a result of this, many respondents are not satisfied with the co-operatives, in some case members even want to leave the co-operative. In addition, in some the cases Board members and managers especially are sometimes unprofessional, part-time, and/or unpaid. Thus, they are not committed to dedicate their time to work for the co-operatives.

**Inadequate and inappropriate specialised training courses**

From data collected, the Management Boards feel that they lack skills, confidence and time required to understand the market and develop the business plans of the co-operative enterprise. However, the capacity building programs’ content which is currently used to train the co-operative management is often out of date, impractical, redundant and not tailored to the agricultural co-operatives’ needs. Thus, the limited capacity of co-operative members and leaders remains a critical constraint to the development of the sector.

“"The quality of human resources in the management of agricultural co-operatives is currently low. Now, the qualification of the main staff of the co-operative is limited, lack of special training in the market. The business and production development have not kept pace with the development of the market mechanism, and there is a lack of acumen and dynamism in the organisation of production and business.” (I7.VH.NVN)

“...We get training courses offered by MARD without referring much on our own respective experience…” (I6.FL.NVN)

“... The training facilities and acknowledgeable experts to support for activities of the co-operatives are inadequate…” (I10.GO.P)

“... In the training courses, co-operative trainers should act as the role of moderators and facilitators in order to help co-operative managers to reflect and learn the views and experiences from the others,” (I13.GP.P)

These quotations emphasis the diverse skills required by the co-operative management board. These skills may vary as the co-operatives grow through developmental phases.

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Irregular communication

Irregular communication was identified as an internal factor limiting co-operatives in communicating with their members, as the results, the principles and value of the co-operatives have not fully been understood and practised for a long time. This has the potential to significantly impact on member commitment. In fact, the field data clearly shows that lacking of a co-operative office was a directly perceived cause of the irregular communication:

“The problem is we do not have land for an office to be built, thus we do not meet regularly co-operative members” (I8.VL.NVN)

“At the present, the commune government offers our co-operative a small temporary office inside the People’s Committee Building. Moreover, under the support of the commune government, our annual meeting or other important meeting can be organised in this building, however all our activities are depending on the availability of these facilities” (11.RH.SVN)

“If our co-operative activities and membership expand in the future as planned, lack of officially organised, regular meetings held at an independent location may mean that member participation in decision making and planning will be significantly limited.” (15.FH.NVN)

It also became clear that establishing a co-operative office is of importance not only as a place to hold regular meetings, but also as a physical representation of the permanent presence of the co-operative in the commune. Without an office, co-operatives may not attract more membership as there is concern that non-member farmers will see that the co-operative “has nothing” and be reluctant to join.

Through discussion with members and management, the members and the general population lack confidence in co-operatives. The co-operatives’ directors and managers are inexperienced and sometimes unable to deal with the new challenges introduced by the competitive market. Thus, it is believed that a commune-owned, internet-accessible computer is needed to improve access to information about newly establish co-operatives and to upgrade management skills.
“Huge efforts have been put up to convince the famers in this region to join the co-operative as many of them are reluctant to join due to bad experiences in the past. However, almost all newly established agricultural co-operatives have not done enough to broaden their members’ knowledge about the new style co-operative.” (I11.GO.C)

Thus, it is obvious that the lack of appropriate infrastructure required to support co-operative activities will constrain the co-operative enterprise in delivering values to its members.

**Dependence on external support (knowledge, skills, and technologies)**

From the data collected, key external support is represented in several different types offered to the co-operative, including donor projects (donor involvement); material support (official material); encouragement by local government (official moral), training programs (official organisational); and a co-operative loan program (finance access). However, the external supports bring the co-operative both positive and negative consequences as discussed with informants.

In some cases, co-operatives were formed as part of a donor project intervention. However, the viability and sustainability of the co-operative movement were challenged when the project ended, the co-operatives find it difficult for them continuing to function without the help of on-going and considerable government support:

“You left behind the basic construction which is ok. But the co-operative must learn to run the business themselves but it was too short. Two years was too short since the new orchards were still not bearing fruit. They appreciate the support from the Australian government to set up the co-op but unfortunately the co-op can’t run the business in the right way.” (I1.RH.SVN)

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“Firstly, they mostly rely on the donations or support from the government. They don’t really realise that they have to go by their own route; they need to structure everything by themselves. That is the main constraint why they do not develop well.” (I13.GO.P)

In the situation of Vietnam, many local officials play an important role in initiating, supervising and advising local agricultural service co-operatives. Thus, local authorities, national co-
operative alliance representatives and international co-operative organisations were considered as the most important external players (Rankin et al., 2007; Sultan & Wolz, 2012; Tran, 2014). Indeed, in most cases a compelling need of community members sparked the idea of forming a co-operative while the idea became reality with the active support of local authorities. Therefore, the co-operatives are highly dependent on these resources. Moreover, under the 2012 co-operative law, the governmental subsidies which have been diminished left co-operatives with huge financial problems:

“Actually, the co-operative gets much support from the government: national government, provincial government, commune government, and projects … as loans, seedlings and technical training. However, when these supports were gradually reduced as management was encouraged to take on greater responsibility for the functioning of the co-operative left the co-operative with huge challenges.” (I11.GO.C)

“The local and central government are also aware that it is unsustainable if the co-operatives are too much dependent on supportive resources of government, they will not be successful in the long term and may lead them to collapse.” (I12.GO.P)

Moreover, marketing activities enable a co-operative to generate funds and contribute significantly to the community where it operates. However, without the help of local government, some co-operatives cannot develop a marketing strategy for themselves, while others are not adequately involved in marketing activities. Thus, there is a need for additional support to identify customers and advertise products (market access and trade promotion) in most of visited co-operatives:

“agricultural co-operatives should be supported in terms of registration and trademark protection, though safe vegetables now have a reputation in the market. However, the lack of registration of trademark protection can lead to the dispute, or forged trademarks on the market, causing discredit of safe vegetable products.” (I11.GO.C)
It is anticipated that by gradually decreasing support in the future, the co-operatives will be forced to become more proactive. By using the skills acquired and networks developed, it is hoped that they will begin to navigate their pathway to development with greater autonomy thus reducing the potential for dependence (Rankin et al., 2007). However, turning this potential into a reality depends greatly on the ability of co-operative managers and members to overcome many of the internal and external barriers that exist (Schöll, Markemann, Megersa, Birner, & Zárate, 2016). Thus, the findings seem to reveal that external support has potentially failed to address the critical need for skill development in co-operative management.

It is expected that when there are changes in the business environment, the business enterprise has to adapt appropriately. However, most co-operative organisations in Vietnam find it very difficult to adapt to changes that are required to make them more viable and efficient. All the challenges considered above have continued to hamper the performance of co-operative organisations (Dung, 2010; Khoa, 2012; Tran, 2014).

**Inadequate marketing activities**

The data collected revealed that the business volumes for these co-operatives are not large enough to enable them to benefit from bulk buying and selling. The low volumes are due to both poor member patronage and the co-operatives’ limited capacity. For example:

“… Due to the limit of business management capacities of management board and adequate working capital, the co-operative cannot diversify its services to meet all farmers’ needs; moreover, the quality of these services is still poor in comparison with private sectors in their locality. Thus, we cannot attract more customers, and our current services are operating below the ideal scale in order to make profits” (I10.Go.P)

“The management boards are familiar with those services which co-operatives used to provide before their transformation, i.e. irrigation and electricity management as well as the provision of input supply. It is understandable that they concentrate on those services first to gain experience in the new market-oriented economic environment.” (I13.Go.P)
Moreover, as co-operative members are in the remote areas, and most of them are poor households, the amount of money they contributed to the co-operatives in term of share is too small to start a business and their production volume is also limited, as some interviewed co-operative managers stated:

“…the problem is that most farmers are very poor to acquire reasonable number of shares. Seriously, more than 90 per cent of famers in our village are small scale paddy producers - 0.3 ha of cultivating land per household on average.”

(I2.RL.SVN)

The scope of the operation of the agricultural co-operative is still small in terms of management capacity, capital assets and production and business aspects. Therefore, the level of support these enterprises can deliver to co-operative members is limited, as is the efficiency of their production. As a result, business output is low amongst their members, and what the co-operatives are contributing to local socio-economic outcomes is not much (Dung, 2010; Nghiem, 2008; Rankin et al., 2007; Tran, 2014; Wolz & Bao Duong, 2010). It is therefore necessary for leadership to have skills and knowledge about business enterprise, because the management of co-operatives relies heavily on their expertise.

In conclusion, inadequate professional capacities of a Management Board may lead to poor performance of the enterprise. First, co-operative managers are unable to make effective links with other business partners and markets outside of a localised area; next, a lack of experience may also challenge the board in turning their vision into actions. Finally, at any stage of co-operative development, new skills are needed for co-operative managers to successfully negotiate with stakeholders as external support and with the market, which is a dynamic environment that is continually evolving.

**Conclusion**
In short, the decisive factors influencing the evolution and development of co-operatives are summarised figure 8.6 which describes the categories emerging from collected data. Firstly, it was evident that most of the informants enjoyed their membership as co-operatives were established to meet their vital needs, and help members sustain themselves economically. Moreover, the co-operatives have demonstrated their determination to build a strong community in accordance with the Co-operative Law and the basic principles of agricultural co-operatives.

From the field data, the most successful co-operatives were seen to be those with strong, committed co-operative leadership, along with a committed and qualified staff, all placing the common interest of the co-operative above individual interests. So that members and community member showed their support to the establishment of the co-operative as a result. Secondly, this study found that the governance structure of co-operatives was well defined due to the criteria for co-operative registrations (following the co-operative law). Under the new co-operative law, organisational structure has become more cost-effective as the number of management staff was reduced from 30 persons to 7 persons, which also allows co-operatives to be more flexible in running their business. Communication between the management boards and members also becomes more effective. Successful co-operatives in Vietnam were observed to have a governance structure that keeps boards and members in touch with each other. The third internal factor contributing to the performance of co-operatives in Vietnam found in this study is member commitment, which can significantly influence the viability of the co-operative. If member commitment is low, members lose the sense of collective ownership and act opportunistically. Data from the study showed that trust in a committed management board, high level of members’ homogeneity, lack of alternatives, and benefit incentives are the core contributory factors of members’ commitment. All Macro, Meso and Micro level informants
confirmed that these factors are considered as significant contributors to the process of co-operative development.

Although considerable progress has been made in recent years, the co-operative movement still experiences several internal weaknesses. First is the low member participation as a result of poor reputation which still causes negative impact due to the former planning mechanism, misconceptions about new style co-operatives of the community, and the lack of a democratic governance mechanism in the top-down co-operative. Second is the low management capacity of the management board. This study found the main contributory factors to be lack of professional management knowledge and practices, inadequate and inappropriate specialised training courses, and irregular communication which prevents the management board from having access to information systems to upgrade management skills and other knowledge. Among these contributory factors, management capacity of leaders is very limited, so they always lack effective business plans, their reports are not transparent, and they are still influenced by the former planning mechanism. As a result, many co-operatives are incompetent to enlarge or diversify their business operation and have become more dependent on external supports for their on-going activities. The skills limitation of co-operative management was identified by all participants as a key factor contributing to poor performance and inhibiting commitment of member participation.
Figure 8.6: Sub-categories, Core Categories and their simplified relations
Chapter 9: Institutional factors – initial findings

Summary of the chapter

This chapter looks into factors that either stimulate or discourage development and functioning of Vietnamese agricultural co-operatives (VACs) in a context of moving from a centrally planned economy to an open market system. As in chapter 8, the results of the data analyses are shown in displays and charts as recommended by Miles and Huberman (1994). Some basic statistics of the codes were illustrated using the NVivo 11 software. The findings revealed that while the supportive environment and enabling legal environment facilitated the development of co-operative, political and economic institutions constrained the evolution of the co-operative.

The nature of institutional factors

As noted above, this chapter examines the institutional factors found to influence the VACs examined for this study. The institutional factors refer to the external environment which facilitates or inhibits the process of co-operative development. From the collected data, two main categories emerged as external factors which have significantly impacted the progress of co-operative development, namely, institutional motivators and institutional inhibitors. In figure 9.1 the simplified relationships are illustrated that exist between the sub-categories and main categories. It can be seen that there were two factors that influenced institutional motivators: i) a supportive environment created by these institutional factors, and ii) an enabling environment created by these same institutional factors. These two factors facilitated the ability of the co-operatives to deliver value to their members. By contrast, two factors were found that served to inhibit the ability of the co-operatives to deliver value to members. These were: i) the role of economic institutions (particularly banks and financial institutions in
supplying credit), and ii) political institutions (specifically in terms of regulation and bureaucratic oversight).

Table 9.1 outlines in more detail about these categories as well as illustrating the hierarchy of these emerging categories as found in the NVivo analysis. These are discussed further in this chapter.

**Figure 9.1: Institutional factors – core categories and their simplified relations**
### Table 9.1: Development of Themes and Node Report

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<td>Weak linkages with other enterprises</td>
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**Institutional motivators**

Institutional motivators refer to the favourable environment which facilitates the progress of co-operatives. Key drivers of institutional were identified as a *passionate (supportive)* environment and an *enabling (legal)* environment, and the special concern from the international development organisations. The emergence of these categories and the interaction between them are described in figure 9.2., while figure 9.3 describes the frequency of individual sub-themes which emerged from the data.

![Institutional positive factors influencing co-operative performance](image)

**Figure 9.2: Institutional positive factors influencing co-operative performance**
Figure 9.3: Institutional Motivators: Frequency of sub-categories

*Passionate environment (supportive environment)*

The passionate environment of the co-operatives sector considers dedicated governments and local institutions, the dedicated community, as well as international help available to co-operatives to support their organisational growth and service provision. Given the communal nature of co-operatives, the role of the government and international supporting organisations is critical to ensure that the sector has the appropriate level of support and guidance, particularly in the early stages.

**Dedicated government agencies and local institutions**

Dedicated government agencies and local institutions refer to strong government and institutions’ commitment to support and promote the development of co-operatives. Although co-operatives are self-responsible entities, or self-help organisations, and ultimately responsible for their business activities and management (Vietnam Co-operative law, 2013), they still get great support from all levels of government and other institutions. When asked
about education and training opportunities, key informants identified a range of training courses organised and delivered to co-operative members and management from government, donors, the Co-operative Alliances, and research and educational institutions. For example, it is the staffs of MARD at provincial and district levels who dedicate themselves to managing and guiding the co-operatives in the establishing process, while the Co-operative Alliance and some academic institutions help the co-operatives deal with their daily operations by providing them with in-depth training courses:

“They have had some technical training courses for the members from international donors, the extension service in orchard management by MARD.” (I1.RH.SVN)

“… Short-term training courses such as Basis marketing, Customer behaviours, Accounting, Human resource management, Business Planning are also offered to management staffs in order to enhance their managerial capacities. These courses are organised by The Provincial Co-operative Alliance and An Giang University” (I4.VL.SVN)

The government’s support policies, the guidance, support and assistance of Party committees are also offered at all levels.

At the state level
Realising the contributions of co-operatives to economic growth, the Party and State are always concerned about the development of co-operatives (Khoa, 2012; Nghiem, 2008; Tran, 2014; Tu, 2011; Wolz & Bao Duong, 2010). In particular, the Resolution of the 9th National Party Congress, the 12th National Party Congress consistently affirmed that promoting and developing co-operatives as well as the collective economy should be considered as the cornerstone of successful implementation of socio-economic development strategies in the coming years. Moreover, the collective economy is defined as an important economic component of the national economy, contributing not only to economic growth but also importantly to the socio-economic development of the country and locality:
"To encourage the sustainable development of the co-operative economy, the core of which is co-operatives with various forms of co-operative and collaboration, and replication of effective co-operative economic models, creating conditions for the household economy to develop effectively in the fields of agriculture, industry, and services, contributing to the formation of value chains from production to processing and consumption, ensuring the harmony of the interests of participating parties, and facilitating the formation of Agri-industrial-high-tech complexes". (I11.GO.C)

The government’s *Growth and Transformation Plan*, the most powerful organisation of the Communist Party, has highlighted the development of co-operatives as a key pathway by which the agriculture sector and the economy as a whole will develop over the next five years and beyond (Cox & Le, 2014; Wolz & Bao Duong, 2010).

*At the local level*

Government departments, agencies and the People's Committees at province, district, and community level promote the dissemination of the Party's resolutions and policies as well as the State's law on the development of the collective economy in various forms. This helped to create favorable conditions for the establishment and development of co-operatives, built up plans and fully implemented support programs and policies for co-operatives (Cox & Le, 2014; Hai, 2014; Khoa, 2012; Nghiem, 2008; Wolz & Bao Duong, 2010). As a result, many local officials play an important role in initiating, supervising and advising local agricultural service co-operatives. Therefore, the relationship between local administrations and agricultural service co-operatives is very close (Sultan & Wolz, 2012). For example:

““The co-operative was born thanks to the leadership of The People’s Committee of Commune. They helped us in terms of the legal procedures to establish the co-operative” (I2.RL.SVN)

““The strong support of the chairman of the People’s Committee and the head of the Planning and Investment Office made favourable conditions for the establishment of the co-operative” (I5.FH.NVN)
“Local authorities devoted their time and efforts to the establishment and growth of our co-operative because they want farmers in the area to benefit from co-operative activities.” (I3.FH.SVN)

“Right after the adoption of the Co-operative Law the provincial people’s committee established a supervisory team to guide the transforming process at the local level. The vice-chairperson of the provincial people’s committee had been nominated as team leader, while officials from MARD and mass organisations had been team members. Similarly, in each district a sub-supervisory team has been established. The principle function of the team is to disseminate all related-transforming-process information to the districts and co-operatives in order to familiarise them with the 2012 Co-operative Law.” (I10.GO.P)

Sultan and Wolz (2012) found that most co-operatives were established under the direction of the Vietnamese Communist party. Initially, leaders from governmental bodies such as the Peoples’ Committee, Communist Party, Labour Union, or Veterans Union took responsibility for setting up a co-operative and encouraging people to join. Later, the leadership role was delegated to devoted members through annual members’ meetings. The evolution of co-operatives in Vietnam was found to be greatly facilitated by the support of external stakeholders who are very interested in the success of the co-operative. The most important external players were local authorities, national co-operative alliance representatives and a few international co-operative organisations. In most of the cases of Vietnam, the idea of forming a co-operative was usually sparked by compelling needs of the community; however, the timely support and direction of local authorities played a very significant role in mobilising and making the ideas become reality (Cox & Le, 2014; Sultan & Wolz, 2012; Wolz & Bao Duong, 2010).

In summary, the co-operative economy has historically played an important role in the national economy. While central planning has been given up, the Vietnamese government still attaches great importance to co-operatives in economic development. The co-operatives are considered as important institutions in developing a “socialist-oriented market economy.” Thus, support offered to co-operatives is not only ideological, but also financial (Jia & Huang,
2011). In the future, it is assumed that co-operative managers will become more and more self-confident, and the role of the local administration will decline.

**Dedicated community**

*Dedicated community* refers to the level of social cohesion in Vietnam around the notion of collective rather than individual action. Data from fieldwork demonstrated that respondents are strongly supportive the establishment of the co-operative in their community. People recognise that co-operatives can help to improve the economic efficiency of production and reduce farmers’ input expenditure, since co-operative service charges are lower than those of regular market. The following statements on this point illustrate the commitment of the community in establishing co-operatives:

“Our community luckily has good co-operatives who benefits to us in some ways or others. Most co-operatives have remained stable over the past five years, especially agricultural co-operative who offer us genuine agricultural inputs, timely farming services with reasonable prices. Importantly, we sell them our agricultural outputs with higher prices than we used to sell to the middlemen” *(Local Auth17.VH.NVNority)*

“In my village, people used to work together informally as mutual aid groups in order to help each other to cultivate and harvest crops. The establishment of co-operative in the community is our privilege to form our formal organisation for collective actions” *(I8.VL.NVN)*

“The co-operative is a reliable enterprise in our village for everyone who needs to invest in an agribusiness, thus it receives the full support and a positive reception from local people. Peoples’ understanding of the role and value of the Co-operative has increased continuously…. More and more farmers may join the Co-operative in the coming time” *(I13.GO.P)*

In sum, it is clear that the co-operative was established to meet the community’s survival needs which are not provided by the government or other public-sector organisations. Thus, the co-operative gets the great support from the community where it is located.
Special concern from international development organisations

International assistance refers to the involvement of international development organisations in the provision of tangible and intangible forms of support to newly formed co-operatives. When talking about the external support, key informants mentioned that while the most important role in setting up the co-operatives is played by the Communist Party within the community, some international organisations have over time played an important supportive role, mainly material support (official material); training programs (mainly in technical areas); and a co-operative loan program (finance access):

“These projects initially have created some significant achievements for the restructuring and development of agricultural co-operatives, contributing significantly to the collective economy of Vietnam. In the future, we optimistically believe that these projects of foreign aid will contribute more to the development of co-operative in Vietnam, particularly in the agricultural sector.” (I12.GO.P)

“The grant of World Bank has been utilising to support co-operative in training of human resources in order to improve their competitiveness, developing their capacity of market assessment, transferring and applying new technologies into production process, and investing partly into essential infrastructures to facilitate the production.” (I11.GO.C)

Recognising the important role of agricultural co-operatives in facilitating small scale farmers to improve their livelihood in rural of Vietnam, several international NGOs have committed themselves to empowering agricultural co-operatives in Vietnam via significant donation projects such as the Vietnam Co-operative Enterprise Development Project (VCEDP), which is funded by the Canada International Development Organisation (Socodevi), the Agricultural Competitiveness Project (called the ACP project), funded by the World Bank (WB), and the AusAID Capacity Building in agriculture and Rural Development (CARD) project (CIDA, 2013). The goal of these projects is also to assist the Vietnamese co-operatives to improve their capacity and competitiveness, which will contribute to sustainable and equitable economic growth (Rankin et al., 2007; Tran, 2014).
**Enabling legal framework**

*Enabling legal framework* refers to favourable policies and an advantageous regulatory environment which create favourable conditions for the development of co-operative enterprises. The policy and regulatory environment consist of the basic documents (co-operative policy, proclamation, regulations, and model by-laws) by which co-operatives are registered, regulated, and held accountable to their members. It also includes fewer tangible agreements and conventions that enable policy and regulations to be consistently enforced.

**Enabling regulatory framework**

Up to 1996 the national co-operative law had never been existed in Vietnam. At this stage, agricultural co-operatives had been established as collective economy organisations or mass organisations based on land reform measures, i.e., collectivisation. There was no voluntary membership. Rural households who wanted to have access to land had to be members of the agricultural co-operatives. For organising and managing, the Communist Party provided clear rules, including the convocation of general assemblies every two years, the election of management committees and office bearers, the election of control committees, distribution of surplus, internal work organisation, etc. (Couture et al., 2002; Gardner & Lerman, 2006; Kirsch, 1997; Marsh, MacAulay, & Hung, 2006; Pattison, 2000; Raymond, 2008; St John, 1997; Sultan & Wolz, 2012; Wolz & Bao Duong, 2010).

The final draft of the Co-operative Law was adopted by the general assembly in March 1996, and became effective on January 1st, 1997, creating the first legal framework for establishing and developing the new style of co-operative (Cox & Le, 2014; Rankin et al., 2007; Tran, 2014; Wolz & Bao Duong, 2010). The law which is based on internationally recognised principles of co-operatives covers all the various types of co-operatives and reflects the will to renovate co-operative principles. These major principles will be used to guide the organisation and operation of co-operatives as follows: i) voluntary joining and withdrawal
from the co-operative; ii) democratic and equal management and transparency; iii) self-responsibility and mutual benefit; iv) community co-operative and development (Vietnam Co-operative law, 2013). This changed the thoughts of the Vietnamese about state-controlled co-operatives compared with genuine co-operatives (Pattison, 2000).

The Co-operative Law was then amended twice, in 2003 and 2012; the later version has been modified and improved based upon a practical consideration of economic development in previous years. The Law, thus, is simpler but clearer in clauses and articles. For example, definition of co-operative law in 1996 was ambiguous, inconsistent and difficulty to understand; it was made clearer in the 2003 definition, and is clarified further in the 2012 version (Cox & Le, 2014; Tran, 2014).

**Favourable government policies**

Fostering a collective economy has been a major concern of Vietnamese governement since the 1950s (Oxfam, 2015). Along with three co-operative laws (enacted in 1996, 2003 and 2012), there have been hundreds of policies issued to facilitate collective economy. These policies have formed a legal framework for the introduction and development of mutual enterprises in the nation. According to Oxfam (2015), since the enactment of Co-operative Law 2003, the government has issued 143 policies and legal documents on the collective economy, with an attempt to create a favourable environment for developing the collective economy (Khoa, 2012; Nghiem, 2008; Tran, 2014; Tu, 2011). These legal documents were issued by many different state agencies, and at various levels such as the National Assembly, Government, Prime Minister and Ministries.

As illustrated in figure 9.4, of these legal documents and policies (143), around 35 per cent were directly related to collective economy, with the remaining documents, about 65 per cent, coming from many other fields, and indirectly related to the management of co-operatives.
Figure 9.4: Legal policies in relating to promoting collective economy

As can be seen from figure 9.5, in regards to the category and hierarchy of these legal documents, 13 laws (9%), 35 decrees (24%), 42 decisions (29%), 47 circulars (33%) and six directives (5%) have been issued. These documents have created an important legal framework to manage and promote the establishment and operation of co-operatives.

Figure 9.5: Classifications of legal documents which promote collective economy

The Party and the State have always been interested and constantly made favourable improvement and innovation policies in the operation of the agricultural co-operatives in Vietnam as illustrated by many supportive policies. The development of a collective economy
is also considered as one of the important contents in line with the policy of socio-economic development of Communist Party and State in the course of national renewal (Cox & Le, 2014; Nghiem, 2008; Tran, 2014; Tu, 2011).

**Institutional inhibitors**

After completing the data collection with participants of co-operatives it became apparent that all local stakeholders felt that there were many political and legal barriers limiting the progress of the co-operative. These barriers can be classified as institutional inhibitors which are made up of two sub-themes, namely Political Institutions and Economic Institutions. While figure 9.6 shows how the sub-categories and main categories interact with each other, figure 9.7 illustrates the frequency of each sub-category which emerged from collected data.

![Diagram showing Institutional inhibitors]

**Figure 9.6: Internal factors hindering performance of co-operatives**
Figure 9.7 Institutional Inhibitors: Frequency of child coding references

**Political Institutions**

Political institutions refer to the government agencies which have issued the rules in order to facilitate co-operative development. Data analysis showed that this sub-category is made up of three properties which can be named as i) the overlap of multi-governing bodies on co-operatives, ii) political motivation and control, and iii) ineffective implementation of government policies.

**The overlap of multi-governing bodies on co-operatives**

At the present, co-operatives are under official administration of the three various bodies (Nghiem, 2008; Tran, 2014). They are:

- The Department of Co-operatives and Rural Development, which belongs to the Ministry of agriculture and Rural Development (MARD);
- The Department of Co-operative Development, which belongs to the Ministry of Planning and Investment (MPI), and
- The Vietnam Co-operative Alliance (VCA).
This management structure is challenging co-operatives due to the fact that the three bodies are very low in collaboration. In some cases, they have issued guidances that overlap or contradict one another (Kirsch, 1997). Both MARD and VCA adopt a heavy top-down approach when dealing with agricultural co-operatives. They ignore that co-operatives are member-oriented (bottom-up) and follow the principles of self-help, self-responsibility, and self-administration (Tran, 2014; Wolz, 2000). As shown by comments from interviewees:

“The State management responsibility on agricultural co-operatives among ministries/sectors from the central level to local levels is unclear. It lacks quantity and quality (there are less than two people in each district).” (I10.GO.P)

“Vietnam Co-operative Alliance is issuing guidelines to agricultural co-operatives, which might overlap or contradict with those issued by MARD” (I3.FH.SVN)

“… Government’s regulation function is currently unclear to many officials, who also often have limited capacity to execute that function…” (I7.VH.NVN)

The abovementioned challenges and quotations are in line with documents data collected. Among the 143 above-mentioned documents, the overlap of related policies in facilitating co-operative is unavoidable. For instance, Decrees No. 88/2005/ND-CP and No.60/2003/ND-CP - regulations supporting human resource training - reveal an overlap between the role of the Ministry of Planning and Investment and the Ministry of Finance in calculating demand and allocating training funds. As a result, both co-operatives and government agencies find it difficult to implement the policies. To explain this situation, some informants agreed that there is too little, or poor collaboration between relevant ministries in jointly issuing policy guidelines. Statistics show that among the 143 legal documents, there are 47 circulars, of that only 11 have been jointly published (Oxfam, 2015; Tran, 2014). In many cases, to get bonuses, the co-operatives are required to apply simultaneously to four or five various government agencies. This often exceeds the capacity of the management board in majority of co-operatives.
Political motivation and control

Interference cannot be avoided completely. What the research team found is that in Vietnam’s agricultural co-operatives, autonomy, self-reliance, and creativity in their business and production are not very high due to the intervention of local government administrators. This was found to be especially a problem for the transformed co-operatives in the North as most of them are under the leadership of the communist party and local government authority. The co-operatives’ leaders are made up of people proposed by the Communist Party which presents them to the General Assembly of Co-operators for their election. In some localities, particularly in the North, co-operatives are still socio-political organisations led by the Communist Party. In this case, it can be argued that the new-style co-operatives are established mainly to meet the political and social interests of the Communist Party rather than those of the family farmers. Farmers, for this reason, were afraid to join them – as illustrated in the following comments:

“The management board of the co-operatives are Communist party members and they are also current managers of Farmer’s Union, Women’s Union, or Youth Union. However, by Law active government officials are not allowed to stand for elections to the management boards - In most of the case in the North” (I6.FL.NVN)

“… Informally there still seems to be some intervention by the local administration on the management of the co-operatives. This is particularly difficult to avoid in those areas where almost the whole population of the commune is also member of an agricultural co-operative.” (I12.GO.P)

“… Our annual reports and business planes need to be approved by local government before these paper document goes public (especially annual meetings)” (I8.VL.NVN)

The in-depth interview data and document reviews also revealed that the Vietnamese government has intervened in establishing and governing for both historical and political reasons. First, the most important role in setting up the co-operatives goes to the Communist Party within the community (Sultan & Wolz, 2012; Tran, 2014; Wolz & Bao Duong, 2010). As described earlier, the co-operative movement in Vietnam started as a government initiative
(in early 1960s in the North of Vietnam and in early 1980s in the South of Vietnam), people were encouraged to join co-operatives and the survival and growth of co-operatives in most economic sectors has depended on government policies and decrees. In the initial phase, the co-operatives were clearly an important part of the central-command economic system (Cox & Le, 2014; Kirsch, 1997; Sultan & Wolz, 2012).

According to Kirsch (1997), Kirk and Tuan (2009), and Wolz and Bao Duong (2010) the previous co-operative model is one of state-controlled co-operatives, which were established mainly to meet political and social interests of the political institutions rather than those of the farming population. Thus, the co-operative movement of Vietnam historically exemplifies more of a top-down evolution driven by political institutions. As the country’s economy became more market driven, the government realised that co-operatives had to respond to the changed context (Golovina & Nilsson, 2011). Subsequently, the government, and in particular the communist party, helped the movement to transform itself to respond to market demands and play a key role in the country’s economic and social transformation.

Second, from document review, the government interfered into co-operatives’ business and production due to the requirement of strengthening co-operative development and the interested benefits of their own. First, local officials seem to be required by their superiors to foster agricultural services in co-operative development. They are given guidelines about the number of co-operatives to be established within their area of jurisdiction and the respective membership to be covered. The bigger the number of co-operatives that are established, the brighter are their career prospects (Sultan & Wolz, 2012). Second, even if local officials are commanded by their superiors to strengthen co-operative development, it is not only favourable for their own careers, but they themselves generally have a deep interest in agricultural development, since local administrations in Vietnam are mostly recruited from their respective areas. They are both farmers and co-operative members, and it is to their own personal benefit
that the co-operatives are managed successfully (Sultan & Wolz, 2012; Wolz & Bao Duong, 2010). Thus, it is understandable that local administrations are politically culpable to the respective population when they interfere in a co-operative’s business. As suggested by some interviewees, getting free from government control is dependent on the personality of the co-operative CEO; some co-operatives in recent years have had the good fortune to be run by a person who is prepared to stand up against any interference from local officials.

In summary, although the seven internationally recognised principles of co-operatives are recognised by the Vietnamese Co-operative Law, the principle of autonomy of management and operation has not been guaranteed. This can be attributed to insufficient recognition of the genuine nature of co-operatives and other mutual enterprises, which distorts the proper nature, operation and development principles of co-operative enterprises.

Weak enforcement of government policies
This factor includes three sub-properties namely: i) weak government officials to enforce rules and regulations; ii) inappropriate and impractical policies, and iii) ineffective policies.

Weak government officials to enforce rules and regulations
Data analysed showed that most regulatory bodies at the national and provincial levels have limited capacity to implement and enforce the existing rules; as a result, most of the officials who are charged with enforcing policies at all levels have insufficient capacity and accountability to properly implement policy guidelines, as shown below:

“There are strong co-operative laws and regulations, but they are not always well enforced as the officials who enforce the policy and regulatory environment have no the required capacity to do so… capacity building to improve officials’ ability to enforce rules and regulations should be a priority” (I12.GO.P)

“Low government official awareness of the nature of newly established co-operatives and skills strategically lead to their poor guidance on co-operative law to co-operatives managers… this is the reason why people hesitate to join the co-operative” (I4.VL..SVN)
“… There is a lack of trained staff qualified to manage co-operative alliances at higher levels.” (I10.GO.P)

“The worst thing is many members and co-operative leaders have limited awareness of strengthened policy framework and limited capacity to operationalize it, thus they don’t fully understand their rights and responsibilities as so.” (I13.GO.P)

Some co-operatives and other stakeholders cited that some local government officials have relatively low role clarity and capacity to implement and enforce policies/regulations. This can contribute to co-operatives’ financial unsustainability, low membership, and occasional misappropriation of resources (Birchall, 2010; Cook & Iliopoulos, 2000). According to Oxfam (2015), along with regional features and conditions of agricultural production, determination and vision of local authorities have a significant influence on the performance of co-operatives.

**Inappropriate and impractical policies**

Among 143 legal documents, many of them are not based on existing resources and can lead to the low practicality (Oxfam, 2015). As the co-operatives have various characteristics in different parts of the country, appropriate policies for each part of the nation are expected (Khoa, 2012; Nghiem, 2008; Tran, 2014; Tu, 2011). These issues are consistent with what the research team found. For example, policies on land for co-operatives to build up their premises, credit in kind, tax waives, and personnel have been founded unapplied. An example of this is land policy. According to *Point a, Clause 1, Article 5: Decree No. 88/2005/ND-CP on land policy with agricultural co-operatives:*

“Co-operatives wishing to use land for the construction of offices, warehouses, drying areas, service establishments directly serving co-operative members in agriculture, forestry, aquaculture and salt production but have not been allocated should follow the procedures for land allocation. Provincial People’s Committee, considering the current situation of public land, makes decisions on the allocation of land without collecting land fees and issues certificate on the rights of land usage for the co-operative.”
However, most of the localities do not have public land plots to allocate for co-operatives. As a result, working without having a head office is a very common circumstance which is challenging for many co-operatives at present (Oxfam, 2015). According to VCA (2017), about 42.6 per cent of agricultural co-operatives have no physical offices. The situation is even worse in An Giang province (a Mekong Delta-based province) as over 52 per cent of co-operatives do not have a head office (Tran, 2014; VCA, 2017). This was seriously affecting the administration and operation of these co-operatives. For example, the co-operatives in the Mekong Delta, which are specialised in paddy and rice processing services that rely heavily on warehouses systems, find that accessing a plot of land is very difficult for them (Oxfam, 2015; Tran, 2014). For example:

“The difficulty is that we still don’t have an office so if we want to plan a meeting, we have to come to People’s Committee building of the commune but because we are a business organisation the local government cannot help us.” (I1.RH.SVN)

To deal with this situation, some local governments have been offering co-operatives a small room in a commune office building; others use a local pagoda or a member’s house as their office.

A report made by Oxfam (2015) also found the policies unappropriate and ineffective. For example, under Decree No. 106/2004/ND-CP on developing the investment credit capital of the State and Decree No. 20/2005/ND-CP on additional lists of projects borrowing the development investment credit of the state, co-operatives with new investment projects on expanding production and business capacity can be eligible to receive investment credit and capital loans from the development assistance fund without any requirement of mortgage. However, according to Decree No. 151/2006/ND-CP, which replaced Decrees No.106/2004/ND-CP and No.20/2005/ND-CP, the projects that are eligible for this kind of loans are mostly those requiring large capital and long-term returns. Meanwhile, co-operatives with limited
financial, technological, and management capability find it impossible to access the loans from the State. Additionally, credit institutions, give very few co-operatives loans without collateral.

*Weak enforcement policies*

Reports on enforcement of Co-operative Law and many other regulations for supporting the development of co-operative models have found that many policies just stop at the written provisions or they have a low level of practicality and effectiveness, making it hard for co-operatives to capitalise on their capacity for doing business. To be more specific, the collected data showed that the legal framework to support the development of co-operatives is not appropriate and shows lack of synchronism. Policies that support co-operatives are many but not strong enough and lack synchronism, lack breakthrough mechanisms and strategies to support the co-operative strongly and practically. This is described in the quotation below:

> “The central and local government have issued a lot of supporting policies and incentives in order to create a favourable environment for the development of co-operative; however, in the reality the co-operatives have not received much benefit because of ineffective implementation of these policies.” *(I2.RL.SVN)*

Credit and tax policies are also weaknesses. Although there are several credit-related policies which allow co-operatives to obtain loans without collateral requirements, accessing these credit resources continues to be challenging for co-operatives. For example, Decree No. 55/2015/ND-CP failed to offer co-operatives opportunities for expanding their business scale. In fact, not many co-operatives can access to state-supported loans due to complicated legal procedures, low loan limits, and collateral requirements which exceed the capacity of the co-operatives as well as their management board. Tax policies have a similar application for co-operatives, which can impact their accessibility to, and benefits from, these policies.

Poor enforcing of government policies is one of the factors inhibiting co-operatives in accessing investment capital. The government has intervened several times to inject in-kind credit into the co-operative economy over the years as to give special attention to co-operative
activities, but yet not much has been seen in terms of assistance to co-operatives from financial institutions:

“There are political discussions that banks should provide special credit to agricultural co-operatives without any collateral, which have to be secured by the local people's committees. A directive has been issued. However, there is no co-operative can access this credit as the resistance of banks to this policy. I think that the central and local government should promote co-operatives more eagerly. It is clearly that there is a lack of a suitable legal environment in which co-operatives can develop” (I3.FH.SVN)

“Decision 67 states that an AC can obtain a long-term loan without a mortgage at any bank if the AC has a business plan. But any bank requires mortgage at least 70% value of a loan and banks don’t care about the Decision 67.” (I11.GO.C)

In general, without collateral, agricultural co-operatives do not get bank loans. Due to their bad reputation in the past (see 6.2.1), both transformed and newly established agricultural co-operatives do not secure any trust and confidence by the banks despite a directive from political institution that banks should provide credit to them (Rankin et al., 2007; Tran, 2014; Wolz & Bao Duong, 2010). As a result, in the year of 2014, only 0.3 per cent of co-operatives and 2.2 per cent of agricultural co-operatives obtained such loans without a mortgage (Tran, 2014).

**Lack of appropriate policies to foster internal capacity of co-operatives**

The document analysis also showed that despite a large number of policies, the focus was mainly on issues related to administration and management, and supply and allocation, rather than supporting policies that build capacity internally within co-operatives (Oxfam, 2015; Tran, 2014). For example, there remains a lack of policies directed toward building and developing permanent human resources as well as policies on training professional programs to improve their capacity, such as financial management, accounting and marketing and other needed agricultural expertise. High performance of co-operatives significantly depends on educating and training co-operative members, and enhancing their knowledge of co-operatives’ principles and members’ rights (Ortmann & King, 2007a). The co-operatives that lack capital
and business management capacity have had a rather disappointing history in developing countries (Birchall, 2004).

**The biased policies appreciate co-operative not collaborative groups**

According to VCA (2017) the number of collaborative groups (labour exchange groups, self-help groups) which are considered as pre-co-operatives, reached 97,589 at the end of 2017. Despite remarkable growth in recent years, they do not receive enough policy support (Oxfam, 2015). In the 143 legal documents previously discussed, only one provides separate regulations directed toward collaborative groups as the object (*Decree No. 151/2007/ND-CP*). Other provisions are indirect, and integrated within policies on developing co-operatives. The model of collaborative groups is growing strongly as a result of farmers’ desires for a co-operative within their capacity and needs, which ensures the sharing of common values as well as the fundamental principles of voluntarism, autonomy, independence and transparency (Oxfam, 2015; VCA, 2017). The bias, thus, clearly proves that when policies focus only on the development of co-operatives, collaborative groups do not get enough policy support.

In short, the 1996 Co-operative Law which was based on internationally recognised principles of the co-operative was considered as the most significant legal framework of co-operatives in the country. However, the government’s guidance for implementing the law still contains several problems as well as unclear points, while policy mechanism and guidance are lacking, so the implementation process is confused. Moreover, the awareness of the nature of the new type of co-operative among officers and members is quite low and inconsistent. In line with this, a lack of trained and qualified staffs to manage co-operative federations at higher levels is considered as a factor inhibiting the progress of co-operative development.

The above-mentioned findings are consistent with previous studies. Tu (2011) and Khoa (2012) reported that although Co-operative Law has been enacted since 1996 and revised in 2003 and 2012, the guidance for implement the law from the government still contains many problems and unclear points. A policy mechanism is lacking, so the implementation process is
confused. Moreover, there is a lack of trained and qualified staff to manage co-operative federations at higher levels when it comes to forming federations of agricultural co-operatives (Hai & Iwamoto, 2014).

**Economic institutions**

As in other developing countries, agricultural co-operatives in Vietnam are characterised by resource-poor smallholder farmers, which make financial support necessary, especially during the formation stage. The assistance provided by financial institutions is very important for the co-operative to achieve any economic gains (Rankin et al., 2007; Schöll et al., 2016; Tran, 2014).

**Inadequate working capital**

One of the inherent difficulties of agricultural co-operatives is the shortage of working capital. Data analysed showed that most of the agricultural co-operatives lack capital for production and business. However, it is not easy for them to get loans from credit institutions due to the need to mortgage their assets; meanwhile, difficulties in mobilising capital from members affect the production capacity and competitiveness of co-operatives:

“Almost all managers of co-operatives complain that they are very short of operating funds but the needs for investments are high. While getting formal credit from banks is almost impossible for many co-operatives as they do not have appropriate properties to act as collaterals. Most credit is not given in kind and on the short-term basis only.” (I10.GO.P)

“We want to start up business as a collector to sell fruit and vegetable to supermarkets in big cities, but don’t know how to do. More importantly, we lack of capital, lack of confidence and we think that it is risky.” (I8.VL.NVN)

“As most of the members have been regarded as poor, the co-operative avoided asking for cash contributions from them when operational funds are need to upgrade” (I9.VH.SVN)

“The value of share capital is quite small (VND 500,000 - 1000,000 - AUD30 – 60 per share, and it is very commonly that each member subscribed a share only), but
it is difficult to raise capital as 43% AC members are considered poor and landless farmers.” (I8.VL.NVN)

A lack of capital and funds is still challenging the agricultural co-operatives as one of the most serious problems. However, the co-operatives rarely own any valuable property that they could use as collateral to obtain funds (Olayombo, 2012). The field data clearly show that most of the properties of the co-operatives have been used for a long time, and thus they have been downgraded, and are backward. According to (Ortmann & King, 2007a) if the co-operative does not have equity or assets financed from equity, borrowing is difficult.

**Limited access to investment capital**

Co-operatives have limited access to key financing services to help them become and remain well-functioning. Data analysed from the field revealed that most of co-operatives need financing to fund ongoing operations in the context of seasonal revenue streams to provide input and output marketing services on credit to members, to mitigate risk, and to invest in improving their capabilities and infrastructure over time. However, there is a lack of clear and dedicated financial institutions serving agricultural co-operatives. Government and private banks and micro finance institutions are not well-positioned to lend to co-operatives due to the limited capacity of co-operatives to meet the requirements of these financial institutions. Importantly, collateral requirements of financial institutions are beyond the current capacity of most agricultural co-operatives in the country:

“…Ability to access capital is challenging while the governmental budget for enhancing collective economic area is inadequate…” (I5.FH.NVN)

“…Firstly, the value of current assets, which could be used as collateral, is in general very low. Secondly, our agricultural co-operative has to face the bad image of co-operatives from the past as many co-operatives have outstanding debts. Finally, our co-operatives do not have established any track record with the banks, so far” (I12.GO.P)

“Even those without any debts or having good investment proposals our co-operative is still not eligible for any credit from the banks. As the banker explain to
us that co-operatives will have no strong incentive in running their services economically effective as the banks, and indirectly the government, become liable for any losses incurred.” (I2.RL.SVN)

“A proven track record is needed for convincing banks to offer in-kind-credit for agricultural co-operatives. Moreover, they have to prove that their investment is making economic sense.” (I11.GO.C)

Rankin et al. (2007), Wolz and Bao Duong (2010), and Tran (2014) have found that agricultural co-operatives do not get bank loans due to their bad reputation in the past. Both transformed and newly established agricultural co-operatives do not enjoy the trust and confidence of the banks despite a directive that banks should provide credit to them. Thus, in order to deal with this problem, several agricultural co-operatives have adopted changes in capital mobilisation policies as follows.

Co-operatives have to make full use of their own resources and so to this end the co-operative and its members have to agree that the surpluses will not be shared as dividends, but instead will be utilised to build up operational capital, and thus help the co-operative to become a more economically viable enterprise:

“The co-operative and its members got an agreement that the profits will be utilised to build up our own operational capital.” (I3.FH.SVN)

“Because the co-operatives are very short of funds, the joining members have been required to subscribe share capital in cash in one sum, and members are encouraged to sign more than one share if they have the necessary funds” (I7.VH.NVN)

In summary, limited co-operative capital and difficulties accessing finance through formal channels have been identified by members and management as a key external factor inhibiting co-operative development. Most of the stakeholders have recognised that limiting access to financial sources is a key constraint that challenges co-operatives in developing their capacities, especially for newly registered co-operatives. However, lack of experience running co-operative business activities and underdeveloped management skills mean that the co-operative
Management Board remains reluctant to borrow from banks (Tran, 2014; Wolz & Bao Duong, 2010). Lack of dedicated capital and financing incentives is one of the inhibiting factors for the inability of the production capacity as is the low competitiveness of co-operatives which they cannot diversify their business capacity at the scale they need (Oluyombo, 2012). Agricultural co-operatives have a unique and challenging business model deriving from the riskiness of agricultural production. As such, tailored lending models are often required to serve them well. However, potential providers of financing for co-operatives are not well-positioned to provide key services (Oluyombo, 2012; Sultan & Wolz, 2012).

**Weak linkages among the activities of the co-operatives**

Weak linkages refer to existing linkages between agricultural co-operatives with trade and service co-operatives (small quantity), between agricultural co-operatives with enterprises (larger quantity). Data revealed that the demand for linkage is great, but the number of co-operatives that can associate with enterprises or other co-operatives to sell products is still quite weak. Managers of agricultural co-operatives in general act on their own without any or with very little exchange of views and experience with managers of neighbouring co-operatives. Vertical and horizontal integrations also do not exist among co-operatives in the same region (Hai & Iwamoto, 2014; Tu, 2011). Most farmers still are “self-producing, self-selling,” leading to high risks in production, consumption and income of the people:

“The views and experience among the managers of agricultural co-operatives have not exchanged since our co-operative establishment; hopefully, we can exchange working experiences with other co-operatives in our region in the coming days” (I9.VH.SVN)

“Exchange with neighbouring co-operatives is still very low, although various co-operative managers already realise that success of co-operatives will much depend on their co-operative, but they are not sure yet how to do it.” (I12.GO.P)

“There is still missing network due to the fact that, firstly, most co-operatives concentrate on a few simple services such as irrigation, electricity facilities, and
supply of agricultural inputs, moreover, secondly, these co-operatives is still rank as small-scale enterprises.” (I13.GO.P)

“... These exchanges of experiences should be on a regular basis, should be organised at the provincial or regional level so that the co-operative managers can enlarge their knowledge.” (I4.VL.SVN)

It is clear that the need for cooperation with this other co-operatives or enterprises is urgent; however, officials at all levels, especially the provincial level, have not made it their responsibility to bring this about. Lack of vertical and horizontal integration among co-operatives in the same region is also an inherent factor for co-operative development (Ngkiem, 2008). Ngkiem (2008), Dung (2010) Tu (2011), and (Khoa, 2012) found that agricultural co-operatives are now starting to realise the disadvantage of small-scale businesses, such that they tend to set up some forms of horizontal co-operative. This process results to the formulation of some agricultural co-operative federations in the fields of materials supply and marketing. This development process is rather slow but seems effective.

**Conclusions**

As described in figure 9.6, the institutional factors enfluencing on the evolution of co-operative have both a positive and negative effect. A summary of the findings is outlined below.
The development of co-operatives in Vietnam has been supported by different political and social institutions such as government, NGOs, academic institutions and international development organisations. The activities of these key agencies aim at promoting the establishment of new co-operatives, training for existing co-operative staff, trade promotion, and upgrading facilities, equipment and technology to expand production. During the early phases of co-operative development, external support structures are extremely critical for enabling success. It argues that an enabling legal environment and appropriate supportive policies are extremely important for the successful establishment and development of co-operatives. Government policy documents indicate that the government intends to support co-operatives by providing: i) incentives for the establishment of co-operatives; ii) training for

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**Figure 9.8: Sub-categories, Core Categories and their simplified relations**

**Institutional motivators**

The development of co-operatives in Vietnam has been supported by different political and social institutions such as government, NGOs, academic institutions and international development organisations. The activities of these key agencies aim at promoting the establishment of new co-operatives, training for existing co-operative staff, trade promotion, and upgrading facilities, equipment and technology to expand production. During the early phases of co-operative development, external support structures are extremely critical for enabling success. It argues that an enabling legal environment and appropriate supportive policies are extremely important for the successful establishment and development of co-operatives. Government policy documents indicate that the government intends to support co-operatives by providing: i) incentives for the establishment of co-operatives; ii) training for
management staff; iii) access to land and premises; iv) access to credit; v) tax cuts; vi) trade promotion; vii) technology and extension services; viii) facilities and equipment, and ix) establishment of the co-operative development fund (Government of Vietnam 2005). The government allocates a portion of the budget to different agencies to carry out activities in the above areas according to a yearly plan (MPI 2012).

**Institutional inhibitors**

Our study confirms that the Vietnamese government has been creating a favourable environment to foster the evolution of co-operative economy in the last decades. However, the enactment and enforcement of policies is facing many obstacles and difficulties. The proper nature of the co-operative and the internationally recognised principles of cooperation are not fully recognised and promoted. The field data revealed that Vietnamese co-operatives have not been free of government control and the Rochdale principles of self-governance and autonomy have not been guaranteed to apply as there are some over-interventions into co-operatives’ voting processes as well as into their business activities, especially in the Northern provinces. Due to the still significant governmental control, management and ownership of co-operatives overlaps between government and co-operatives. This remains a problem that hinders autonomous and democratic co-operative development. Consequently, this top-down approach from government policy to co-operative development has put the co-operative on the verge of collapse.

Under the Co-operative Law, an extensive range of support policies is available to facilitate the development of co-operatives; however, these policies have not been enforced effectively as a number of them overlap and show inefficiency in practice. For example, the legal documents and policies which were issued by different government agencies were also overlapping and inconsistent. This can be a result of too few documents and policy guidelines being jointly issued by the involved ministries (Oxfam, 2015). Moreover, the understanding of
a developing co-operative economy remains inadequate, unable to catch up with development practices, partly due to insufficient capacity and accountability of government officials, and partly because these policies are inappropriate to apply to co-operatives which have various characteristics in different parts of the country. As a result, the policies have not been consistently implemented across agencies or at different administrative levels.

Evaluating the enforcement of Co-operative Law and other supporting regulations revealed several common problems. Although the policy system is relatively large, there are still practical restraints and the impacts of these policies are often limited. Many legal documents and regulations were found to lack clear objectives, evaluation, feedback, strategic integration, and policy tool connections, all of which leads to slow improvements. The enforcement of these policies is very slow and unable to catch up with development practices. For example, the preferential and support policies are often those with the most limited enforcement, and are slow to align with reality and development changes. In some cases, macro-level supports are still “pending implementation” due to lack of specific policy guidances from local authorities for further implementing steps to enforce the policy. This can be a result of too few documents and policy guidelines being issued to guide implementing the policies. Thus, the co-operatives and government agencies find it difficult to enforce the policies. As reported by Oxfam (2015), the enactment of these policies becomes more ineffective, and in some cases the beneficiaries could not take advantage of the policies. These constrain the development of co-operatives.

Poor monitoring of government policies is one of the factors inhibiting co-operatives in accessing investment capital. There is a lack of clear and dedicated financial institutions serving agricultural co-operatives. Government and private banks, and micro finance institutions are not well-positioned to lend to co-operatives due to the limited capacity of co-operatives to meet the requirements of these financial institutions. Lacking of vertical and
horizontal integrations among co-operatives and other enterprises in the same region is also an inherent factor for co-operative development.
Chapter 10: Data analysis - Leximancer

A summary of the chapter

Two computer assisted qualitative data analysis software (CAQDAS) applications (QSR NVivo and Leximancer) were used to provide a comprehensive evaluation of factors that affect the evolution of Vietnamese agricultural co-operatives. The methodology and analytical software used in this research are explained in this chapter. Leximancer software was used to examined the transcript data and provide validation to the NVivo analysis. Further, general analytic strategies and analytic logics were undertaken using cross-case and within-case analytical techniques. The cross-comparison of NVivo findings and Leximancer findings are illustrated. Finally, the profiles of the eight case study co-operatives, ranking criteria of co-operative performance, and general descriptions of Leximancer are presented.

Leximancer analysis

Leximancer, which is a computer assisted qualitative data analysis text analytical software, was used to supplement the initial NVivo coding and analysis described in the previous chapters. The original transcripts from the interviews was used as the source data for this computer assisted content analysis. Content analysis allows the scholar to test theoretical issues to enhance understanding of the data. Through content analysis, it is possible to distil words into fewer content-related themes as well as making valid inferences from text (Belk et al., 2012; Weber, 1990).

Lexical analysis is driven by the calculation of word frequencies and co-occurrence counts as its basic data (Cretchley, Gallois, Chenery, & Smith, 2010; Smith & Humphreys, 2006). The program operates by discovering and organising the most common words contained in any body of text. Leximancer not only identifies how frequently these words occur, but it also tags them as containing a concept if sufficient accumulated evidence is found to suggest
that they represent a distinct concept. Terms found in the text are weighted so that the presence of each word in a sentence contributes to the body of evidence to support the existence of a concept. This process generates themes that surround particular groups of concepts (Volery & Mazzarol, 2015). As a result, Leximancer allows common themes and concepts to be extracted and defined through how they are related to other words included in the text. Themes will be displayed through the theme and concept maps produced by the software that includes a representation of multiple ‘words’ or ‘identifiers’ (Robson et al., 2013).

In this study, recorded interviews were professionally transcribed verbatim. Then these transcripts and field notes were entered into Leximancer for content analysis. This software was used to identify the most common themes and concepts that respondents use to describe their experience within their co-operatives. Leximancer is ideally suited to a natural language-processing method. Concept seeding in Leximancer is performed to test or validate theory (Angus, Rintel, & Wiles, 2013; Bolden & Moscarola, 2000).

Leximancer creates theme maps that visually depict the main concepts and themes (and the links between these) for any corpus of text. Leximancer depicts the relative importance of concepts and themes through size, space and colour-coding; those themes that are highly important to the content analysed are depicted by large, brightly coloured circles. Additionally, Leximancer uses space to depict the relationships between concepts and themes; those items that exist in close proximity to one another are closely related, whereas those items that are separated by some distance are less closely related. Leximancer has been assessed by academic research and is now recognised as a valuable and reliable tool for qualitative analysis – see for example: Bolden and Moscarola (2000), Sotiriadou et al. (2014) and Angus et al. (2013). According to these scholars, Leximancer enables the researcher to navigate the complexity of text more flexibly and is more analytically comprehensive than its alternatives.
This text analytics software has been used in a range of research contexts. These include: to evaluate incident reporting in a maritime environment (Grech, Horberry, & Smith, 2002), to analyse opinion polling and political commentary (McKenna & Waddell, 2007), to explore communication strategies employed by care providers of persons with schizophrenia (Cretchley et al., 2010), and to investigate online customer reviews about the four best-selling games available on Apple’s App Store (Robson et al., 2013). Many more examples of the application of Leximancer can also be found.

**Data coding**

Leximancer was allowed to discover concepts, themes and relationships in the data, but also looked for the themes of significant factors which contributed to the success or failure of co-operative performance. The initial coding structure was based on the research questions and theoretical foundations of this study that were used to guide the interviews. Therefore, the respondent’s comments reflected these questions as used in the discussion guide within the case study protocol. As discussed in the preceding chapters, this study was also guided by the academic literature and the pre-existing business model frameworks proposed by Mazzarol, Reboud, and Mamouni Limnios (2014) and Mazzarol, Clark, Reboud, and Limnios (2018). The original coding structure developed with NVivo was also referenced in the assessment of the transcripts in the Leximancer analysis. This use of NVivo was a way to cross-check the two coding approaches and make the coding more efficient, while improving its quality (Brent & Slusarz, 2003).

**Description of data**
Before importing data into Leximancer and NVivo, paragraph styles (e.g., heading 1 for interview questions and heading 2 for informant’s answers) were applied to the interview transcripts using Microsoft Word to differentiate between questions and answers. This early formatting was deemed necessary and was preferred to formatting the text after it was entered into NVivo or Leximancer. Additionally, separate files of all the interviews for co-operatives which were ranked either low or high performance were created. Thus, a total of ten text files were created for analysis: four files of low-performance co-operatives, four files of high-performance co-operatives, and one file representing all perspectives of government officers about the development of co-operatives in Vietnam. A Leximancer theme map was created for each of the text files.

The cross-comparison of NVivo and Leximancer findings

This study used both the NVivo and Leximancer software to analyse the same data set derived from interviews with co-operative stakeholders. The aim was to compare coding structures and especially the findings created by the two types of software, which is an approach now suggested by other researchers (Devinney & Hohberger, 2017; Sotiriadou et al., 2014; Verreyne, Parker, & Wilson, 2013).

Using summarised findings, this section illustrates the analysis and interpretation of the same data set using NVivo and Leximancer software. Conclusions are then drawn, based on comparisons obtained from the use of the same data set. Through this process it was possible to assess the accuracy of the Leximancer analyses as compared to the manually coded NVivo results. Prior to the Leximancer analyses, all manually NVivo coded events were removed from the transcripts in order to allow the Leximancer to analyse the data without prior classification.

In terms of qualitative management and business studies, NVivo has been the most used software package (Jones & Diment, 2010; Sotiriadou et al., 2014). However, the use of Leximancer software as an alternative package has been growing steadily as more researchers
become familiar with its qualities (Cretchley et al., 2010). Whilst Leximancer provides a form of automated analysis based on the properties of texts, the use of NVivo requires the manual handling of data at various points. While there are benefits with both packages, it is obvious that Leximancer has grown in popularity in research projects where large quantities of qualitative data are involved (Jones & Diment, 2010; Sotiriadou et al., 2014).

**Analytic strategies**

In this study cross-case analysis was only attempted after within-case analysis had been completed, as recommended by Eisenhardt (1989) and Miles et al. (2013). The essence of the within-case analysis is to make sense out of the voluminous amount of raw data through detailed case study write-ups for each site such that patterns which emerged out of each case will be noted. The salient points of each case from field notes diary will be summarised. This process helped the author become more familiar with every case. With each case’s unique patterns, the author could then make cross-case study to generalise cross-case patterns (Eisenhardt, 1989; Miles et al., 2013). The patterns of each case would explain the similarities and account for the differences in co-operative development outcomes observed across the eight cases.

<table>
<thead>
<tr>
<th>General Analytic Strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Relying on theoretical propositions</td>
</tr>
<tr>
<td>2. Examining rival explanations</td>
</tr>
</tbody>
</table>
### Analytic Logics

<table>
<thead>
<tr>
<th>Pattern matching:</th>
<th>Explanation building:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Non-equivalent dependent variables</td>
<td>1. Show that this study’s propositions are supported</td>
</tr>
<tr>
<td>2. Rival explanations</td>
<td>2. Show that rival explanations are not supported</td>
</tr>
</tbody>
</table>

**Within-case and Cross-case analyses**

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**Figure 10.1: General analytic strategies and logics (Yin, 2013)**

Yin (2013)’s procedure of “pattern matching” and “explanation-building” techniques was employed (see figure 10.1). This process tested theoretical propositions by matching them to patterns observed in the data. If the observed patterns are consistent with theory the proposition is accepted. This technique enhances the validity of the conclusions drawn if the patterns predicted by theory are supported by the data (Trochim, 2005). Moreover, if the data do not support a proposition, they are examined to explain the lack of consistency or to “build” an alternative theory. Clearly, it is important that the researcher remains open to serendipitous findings that are not predicted by theory (Eisenhardt, 1989).

Pattern Matching was done to compare or match the pattern of the factors reported in each of the four high performance case study reports with each other (within-case matching) to determine the factors that are common among these cases, as well as those that are common with low performance co-operatives, and government perspectives.

The patterns of common (composite) factors of the three above groups were additionally matched to the predicted set of factors that derived from the literature. This
procedure is depicted in Figures 10.2 to 10.4. Yin (2013) refers to this as “literal replication” and states that this finding strengthens the internal validity of the evaluation. The pattern match (for included factors only) was expected to be weaker for the common (composite) of factors with those of predicted model. Yin (2013) referred to this as “theoretical replication.” External validity is strengthened when this happens.

![Diagram of pattern matching by individual case study]

**Figure 10.2: Pattern matching by individual case study**
Figure 10.3: Pattern matching case studies to predicted model

Figure 10.4: Common factors and matching with predicted model
Characteristics of the case study co-operatives

This section provides a summary of the background and context of each of the case studies of Vietnamese agricultural co-operatives examined in the research. These are grouped into those that were assessed (using the official benchmarks used by the Vietnamese government) as being either high or low in terms of their overall performance. The general governance structure of all the case co-operatives are the same as it decided by the 2012 Co-operative Law.

High performance co-operatives

The following is a summary of the four high performing co-operatives examined in this study.

Table 10.1: General information about high performance co-operatives (2017)

<table>
<thead>
<tr>
<th>No</th>
<th>Status</th>
<th>Unit</th>
<th>SRH Co-operative</th>
<th>SVH Co-operative</th>
<th>SRL Co-operative</th>
<th>SVL Co-operative</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Ranking</td>
<td>Performance</td>
<td>High</td>
<td>High</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>3</td>
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<td>service</td>
<td>7</td>
<td>7</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>4</td>
<td>Number of ha service</td>
<td>Ha</td>
<td>1,529</td>
<td>219.6</td>
<td>145</td>
<td>175</td>
</tr>
<tr>
<td>5</td>
<td>Number of members</td>
<td>person</td>
<td>174</td>
<td>316</td>
<td>120</td>
<td>160</td>
</tr>
<tr>
<td>6</td>
<td>Share capital</td>
<td>Mil. VND</td>
<td>1,100</td>
<td>251</td>
<td>1,530</td>
<td>315</td>
</tr>
<tr>
<td>7</td>
<td>Working capital</td>
<td>Mil. VND</td>
<td>2,194</td>
<td>N/A</td>
<td>1,530</td>
<td>315</td>
</tr>
<tr>
<td>8</td>
<td>Net profit</td>
<td>Mil. VND</td>
<td>854</td>
<td>131.9</td>
<td>148.6</td>
<td>57</td>
</tr>
</tbody>
</table>

SFL Co-operative

The SFL Co-operative was established in 2005 through the merger of three smaller co-operatives. The co-operative has 174 members in total, and offered two types of services: irrigation pumping and drying of agricultural products. To diversify their business, a proposal of wide range of business activities is defined every year. Until 2013, it provided a total of 7 services for its members who grow and market paddy. In 2016, it was ranked as one of the best
performance co-operatives of the nation. It was supposed that diversity of service providing is one of the most important factors contributed to the success of the co-operative. The co-operative always attempts to gain advantages from supporting policies of the government by producing and submitting some proposals for these assistant programs. Having a better-educated level of management staff is another factor that contributed to its success. As of 2011, in Phu Thanh, 60 per cent of management staff held university degrees, 20 per cent held college degrees and 20 per cent held vocational degrees.

SVH Co-operative

The SVH Co-operative is a large-scale membership co-operative. The co-operative is located at Chau Doc Town near the border between Vietnam and Cambodia, on the Mekong delta. This agricultural co-operative was formed out of three irrigation groups and registered on 31st March 1998. At the time of registration, 306 farm households joined the co-operative. During 2017 another 10 households did so, bringing the total number of members to 316 by 2018. After one year of operation, the co-operative managed to earn a profit approaching 148.6 million VND. Out of this amount about 16.7 million VND were required for staff payments. These households cultivate all the 219.6 hectares. Vegetable crops are cultivated as cash crops in this area. The value of each share has been calculated on a hectare basis, i.e., one hectare of irrigated farmland gets allocated one share. So far, no member has been asked to contribute cash for share capital. As with many other co-operatives in Vietnam, all functionaries have been elected for a two-year period at the first general assembly. During the first two years, the chairman, his two deputies, the three professional staff members and the three team leaders are all paid equally. They are paid in kind, i.e., 900 kg of paddy per season. After two years, discussions will be held over whether to continue with this system of equal payment or to change the pattern.
**SFH Co-operative**
With the active support of the MARD staff, at the provincial and district levels, an idea of establishing the first aquaculture co-operative from 3 self-help paddy production groups came to fruition in March 1998. This was the **SFH Co-operative**. Paddy production was a major economic activity in this area at the time. The co-operative consists of 120 members who are specialised in high-yielding paddy production. These members are considered as the rich persons of the commune since the investment costs for new high-yielding varieties are very high. The number of shares has ranged from just one to 25 per member. The chairman has been assigned 25 shares while the supervisor, accountant and cashier own 20 shares respectively. Hence, the four most important persons of the co-operatives hold together more than share capital. There is just one chairman taking over the function of the management board and one supervisor. Both persons are elected by the general assembly, which meets once a year. The election period comes up every two years. In addition, the accountant and cashier are confirmed by the general assembly. Due to the small size, members and managers meet very frequently.

**SVL Co-operative**
The **SVL co-operative** in the Mekong Delta is undoubtedly the most economically successful of the four cases. Officially registered in October, 2002 it was initially made up of 160 established mango growers who purchased shares for 300,000 VND (US$19) each. Growers from this commune are well known throughout the region for producing premium variety vegetable crops. The co-operative began by taking on the role of a wholesaler who collected vegetable crops from both members and non-members in local and surrounding communities with a guaranteed price of 10 per cent higher than current market price. These fresh vegetables were directly supplied to the Metro supermarket chain in Ho Chi Minh City with the help of the Co-operative Alliance. Farmers were reportedly very happy with this arrangement.
**Low performance co-operatives**

The following is a summary of the four low performing co-operatives examined in this study.

<table>
<thead>
<tr>
<th>Table 10.2: General information about low performance co-operative (2017)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>No</strong></td>
</tr>
<tr>
<td>1</td>
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<td>6</td>
</tr>
<tr>
<td>7</td>
</tr>
<tr>
<td>8</td>
</tr>
</tbody>
</table>

**FINANCIAL STATISTICS**

<table>
<thead>
<tr>
<th><strong>No</strong></th>
<th><strong>Value per share</strong></th>
<th><strong>Share capital/member</strong></th>
<th><strong>Working capital/member</strong></th>
<th><strong>Turnover/member</strong></th>
<th><strong>Net profit</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>1000VND</td>
<td>300</td>
<td>300</td>
<td>No information</td>
<td>No information</td>
</tr>
<tr>
<td>10</td>
<td></td>
<td>Mil. VND</td>
<td>7</td>
<td>0.028</td>
<td>0.065</td>
</tr>
<tr>
<td>11</td>
<td></td>
<td>Mil. VND</td>
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<td>0.028</td>
<td>0.027</td>
</tr>
<tr>
<td>12</td>
<td></td>
<td>Mil. VND</td>
<td>22</td>
<td>No information</td>
<td>No information</td>
</tr>
<tr>
<td>13</td>
<td></td>
<td>Mil. VND</td>
<td>No information</td>
<td>No information</td>
<td>No information</td>
</tr>
</tbody>
</table>

**NVH Co-operative**

The **NVH Co-operative** is located in Northern Vietnam. It is specialised in organic vegetables.

This co-operative was originally developed from a production team that specialised in producing vegetables. All 120 members live in the same hamlet which comprises 254 households in total. Unlike other co-operatives, the co-operative has issued some special criteria for membership (entry conditions). Members are selected carefully. The criteria for
recognising membership require several tests. Candidates must: i) have a certain technical knowledge about seed multiplication; ii) have at least 0.4 ha available as a growing area; and iii) subscribe at least a share (VND 300,000 = $15 AUD), which has to be paid in two instalments. The first half had to be paid when the co-operative had been established, the other half after 6 months, i.e., when the first season had been over. Some members bought two or more shares. The number of employees has been kept to a minimum. For example, the management board consists of just three persons: the chairman, the accountant and the cashier. In addition, there is one supervisor. All tasks are done on a part-time basis due to the fact that all of them have to manage their own farms. The management team are paid a monthly compensation in cash. The co-operative has signed an agreement with 5 supermarkets in Hanoi capital city to ensure the outputs of their members to be sold. During the last three years the co-operative has been very successful.

**NFH Co-operative**
The NFH co-operative is located in Northern Vietnam, about 200 km from the capital Hanoi. Under the Co-operative Law 1997, this co-operative was transformed into the new style co-operative in March 1998. This is a commune-based co-operative and all of commune members are also co-operative members. This co-operative is specialised in growing and marketing fruits. Total membership comes up to 1,726 persons (one household is represented by one member only). Actually, all former members joined the transformed co-operative. Members have not been asked to contribute their share in cash. There has been just a very small amount paid out as dividends. In the long run, the management board plans to set the value of individual shares at VND 300,000 ($20). Seven persons have been elected as members of the management board. Three of them form the executive committee, which is responsible for the day-to-day management. The supervisory board comprises three persons. The chairman admitted that the technical and managerial capacities of the management are not very strong as a requirement for the job. The chairman is paid a monthly compensation coming up to VND 700,000 ($45).
NVL Co-operative
The NVL co-operative specialises in producing vegetables and flowers. With 1,817 members in total, NVL is considered a large-scale membership co-operative in the Northern part of Vietnam. The board of management comprises eight members (1 chairman, 1 vice-chairman, 1 accountant, 1 cashier, and 4 team leaders). The fees collected by the co-operative from its members for basic services are about 143kg paddy/ha/season, including basic services such as animal vaccination, irrigation management, and field guarding etc. Members are free to obtain their inputs either from the co-operative, on the free market, or from government enterprises. However, 70 per cent of the members prefer using co-operative’s services due to the high-quality standards of goods. Moreover, the co-operative offers them at reasonable prices, and they can obtain input supplies on a credit basis. The members of the co-operatives consider their board of directors trustworthy.

NFL Co-operative
The NFL Co-operative was established in 1976. In 1997, the co-operative had to transform into the new type of co-operative by law (1996 Co-operative Law). Currently, this co-operative has 2,717 members who are longan (e.g., lychee and rambutan fruit) farmers (accounting for 97 per cent of farmers in the town). 100 per cent of members use the co-operative’s services. Share capital contributed by members is 500,000 VND (about $35 per share). Since 1998, the co-operative initially signed the farming contract with Hung Nong Company which guarantees to buy all of the longan from co-operative members. Until now, due to the increase in yield of longan, the co-operative also expands the network of partners and signs contracts with some partners to secure farming output for its members. In addition, the co-operative also provides its members other services such as irrigation, land preparation, and crop protection.

Table 10.3: The main constraints of visited co-operatives

<table>
<thead>
<tr>
<th>No</th>
<th>Case Study</th>
<th>Main Constraints</th>
</tr>
</thead>
</table>

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<table>
<thead>
<tr>
<th>Case</th>
<th>High/low performer</th>
<th>Constraints</th>
</tr>
</thead>
<tbody>
<tr>
<td>SRH</td>
<td>high performer</td>
<td>Members’ lack of understanding of their co-operatives’ role, inadequate working capital; Inadequate farm equipment (such as a tractor), irrigation system for their Paddy crop.</td>
</tr>
<tr>
<td>SVH</td>
<td>high performer</td>
<td>Inadequate finance to erect a cold room to keep fruits and vegetables fresh; Small Business volume; the need for legal advices; product lines need to be diversified. The co-operative has operations rights over assets such as irrigation systems, office buildings, etc. but they cannot use those assets as collateral to get commercial loans from banks to expand businesses and ensure sustainability.</td>
</tr>
<tr>
<td>SRL</td>
<td>high performer</td>
<td>Lack of working capital, lack of professional management, hard to access bank loan, need for legal advice; Lack of adequate water supplies for their produce; Technical supports on cultivating paddy.</td>
</tr>
<tr>
<td>SVL</td>
<td>high performer</td>
<td>Reduce opportunistic behaviours from middleman, poor management, conflict among members, need for professional training, difficult to get bank loans; Needs for professional and fulltime staff.</td>
</tr>
<tr>
<td>NVH</td>
<td>low performer</td>
<td>Lack of linkage with other enterprises, weak management skills, Inadequate finance to erect a cold room to keep fruits and vegetables fresh; Personnel and capital were considered to be the most special difficulties which are challenge the co-operative.</td>
</tr>
<tr>
<td>NFH</td>
<td>low performer</td>
<td>Need for more professional training courses, inadequate working capital, need more government supports on legal issues; low educational level of staff and members.</td>
</tr>
<tr>
<td>NVL</td>
<td>low performer</td>
<td>Lack of finance for daily operations, poor management skills, demand for professional accountant; the need for professional staff to run the co-operative.</td>
</tr>
<tr>
<td>NFL</td>
<td>low performer</td>
<td>Lacking of working capital, hard to access bank loan, low management skill; the need for professional and diversify of services; challenging in diversifying production and services to cater better to the members’ and local markets’ needs;</td>
</tr>
</tbody>
</table>

Tables 10.1 and 10.2 provide a summary of the key statistics relating to each of the eight cases used in this analysis. Table 10.3 summarises the main constraints faced by these co-operatives. It can be seen that despite four cases being identified as high performing enterprises and four as low performers, all eight cases experienced a range of similar challenges. These typically included undercapitalisation and lack of access to financial credit, weak or inadequate management skills at the board and senior executive level, and difficulties in getting members to fully understand the purpose of the co-operatives and work collaboratively for a common goal. Of these, the most common were financial constraints and inadequate professional skills within the board and senior executive management team. The
similarities and differences between these high and low performing co-operatives are examined in more detail below.

**Ranking criteria of performance**

The criteria used to classify these co-operatives were based on Circular No. 09/2017/TT-BNNPTNT of the Ministry of agriculture and Rural Development which provides guidelines for the classification and evaluation of co-operatives operating in the agricultural sector. According to the Circular, there are 6 criteria for evaluating an agricultural co-operative: i) the revenue and the income earned in a year; ii) benefits (financial) to the members from the agricultural co-operative; iii) the level of working capital (liquidity); iv) the number of members who have positive influence on the community; v) the reward(s) earned in a year; and vi) the satisfaction of the members. It is measured on a 100-point scale, the performance of co-operative is ranked by the 4 levels of the scale consist of excellent (80 – 100), good (65 – 80), average (50 – 65), and weak agricultural co-operative (lower than 50). As described above, the high-performance co-operatives were identified as SRH, SVH, NVH and NFH, while the low-performance co-operatives were recognised as SRL, SVL, NVL, and NFL.

**General description of the Leximancer findings**

The findings from the Leximancer analysis are discussed in chapters 11 through 13, with each of the case study co-operatives’ and government officers’ concept maps being displayed. The figures in each map represent the concepts (words connected by lines) and themes (coloured ‘bubbles’), along with representative quotations from the original interview transcripts to provide context to each theme. The size of the concept dots represents the frequency of occurrence of discussion text that underpins each concept, while the lines between the concepts show relationships between the concepts. Themes of related concepts are represented by the large coloured circles in the concept maps and by the different colour configurations in the concept cloud. The warmer the colour (e.g. red), the more important it is within the concept.
cloud (as measured by frequency of connected and clustered concepts. The more closely related concepts and themes are, the more central they are to the issues being examined. Thematic clusters that overlap or are located together reflect close associations between the concepts that they contain.
Chapter 11: Governance factors – Leximancer findings

Summary of the chapter

In this chapter, the findings from the Leximancer analysis relating to the influence of internal factors upon co-operative performance are discussed. At this stage, internal factors that either stimulate or discourage development and functioning of agricultural co-operatives in a context of moving from a centrally planned economy to open market system are examined. The concept themes which emerged from Leximancer theme maps of each case are then compared with those from the original NVivo analysis. By doing this, we aim to enhance the validity and reliability of the research findings as well as highlighting important relationships.

Hi-performance co-operatives internal motivators and inhibitors

The Leximancer analysis of the high-performance co-operatives generated a concept map displaying the concepts as a set of clusters or ‘themes’ containing concepts that are associated with each other within the same pieces of text. As illustrated in figure 11.1, a dozen themes emerged. The most important themes emerging from the high-performance co-operatives data set were ‘co-operative,’ ‘members,’ ‘production’ and ‘financial.’. The presence of these identifiers signals two important points about co-operatives. First, these concepts indicate that co-operatives were established to serve their members’ needs. Second, the concepts reveal that finance must be challenging for the co-operatives in order to give members a sense of satisfaction.
Figure 11.1: Hi-Performance Co-ops internal factors – Motivators & Inhibitors

**MANAGEMENT**

Management capacity: If our co-operative activities and membership expand in the future as planned, lack of officially organized, regular meetings held at an independent location may mean that member participation in decision making and planning will be significantly limited.

Need for professional assistance: There are 11 staffs in our cooperative, three in management board, three in controlling board, three in executive board and two credit officers. There is no need for volunteers for professional assistance.

Need for professional assistance: The financial management of the cooperative is a complicated mission, which requires qualifications, professional knowledge and responsibilities.

**MEMBERS**

Sense of commitment: We realized that the collective would have a stronger voice, would help to get a better price and stable sales, and therefore would bring benefits and more income. I myself have more and more business opportunities, a stable income, and a better family life, thanks to our cooperative’s support.

Sense of commitment: Our family income has increased because our household business (convenience stores) was expanded with a wider range of products, thanks to the help of our cooperative. Sense of commitment: Our cooperative productivity increased sevenfold in 2010 compared to 2008 (we produce fruits).

Sense of commitment: Because you have something in common, it is vegetable-related cultivating technologies, we can share and learn from other members about their experience of cultivating vegetable, especially the new kind of varieties, so I can easily talk to other members about something to do with cultivating process and become good friends.

**CO-OPERATIVE**

Sense of commitment: We strongly believe in the management board as they are the elderly who are the most prestigious people in our village, and the co-founders of the co-operative. Although they are at low level of education and lack of knowledge about business, marketing or accountant, they are very committed to develop our co-operative to be the best of it in the region.

Co-operative’s mission: 27 years ago, the founders were people with low incomes and low education with a great need for accessing to the market to sell their farming products,... We got the land plot on which we could later build our office.

Co-operative’s mission: The middleman cheated us by offering low prices in season to force us to sell our agricultural outputs. So, it is clearly that we needed the common voice of the co-operative to have a good selling price.

Member participation: We even have no opportunity to nominate co-operative manager candidates, the commune and party almost always appointed the manager candidates of the co-operatives, these candidates from People Committee, Communist Party, Labour Union, or Veterans Union. Whatever we can do is going to the meeting and vote for these proposed people. And I guess they are people I enjoy to associate with. They are nice people that you get to know after a while as we have very common interest in joining the co-operative.

**PRODUCTS & PRODUCTION**

Co-operative’s mission: Since the establishing to date, our services have significantly improved....Previously we were only growing vegetable crop and now offer special services to all of vegetable farmers in the region; our business is recently getting more advantaged as we now have accessed internet service easily.

Co-operative’s mission: It is not important that we will get paid dividends of shares at the end of financial year. If our production costs can be reduced with the help of the co-operatives, we consider it as an increase in our farm income.
Co-operatives and the importance of governance and member commitment

It can be seen in figure 11.1 that the theme ‘co-operative’ was the most important from the data set with strong associations with most other concepts on the map. This theme includes the concept of co-operative, which was strongly associated with the concepts: board, quality, people, members and commitment. This indicates the prevalence of co-operatives and their contributions to the people of Vietnam as a focal point in long history.

The importance of financial support

The theme members comprised concepts relating to the environment and community where the co-operative located and worked. The members theme was closely linked with lesser themes, financial and production indicating that members of co-operative define finance as playing significant roles in their farming production. In reality, the commitment of the members and the community where the co-operative is located play a vital role in establishment and success of any co-operative. The theme financial comprises the concepts of financial, support, and business. First, these identifiers reveal that there is a need for financial support in the business of the co-operatives and members. Second, financial support plays a significant role in business performance of co-operatives and farming activities. Thus, how financial support is provided to Vietnam’s agricultural co-operatives is clearly an important factor likely to enhance their success.

The importance of quality services

The final most important themes were production and products which contained concepts of production, farm, vegetable, services, and community. These themes are much related to agricultural activities in a community and the services that co-operative committed to provide for these members. This reflects the importance of co-operatives in supplying essential farming services for the members and other farmers in the community. These services have been key
drivers for innovation and growth in co-operative enterprises. Moreover, the concepts of production, farm, vegetable, services, and community were closely linked to one another, illustrating that the activities of these co-operatives are very much agricultural.

**The importance of quality management**

The other lesser themes found in the overall concept mapping were management and sell. The first of these contains the concepts of management, lack of knowledge, professional, activities and staff, which deal with the work of managers within the co-operative. These relate to the governances of co-operatives which defined the relationship between the co-operative, members and the others stakeholders. In addition, these concepts raise a signal that management must present challenging issues for the success of the co-operative. These issues may relate to the managerial process and knowledge, co-operative performance and the role of management board within business. Poor management capacity due to low professional skill and lack of essential knowledge in running and managing business activities of co-operatives lead to co-operative failure. The theme sell contains concepts relating to the price of purchasing farm inputs and selling outputs with co-operatives to other outsiders who signed the contracts for outputs with the farmers.

**High performance co-operatives – internal inhibitors**

As shown in the concept map illustrated in figure 11.2, the key concepts relating to the inhibiting factors within the high-performance co-operatives were those associated primarily with member participation and management capacity. As can be seen from figure 11.2, the main inhibiting factors at the top of the concept map refer to negative perceptions of interviewees about the management capacity. Those most closely associated with the inhibitors were professional (professional management) and staff, followed by activities (what the co-operative does for its members), management (quality of the board), and knowledge (skills and
abilities of the management team). The presence of these identifiers signals several challenges on management capacity that the co-operative is facing.

A second cluster of concepts shown in the middle in red relate to how the co-operative delivers its services and manages its operations. This includes the board, quality, support, work, financial, people, members and region. This indicates that the co-operative’s ability to deliver good quality services and support for the financial benefit of its members in their region is contingent on their ability to have the best management team, board directors and the ability to actively engage their members’ participation.

Figure 11.2: High performance co-operatives – Internal inhibitors
The two clusters of concepts emerged in the concept map are consistent with what have been found in chapter 8, figure 8.6. These findings confirm that poor member participation and low management are challenging the development of co-operatives in Vietnam. To be more specific, the poor reputation of Vietnamese co-operatives in the past (1954 – 1986), misconception about the nature of co-operative among members, government officers, and other related stakeholders, and lack of democracy in the governance system are responsible for poor member participation. Similarly, inadequate professional knowledge about management, inadequate and inappropriate specialised training courses, and inadequate marketing activities account for the low management capacity of co-operative management boards.

**High performance co-operative – internal motivators**

As shown in the concept map illustrated in figure 11.3, the key concepts relating to the motivating factors within the high-performance co-operatives were those associated with all areas at the top, centre and bottom of the model. As described in figure 11.3, at the top they include activities (the diversification of products and services that co-operative provides), management (quality of the board), knowledge (appropriate knowledge and skills to run business), staff (committed to develop the co-operative) and professional (trained staff). This reflects the importance of such attributes within the co-operative’s management capacity to ensure member satisfaction and participation.
In the centre, these include the concepts **board** (committed board who can devoted their efforts to develop the co-operatives), **quality** (the high quality of products and services that co-operative offer to its members, for example irrigating service and high quality agricultural inputs are provided timely for members), **support** (the co-operative can provide its members some farming technical supports), **work** (work with local government and partners to ensure that co-operative members can get farming inputs at reasonable prices and selling all the outputs at the market prices), **financial** (get financial supports from international development
organisations, and financial help that co-operatives provide to their members), **people** (co-operatives encourage their staff to take professional training, and cover all tuition fees), **members** (member-centred services, members’ benefits are put on the centre of any important decision) and **region** (serve for members and other people in in the community). As with the inhibitor factors, if the co-operative is unable to maintain these attributes to a sufficiently high level it will not be able to offer benefits and value to its members.

At the bottom the key factors are: **production** (appropriate assistance proved to help members reduce their production costs, and increase profits at per production unit), **products** (provide members with genuine farming inputs, avoid the fake ones), **prices** (the co-operatives provide its members needed products and services at the reasonable prices, usually lower than the market prices), **services** (appropriate services provide to the members, the government and other private sectors cannot provide), **sell** (sign the contract with partners to ensure that members can sell all of the cash crop at the secured prices) and **farm** (farming activities). They reflect the things that the co-operatives delivery for their members. Also related to these are **sense of commitment** and **income** (economic benefits, benefit incentives), reflecting the relative importance of the co-operatives’ ability to deliver efficient products and services at good prices, but to also engender a strong sense of commitment from their members and to enhance their members’ farm income.

In sum, these emerging concepts are internal motivating contributors of co-operative performance. These identifiers are consistent with those discovered in previous chapters (chapter 8, figure 8.6). The finding from this chapter confirmed that the purposes of co-operative (meet members’ demands, concern for the community), effective organisational structure (*Clear management system of co-operatives*, *Cost-effective human resource*, *Flexible governance structure*), and sense of commitment (*Trust in management board*, *Homogeneity of*
member, Lack of superior options, Benefit incentives) are significant contributors to effective performance of the co-operative in Vietnam.

**Hi-performance co-operatives internal factors: a comparison of NVivo and Leximancer findings**

To examine the consistency of NVivo coding with the Leximancer analysis, the transcript data was analysed with the text ‘tagged’ to help identify its relationship with the original NVivo coding structure. This specifically related to the key factors: i) organisational structure; ii) management capacity, and iii) co-operative’s mission (purpose), which were highlighted in figure 8.6. In the following sub-sections, the findings from this analysis are discussed with reference to figure 11.4.

**Organisation structure**

As shown in figure 11.4 the “organisational structure” code in NVivo is closely associated with the themes COMMITMENT, BOARD and CO-OPERATIVE. Of these, the most important is the latter, which lies central to the concept map and is the “hottest” in color. It comprises the concepts that relate to the co-operative as both a business and a community of purpose. The close association of the other themes is worth noting. The sense of commitment concept is important and linked to members as well as income, which reflects the recognition within these high-performance co-operatives of the need to build up their members’ commitment through financial benefits and support. The connectivity that exists between the management, the board, member commitment and the co-operative themes in the model is also worthy of note. These identifiers are essential components of co-operative governance; in other words, together these concepts form the platform for the governance of the co-operatives. These emerging themes are strongly consistent with findings the study found in the previous chapter. For instance, figure 8.6 in chapter 8 confirms that sense of commitment, effective organisational structure,
and member-centered base of co-operative’s purposes are significant contributors of co-operatives’ success.

**Management capacity**

The figure 11.4 concept map shows the high-performance co-operatives with the data coded using the key coding structure generated by the NVivo analysis. It can be seen that there are four “SPEAKER” anchor points that reflect the key elements of *management capacity, member participation, organisational structure* and *co-operative’s mission*. It is worth noting that the first two of these are closely associated and are located within the theme MANAGEMENT that is associated with the way the co-operative’s management and staff are professional and knowledgeable in how they undertake their activities.

**Co-operative’s mission**

The *co-operative’s mission* (purpose) is closely associated with the themes SELL and PRODUCTS, reflecting the firm’s ability to deliver services at good prices for the farms of its members within their community and to manage the production of products such as fruits and vegetables. These concepts extracted from Leximancer are consistent with the findings found by the NVivo analysis. The mission or purpose is important to the overall strategic integrity of the co-operative as has been shown in the earlier chapters relating to the co-operative members’ responses regarding why the co-operative was set up.
The "organisational structure" code is closely associated with the themes COMMITMENT, BOARD and COOPERATIVE. Of these, the most important is the latter, which lies central to the concept map and is the "hottest" in colour. It comprises the concepts that relate to the co-operative as both a business and a community of purpose.

The close association of the other themes is worth noting. The sense of commitment concept is important and linked to members as well as income, which reflects the recognition within these high performance co-operatives of the need to build up their members' commitment through financial benefits and support.

The connectivity that exists between the management, the board, member commitment and the co-operative themes in the model is worthy of note.

This concept map shows the high-performance co-operatives with the key coding structure generated by the NVivo analysis. It can be seen that there are four "SPEAKER" anchor points that reflect the key elements of "management capacity", "member participation", "organisational structure" and "co-operative's mission".

It is worth noting that the first two of these are closely associated and lie within the theme MANAGEMENT that is associated with the way the co-operative's management and staff are professional and knowledgeable in how they undertake their activities.

The "co-operative's mission" is closely associated with the themes SELL and PRODUCES, reflecting the firm's ability to deliver services at good prices for the farms of its members within their community and to manage the production of products such as vegetables.
All informants confirmed that meeting the needs of co-operative members is an important success factor. In short, the findings have been found from Leximancer analysis are consistent with the findings have been found in the previous chapters and NVivo analysis. This suggests that the commitment and support of the co-operative’s members, management capacity, member participation, organisational structure and co-operative’s mission ranked at the top in terms of frequency of mention as a factor determining success or failure.

**Low-performance co-operatives internal factors – motivators & inhibitors**

A Leximancer theme map of all interviews associated with low-performance co-operatives is presented in Figure 11.5. The thematic summary shows that the themes that contribute to motivation or inhibition of co-operative performance as per the heated map relevancies and connectivity score order are co-operative (red), commitment, sell, services, people and time (green). Within these themes, co-operative, commitment, sell and services are strongly connected together, indicating that stakeholders are very much concerned about selling their outputs, and the services that co-operatives offer to the communities. These factors help to build up the commitment of stakeholders to the co-operatives. These are strongly associated with the findings that have been found in chapter 8, figure 8.6.
These findings support the view that the management capacity within the co-operative, sense of commitment (committed members and managers), timely providing supports, and effective

Figure 11.5: Low-Performance Co-operatives internal factors – Motivators & Inhibitors

Need for professional assistance: The day-to-day management is done by hired professionals.

Need for professional assistance: Management officials should be paid staffs who are in charge of the daily operations of the co-operative. We need to professionalize our management officers.

Need for professional assistance: Most successful co-operatives have full-time management and professional staff. Volunteers are only selected for some specific tasks during certain periods of time; they cannot act as the role of professional staff due to their limitation of management skills.

Co-operative's mission: Our Cooperative does more than just providing products and services to its members. It has become a place for sharing experience and best practices, a forum and playground for members.

Co-operative's mission: I don't know why the cooperative was established. I heard that they purchase paddy for better prices, so I came to sell paddy and came to know about this Cooperative.

I heard that they purchase fruits for better prices, so I came to sell fruits and came to know about this Co-operative. After sometime, I joined in because it secures our products a better price than regular market.

After its establishment, the cooperative helped producers as follows: Setting up price, announcing the price, and buying outputs from producers; Signing contracts to sell with customers; This made the productivity increase by 12 percent; Training the techniques of producing organic paddy, vegetable crops and fruits; Guaranteeing for members to receive loans with interesting interest rate;

Management capacity: The problem is we do not have land for an office to be built, thus we do not meet regularly co-operative members.

Member participation: At the present, the irrigating system of the co-operative which was constructed many years ago is seriously degraded, some sub-canal keep leaking continuously. In addition, the demands for agricultural inputs such as fertilizer, pesticides, breeds, and varieties is sharply raising, however the co-operative cannot afford a warehouse which is large enough to store these agricultural inputs and make them available for farmers when they need them.

However, in the reality, without collateral co-operative cannot get any capital from the bank. Thus, the co-operative has to borrow from outside with very high interest rates, so the revenue of co-operatives is big but the profit is low because they have to pay for high interest rate.

Co-operative's mission: We are an unsuccessful group in eradicating poverty, but we have managed to improve the economic situation so people have a better life. We have gone a long way toward improving our situation.
governance structure are contributors of co-operative performance. The six themes and their associated concepts are described in detail below.

**The role of the co-operative**

The theme “co-operative” illustrated in figure 11.5 comprises the following concepts co-operative, members, help, local, and time. These concepts indicate that the co-operatives were established primarily to meet the needs within communities. Co-operatives were maintained and sometimes expanded enterprises that helped members sustain themselves economically. The challenge facing many Vietnamese agricultural co-operatives, in particular those in the low-performing group is the lack of financial capital and associated resources to allow them to adequately fulfil their mission. These frustrations are exemplified in the following comments from respondents:

---

The problem is we do not have land for an office to be built, thus we do not meet regularly co-operative members.

At the present, the irrigating system of the co-operative which was constructed many years ago is seriously degraded, some sub-canal keeps leaking continuously. In addition, the demands for agricultural inputs such as fertilizer, pesticides, breeds, and varieties are sharply raising, however the co-operative cannot afford a warehouse which is large enough to store these agricultural inputs and make them available for farmers when they need them.

However, in the reality, without collateral co-operative cannot get any capital from the bank. Thus, the co-operative has to borrow from outside with very high interest rates, so the revenue of co-operatives is big but the profit is low because they have to pay for high interest rate.

---

As discussed in preceding chapters, the historical evolution of agricultural co-operatives in Vietnam has seen these enterprises established from a centralised, ‘top-down’ approach rather than from the ‘bottom-up’ philosophy that is consistent with the fundamental principles of how co-operative enterprises should work. Autonomous member-owned and operated businesses built on active voice, democracy and economic self-determination are key attributes of the co-
operative enterprise business model. However, much of the history of Vietnam’s agricultural co-operatives has been contrary to this philosophy, and this remains the case despite the new Co-operative Law enshrining the co-operative principles into the legislation.

The importance of member commitment

The theme “commitment” comprises commitment, paddy, price, business, established, and producers. These concepts revealed that the stakeholders are committed to the co-operative as they got a number of supports such as finance, knowledge, skills and technologies to produce fruit, vegetable, and paddy. These elements can be illustrated with the following comments from the original transcripts:

In the early years, this co-operative has offered us a very good income. It happened when we were employed by the co-operative for paddy harvests.

Co-operatives are now the main means for delivering the vast majority of the seed and fertilizer that farmers purchase each year.

Even though it is not making any profit, I am still there with the co-operative because the irrigation system of our co-operative is the best of it in locality; the irrigating team always supply water to our farm timely.

The importance of patronage to members

The theme “sells” which includes the following concepts sell, purchase, prices, better, and trust, and the theme “services” include the concept of services are strongly linked to benefits incentives, homogeneity of members, and trust in management board. These factors were found as motivators contributed to better performance of the co-operatives. As shown in the following comments extracted from the transcripts:

I don’t know why the co-operative was established. I heard that they purchase paddy for better prices, so I came to sell paddy and came to know about this Co-operative.
I heard that they purchase fruits for better prices, so I came to sell fruits and came to know about this Co-operative. After sometime, I joined in because it secures our products a better price than regular market.

After its establishment, the co-operative helped producers as follows: Setting up price, announcing the price, and buying outputs from producers; Signing contracts to sell with customers; This made the productivity increase by 12 percent; Training the techniques of producing organic paddy, vegetable crops and fruits; Guaranteeing for members to receive loans with interesting interest rate;

The challenge of meeting members’ needs with limited resources

Another important pattern emerging from figure 11.5 is the separation in the themes, “people” and ‘Time’ in relation to motivators and inhibitors. As shown, the theme “people” which comprises people, activities and the theme “time” which comprises the following concepts management, professional needs, co-operative, time, and general. These concepts are much related to leadership and governance of co-operative enterprise. The concept “people” is closely associated with the factors likely to serve as motivators, which can be seen in the following extracted comment:

We are an unsuccessful group in eradicating poverty, but we have managed to improve the economic situation so people have a better life. We have gone a long way toward improving our situation.

While this respondent admits that the co-operative is less than successful in achieving all its goals, they do claim to have delivered positive benefits to their members. Thus, despite their relatively low performance, the general view is that the co-operative’s purpose remains valid to help benefit the people who are its members.

By contrast, the theme “Time” is closely associated with the inhibitor factors and reflects recognition and frustration amongst the members, managers and directors of these low performing co-operatives that their lack of success is due to a paucity of suitable management skills and support. For example:
Management officials should be paid staffs who are in charge of the daily operations of the co-operative. We need to professionalize our management officers.

Most successful co-operatives have full time management and professional staff. Volunteers are only selected for some specific tasks during certain periods of time; they cannot act as the role of professional staff due to their limitation of management skills.

In short, the themes and their associated concepts which emerged from the Leximancer concept map are strongly consistent with the findings found in chapter 8, figure 8.6.

**Low performance co-operatives – internal inhibitors**

As shown in the concept map – figure 11.6, the key concepts relating to the inhibiting factors within the low-performance co-operatives were those associated primarily with the need for professional management and the need to also recruit more full-time people in management roles. Such co-operatives tended to rely more upon part-time and volunteer staff in management roles. These themes are consistent with the previous chapters. As can be seen from figure 8.6, chapter 8. The findings confirm that the needs for professional staff and fulltime staff in these co-operatives is very high. Additionally, the need for volunteers who can offer their help on professional management and technical assistance are higher than other co-operatives. This was related to the members of the co-operative and its business and its services. Thus, to meet members’ needs, it requires effective leadership with unified strategy and advocacy capacity in order to create real benefits for members. These are identical to findings which were outlined in the previous chapters.
Figure 11.6: Low performance co-operative – Internal inhibitors

Low performance co-operatives – internal motivators

As shown in the concept map – figure 11.7, the key concepts relating to the motivating factors within the low-performance co-operatives included almost all concepts. Suggesting that the motivators were recognised as inherent in not only the firm’s management and how professional it is, but also its people and activities, plus its prices, ability to take what its members wanted to sell and how well its performance helped its members and their local communities. The findings from previous chapters revealed that addressing concerns of members, social concerns, leadership from the grassroots – bottom up development, leadership centered on interests of members, dedicated full time staff, and business volume are among the most important motivators of co-operative development in Vietnam.
Lo-performance co-operatives internal factors – a comparison of NVivo and Leximancer findings

To examine the consistency of NVivo coding with the Leximancer analysis, the transcript data was analysed with the text ‘tagged’ to help identify its relationship with the original NVivo coding structure. This specifically related to the key factors: i) management capacity; ii) member participation; iii) organisational structure; and iv) co-operative’s mission (purpose), which were highlighted in figure 8.6. In the following sub-sections, the findings from this analysis are discussed with reference to figure 11.8.
**Management capacity**

As can be seen in concept map – figure 11.8, the code “management capacity” is associated with the theme TIME, which is reflective of the problems of such co-operatives in securing full-time management staff and employees. For example:

---

We need to use full time staff since their sense of responsibility is higher than volunteers. Paid professionals are needed for general management and administration of the Co-operative.

Management officials should be paid staffs who are in charge of the daily operations of the co-operative. We need to professionalize our management officers.

---

These are consistent with the findings found in chapter 8. These findings confirm that low performance co-operatives have a high demand for professional staff who can be committed to work fulltime for the co-operative. Moreover, in comparison to high-performance co-operative, there is a higher need for part-time volunteers who are professional in management, accounting, finance and marketing. It seems that the hiring of professionals is more common among high performance co-operatives than in low performance ones.
Figure 11.8: Low performance co-operators' internal factors – NVivo coding

The code “management capacity” is associated with the theme TIME, which is reflective of the problems of such co-operatives in securing full-time management staff and employees. For example:

Need for professional assistance: Management officials should be paid staffs who are in charge of the daily operations of the cooperative. We need to professionalize our management officers.

The code “member participation” is associated with the theme COOPERATIVE although it has connections across other factors. It was found to reflect issues relating to resources. For example:

Member participation: At the present, the irrigating system of the co-operative which was constructed many years ago is seriously degraded, some sub-canal keep leaking continuously. In addition, the demands for agricultural inputs such as fertilizer, pesticides, breads, and varieties is sharply raising, however the co-operative cannot afford a warehouse which is large enough to store these agricultural inputs and make them available for farmers when they need them.

The “organizational structure” code is closely associated with the theme COMMITMENT with the co-operative viewed as an opportunity for change even if it is lacking success. For example:

Sense of commitment: Even though it is not making any profit, I am still there with the co-operative because the irrigation system of our cooperative is the best of it in locality; the irrigating team always supply water to our farm timely.

The “co-operative’s mission” is closely associated with the themes BETTER and PRICE reflecting a focus on fairly operational matters relating to providing the basic services and economic development needs of its members. For example:

Co-operative’s mission: We are an unsuccessful group in eradicating poverty, but we have managed to improve the economic situation so people have a better life. We have gone a long way toward improving our situation.
**Member participation**

The code “member participation” is associated with the theme CO-OPERATIVE and HELP although it has connections across other factors. It was found to reflect issues relating to resources. For example:

---

At the present, the irrigating system of the co-operative which was constructed many years ago is seriously degraded, some sub-canal keeps leaking continuously. In addition, the demands for agricultural inputs such as fertilizer, pesticides, breeds, and varieties are sharply raising, however the co-operative cannot afford a warehouse which is large enough to store these agricultural inputs and make them available for farmers when they need them.

---

Thus, it is clearly that there is an essential need for financial supports in order to help the co-operatives to serve their members in a better manner. In addition, these co-operatives were formed largely among poorer people and in rural areas. This is consistent with our finding in chapter 8 which confirmed that both co-operative and its members were very short of capital for agricultural production, and agricultural machinery and vehicles purchase.

**Organisational structure**

The “organisational structure” code is closely associated with the theme COMMITMENT with the co-operative viewed as an opportunity for change even if it is lacking success. For example:

---

Even though it is not making any profit, I am still there with the co-operative because the irrigation system of our co-operative is the best of it in locality; the irrigating teams always supply water to our farm timely.

---

This is consistent with what have been found in chapter 8 which confirmed that majority of informants showed their high level of commitments to their co-operatives.
Co-operative’s mission

The “co-operative’s mission” is closely associated with the themes BETTER and PRICE reflecting a focus on fairly operational matters relating to providing the basic services and economic development needs of its members. For example:

---

We are an unsuccessful group in eradicating poverty, but we have managed to improve the economic situation so people have a better life. We have gone a long way toward improving our situation.

---

The emergence of this theme from Leximancer map was found consistent with the findings from NVivo analysis which suggests that the co-operatives were generally set up to promote the continuity and interests of their own members.

In short, the findings have been found from Leximancer analysis are strongly linked with the findings have been found in chapter 8 which mainly utilised NVivo to manage and analyse the same data set. Analysis of the case study data taken as whole (done using query functions of NVivo) revealed that “management capacity”, “member participation”, “organisational structure” and “co-operative’s mission” ranked at the top in terms of frequency of mention as a factor or condition for success or failure. The results of the Leximancer analysis are strongly consistent with what has been found in chapter 8. This chapter has applied NVivo to analyse the contributors which facilitated and constrained the sustainability of Vietnamese co-operatives.
Chapter 12: Governance factors – discussion

Summary of the chapter

In this chapter, the research findings on governance motivators and inhibitors are discussed by comparing and contrasting with literature and identifying the main findings from research. The theoretical propositions derived from the conceptual model in chapter 3 were also tested against the data using a ‘pattern matching’ approach. However, before doing that, a cross-check between the cases and government perspectives on ongoing issues of co-operatives was conducted to help validate the main findings.

Comparison of high and low-performing co-operatives

As can be seen from table 12.1, in most of the cases the internal inhibitors of both high and low performance co-operatives are similar. However, it seems that the hiring of professionals is more common among high performance co-operatives than in low performance ones. Thus, the management capacity of low performance co-operatives seems to be weaker than that of high-performance ones, as they were highly dependent on external support (e.g., business management and technical skills). Moreover, their demands for skilled management and skilled volunteers who are committed to work for them full time is also higher than in the high-performance ones. Finally, irregular communication with members and other stakeholders still remains an issue for low-performance co-operatives as they do not have their own offices.

As can be seen from table 12.2, the situation of most of the visited co-operatives were very similar each other in internal motivators. Most of the co-operatives reported that their establishment and development have met the vital demands of majority of members and other stakeholders. Thus, the level of member commitment to their co-operatives is pretty high for both high and low performance co-operatives.
Table 12.1: Cross-case comparison of internal inhibitors

<table>
<thead>
<tr>
<th>Internal Inhibitors</th>
<th>Poor member participation</th>
<th>Low management capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>High Performance</td>
<td>Low Performance</td>
<td>High Performance</td>
</tr>
<tr>
<td>- Poor reputation</td>
<td>- Poor reputation</td>
<td>- Inadequate professional knowledge about management</td>
</tr>
<tr>
<td>- Misconception about the nature of co-operative</td>
<td>- Misconception about the nature of co-operative</td>
<td>- Inadequate and inappropriate specialized training courses</td>
</tr>
<tr>
<td>- Lack of democracy</td>
<td>Inadequate marketing activities</td>
<td>- Irregular Communication</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Dependence on external supports</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Lacking of fulltime staff</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Lacking of skilled volunteers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Inadequate marketing activities</td>
</tr>
</tbody>
</table>

As reported by the informants, this achievement is the result of having effective organisational structures which have been improved in recent years, thanks to regulation of the 2012 Co-operative Law. However, in comparison with low performance co-operatives, the high-performance ones reported that they applied more governance structures which allow them to improve availability of services and products. This was recognised as an indication of an increased level of professionalism.

In summary, the majority of agricultural co-operatives in Vietnam are still in the genesis and growth stages, but the growth in the number of co-operatives indicates a revolution in the governance of agriculture in Vietnam.
Table 12.2: Cross-case comparison of internal motivators

<table>
<thead>
<tr>
<th>Internal Motivators</th>
<th>Co-operatives’ mission</th>
<th>Effective Organisational Structure</th>
<th>Sense of Commitment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>High Performance</td>
<td>Low Performance</td>
<td>High Performance</td>
</tr>
<tr>
<td>Co-operators’ mission</td>
<td>- Meet member’s demands</td>
<td>- Clear management system of co-operatives</td>
<td>- Trust in management board</td>
</tr>
<tr>
<td></td>
<td>- Concern to the community</td>
<td>- Cost-effective human resource</td>
<td>- Homogeneity of member</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Flexible governance structure</td>
<td>- Lack of superior options</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Benefit incentives</td>
</tr>
<tr>
<td>Effective organisational structure</td>
<td>High Performance</td>
<td>Low Performance</td>
<td>High Performance</td>
</tr>
<tr>
<td></td>
<td>- Clear management system of co-operatives</td>
<td>- Cost-effective human resource</td>
<td>- Trust in management board</td>
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<td>- Clear management system of co-operatives</td>
<td>- Lack of superior options</td>
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<td></td>
<td>- Benefit incentives</td>
</tr>
<tr>
<td>Sense of commitment</td>
<td>High Performance</td>
<td>Low Performance</td>
<td>High Performance</td>
</tr>
<tr>
<td></td>
<td>- Trust in management board</td>
<td>- Member shared common vision</td>
<td>- Lack of superior options</td>
</tr>
<tr>
<td></td>
<td>- Member shared common vision</td>
<td>- Trust in management board</td>
<td>- Benefit incentives</td>
</tr>
</tbody>
</table>

Governance structure of co-operatives in Vietnam

As in other developing countries, Vietnamese co-operatives are owned and operated jointly by their members and the governance structure must ensure equality among them. It is stated in the Co-operative Law 2012 that “all members have equal right to vote, not depending on the number of shares; all members should be informed sufficiently about operation, business performance, finance, income distribution and other activities.” Co-operatives’ governance includes board, director, and supervisory board or supervisors. Members’ congress, where co-operatives’ governing people and their members meet, is the most important event in the decision-making process. Members’ congress is organised annually or whenever needed.

In general, 5-10 persons run the day-to-day management, of which about 3-7 persons comprise the management board. The supervisory board is typically made up of three persons. In general, all board members devote their time to the co-operative on a part-time basis. Only large co-operatives employ some staff or even a general manager. With respect to the newly established co-operatives the number of persons in self-governing bodies is kept at a minimum. In general, the management board just comprises three persons, i.e., the chairman, the
accountant, and the cashier. In some cases, only the chairman is elected and he is responsible for the day-to-day management. In addition, one person is elected as supervisor. All tasks are performed on a part-time basis.

The findings from this study can be compared with previous empirical studies on the factors that facilitate and hinder governance practice of co-operatives. In general, the findings of this study are strongly consistent with this previous research. The governance of the co-operative enterprise is one of the most important aspects of its success or failure as a business model (Mazzarol, Reboud, Limnios, et al., 2014). According to Prakash (2003) the co-operative governance model operates within four main pillars, including: i) the membership of the co-op; ii) the organisational structure of the co-op; iii) the community in which the co-op exists; and iv) the co-op board and executive team. Good governance allows processes and activities within co-operatives to be undertaken more effectively (Hannan, 2014).

Good and effective governance was identified as another factor that enhances the performance and sustainability of the co-operatives (Bhuyan, 2007; Chibanda et al., 2009; Huang, Zazale, Othman, Aris, & Ariff, 2015; Österberg & Nilsson, 2009; Othman et al., 2016; Rhodes, 2007). Millennium Declaration recognizes good governance as a prerequisite to achieve the MDGs, and proposed the principles of good governance - Participation, Accountability, Transparency, Predictability and Rule of law (Wanyama, 2016). Good governance emerges through honest application of laws and respecting the law (Chaudhry, Malik, Khan, & Rasool, 2009). Dayanandan (2013) confirmed that good performance of co-operatives mainly depends on good governance practice. As good governance is essential for sustainability of co-operatives to prevent fraud and mismanagement, promote sound decision-making, avoid costly fines, create or maintain a positive image, attract and retain financing and investment, attract new members and retain the existing members.
Poor governance leads to malfunctioning of the co-operative societies which affects member participation and their commitment to the co-operative. Many agricultural co-operative organisations have not yet cultivated the right leadership and highly qualified management for putting good governance into practice (Chambo, 2009). Co-operatives face governance problems due to partiality, mismanagement by officials, poor leadership, undemocratic processes, lack of clear hiring and dismissal of staff, conflict of interest among co-operative officials, and lack of accountability among leaders and members (Bhuyan, 2007; Chibanda et al., 2009; Österberg & Nilsson, 2009; Rhodes, 2007). This finding supported proposition 1 initially raised in chapter 3:

**Proposition 1:** The sound institutional arrangements and good governance contribute to good performance of a co-operative. Good performance of a co-operative means better value for its members and community.

**Internal motivators**

The research findings confirmed that appropriate missions of co-operatives, effective organisational structures and high level of member commitment contributed to successful performance of co-operatives. In the following sections, these findings were compared with previous empirical researches. These finding also directly confirmed the propositions in chapter 3.

**Co-operative's purpose**

The findings of this study show that co-operatives were generally set up to promote the continuity and interests of their own members. These are in line with what Birchall (2010) and Mazzarol, Reboud, Limnios, et al. (2014) found. As these authors argued that a co-operative enterprise can be established for a variety of purposes. These can range from the primarily economic to the primarily social and the benefits members get from them can also be both
economic and social in nature, while CIDA (2013) discovered that the co-operatives were established primarily to meet the economic survival needs within the communities, needs that had not previously been met by the Government, other public sector organisations, or through private investment.

**Meeting members’ demands (expected benefits)**

The results are consistent with previous studies. These studies revealed that in most of the case the co-operatives primarily met the needs within communities, helping members sustain themselves economically (Birchall, 2010; Möllers et al., 2018; Wolz & Bao Duong, 2010). For example, in the case of agricultural co-operatives, the most frequently mentioned needs were the timely supply of fertilisers, pesticides, and seeds to strengthen crop production. In addition, several co-operatives buy their members’ products at a perceived fair price. As well, agricultural inputs can be sold to members in-credit which were seen as critical in meeting needs of the farmers for their production (Rankin et al., 2007; Tran, 2014). The findings are also found consistent with CIDA (2013) and Oxfam (2015), whose reports showed that the decisive factor for the sustainability and efficiency of the mutual enterprise is the needs of farmers, starting from the realities of production, to life and livelihoods. In other words, farmers’ needs decide which co-operative model is most appropriate, as well as which governance method is most effective.

**Concern for the community**

As co-operatives contribute to the generation of wealth, particularly in remote regions where dominated by the poor (Birchall, 2004; Ortmann & King, 2007a). The economic and social benefits that accrue to members tend to be extended to non-members, especially through the creation of work opportunities (Chukwu, 1990; Clegg, 2006; Mazzarol, Reboud, Limnios, et al., 2014). To the extent that co-operative members were, prior to the formation of the co-
operatives, living in poverty, it is concluded that the co-operative movement helps to improve living standards by increasing family incomes and business opportunities of members and non-members in the co-operative’s community (Birchall, 2010; Tran, 2014; Wolz & Bao Duong, 2010). The findings of this study are also supported by previous research conducted by CIDA (2013). This study confirms that co-operative operations have helped reduce poverty levels among members and have contributed to increased family income. However, the extent to which they were able to share that wealth with the less advantaged through the provision of social and community benefits was not always extensive or systematic, being dependent on the profitability and capability of the co-operatives to meet member needs.

This supports propositions 3 and 4 as outlined in chapter 3:

**Proposition-3:** The better the co-operative performs, the more economic output it contributes to its members and community

**Proposition-4:** The better the co-operative performs, the more social capital output it contributes to its members and community

This relates to the key areas of the co-operative’s purpose, meeting member’s demands, and concern for the community.

**Effective organisational structure**

This study found that the governance structure of the visited co-operatives was well defined due to the criteria for co-operative registrations (following the 2012 Co-operative Law). Several studies have emphasised that the success of co-operatives would depend on the way that co-operative organisation is structured (Chaudhry et al., 2009; Salvosa, 2007). For example, drawing on qualitative data collected on 19 coffee co-operatives in two regions of Peru, Kurjańska (2015) revealed that the organisational structure of co-operatives strongly impacts on its capacity to implement business plans. In addition, Chaddad and Cook (2004)
revealed that a well-informed governance structure is an important contributor to the success of a co-operative. This is about the relationships between the co-operative’s members and their board and management (Bird, 2001).

Mazzarol, Reboud, Limnios, et al. (2014) argued that organisational structure seeks to generate a mechanism that can deliver value to co-operative members in a sustainable manner, allocating resources to achieve this outcome. Leadership is important in the co-operative, as it plays an important role in influencing the direction of the organisation. Internal leadership is therefore crucial in the implementation of policies and activities which continually enhance the operations of the co-operative. The co-operative, although being a democratic organisation, may experience leadership problems, which lead to organisational failure (Fulton & Giannakas, 2001).

Moreover, Fulton and Giannakas (2001) also define organisational failure as a time when the organisation fails to adopt the most efficient policies for its members. Therefore, Banaszak and Beckmann (2006) claims that a skilled leadership should be able to motivate a group of people to act towards achieving a common goal, engage the group in worthwhile communication processes, provide direction and be transparent and accountable. This resulted in a decrease in member commitment and poor financial performance, which is consistent with Fulton and Giannakas (2007) findings. James and Sykuta (2005) link organisational trust with property rights and organisational configuration in co-operatives. Their analysis suggests that there is a positive correlation between property rights, organisational structures that engender a perception of equality and mutual interest and member trust in the organisation.

**Board size of co-operative**

This research found that the smaller size of management board has positive impact on co-operative performance in Vietnam. The finding was supported by previous researchers who have focused on the interaction between organisation performance and board size. Yermack
(1996) found that a large board size has a small, insignificant and negative effect on performance. Lipton and Lorsch (1992) suggested an ideal number of eight or nine is less likely to be manipulated by the elected chairman. Jensen (1993) recommended a board size of eight, finding larger boards have greater difficulty reaching a quorum. Rauterkus (2003) argued that eight is an ideal board size. These authors argued that board size may influence the ability of the board to be effective in managing and monitoring the management of the company, hence enhanced performance of organisations. Other scholars Adams and Mehran (2003), and Guest (2009) also found a positive and significant relationship between board size and firm performance. These scholars suggest that a company could be more effective with a small board size because it would reduce the problem of poor communication. Conversely, Othman et al. (2016) argued that the existing concepts of corporate governance can be extended to help understand the governance of co-operatives in Malaysia. His research findings confirmed that board size does not significantly affect the performance of the co-operative organisations. Similarly, other researchers found nothing to signify a relationship between board size and performance (Hermalin & Weisbach, 1991; Van Ees, Postma, & Sterken, 2003).

**Sense of commitment**

The previous studies are consistent with what has been found in this study. To be specific, CIDA (2013) defined member commitment is a preference by members for the kinds of services needed that are offered by the co-operative and not by the government or other public sector organisations. According to Fulton and Giannakas (2001) member commitment is a critical element that helps to determine how well the co-operative performs in comparison to the investor-owned firm. The co-operative enterprise builds its member commitment around trust and there is evidence that the basis of this trust is the ability of the member to identify with the co-op as a collective organisation (Borgen, 2003).
Trust in management board

Our finding is supported by several studies. Morrow, Hansen, and Pearson (2004) found that trust among members and trust between members and the management are important factors of group cohesion, which lead to the success of those co-operative. These authors concluded that the higher the members of a co-operative trust the managers of the co-op, the better satisfaction of the members to their co-operative. This satisfaction was measured in both financial and non-financial ways. In another research, Costa (2003) also revealed that trust between members in group working is positively linked to the co-operative’s success. With regard to members’ willingness to provide equity capital, low commitment of members results in low willingness of members to provide equity capital. The higher level of trust among members and their management board may help to improve the situation (Cook, 1995). In addition, D. T. Wilson (1995) indicates that trust is an active variable in the early stages of relationship development which is dependent on increased communication and information exchange as the relationship matures and complexity increases. While James and Sykuta (2005) found that higher degrees of trust have been shown to reduce contracting and organisational costs and therefore might be expected to improve investment incentives. Finally, Morrow et al. (2004) suggest that an important ingredient in achieving member satisfaction and commitment in the co-operative is for the enterprise to build “a sense of family, good feelings and camaraderie” that can serve to build trust. In short, our findings agreed with Cook (1995), Birchall (1997) and Sabatini, Modena, and Tortia (2014) that trust was fundamental to the co-operative’s success. In the absence of trust, self-governance and co-operation often fail. The sixth proposition was also supported by these findings:

**Proposition 6:** The better alignment between the values of the co-operative and the values of its members, the better member identity with their co-operative is. As the result, members are more committed to the co-operative.
Homogeneity of members

Our finding has found that members’ homogeneity has a positive impact on the likelihood of achieving success by co-operative. Various studies are in line with this result; Hansmann (1999) argues that member homogeneity of any kind means that members will share more common interests and is an essential element for successful cooperation. In this regard, Didi (2004) in his research concluded that the homogeneity of members and stability of small groups had a substantial impact on the success of co-operatives. Similarly, Banaszak (2008) also points out those homogeneous groups with similarities in the partners’ potential power and interests are more likely to achieve a higher cooperation rate. While other scholars suggested that co-operatives must organise around a homogenous interest in order to perform well (Chloupkova, 2002; Holmstrom, 1999). Francesconi and Wouterse (2011) suggest that co-operatives are likely to do better if homogeneity is combined with equity and heterogeneity with efficiency.

However, with increasing the heterogeneity of the membership, the contribution of members to the success of their co-operative seems to be declining. Pozzobon and Zylbersztajn (2011) argued that homogeneous co-operatives may have either homogeneous or heterogeneous members, and heterogeneous co-operatives may have either heterogeneous or homogeneous members. These conflicts of interests are likely to rise where members are heterogeneous; however co-operative-created benefits are homogeneous. Similarly, Kalogeras, Pennings, van der Lans, Garcia, and van Dijk (2009), and Pozzobon and Zylbersztajn (2011) identified that the more heterogeneous the members of a co-operative, the more the interests of the members (or group of members) conflict with each other, which may be problematic for co-op governance, management initiatives, and the decision-making process as various groups try to influence the process to benefit themselves. These levels of heterogeneity and conflicts of interests would bring potential costs to the decision making of democratic, collective co-operatives.
Moreover, member heterogeneity can also affect decision making, since it is more difficult to manage and consolidate the diversity in the members’ interests for the benefit of all (Cook, 1995; Cook & Burress, 2009). This may bring passivity of those who feel that their needs are not being addressed (Österberg & Nilsson, 2009). A number of studies have pointed out that excessive heterogeneity of members contributes to a breakdown in co-operative action (Cook, 1995; Cook & Iliopoulos, 1999; Seabright, 1997). For example, increasing heterogeneity in members’ preferences may result in declining member commitment (Fulton & Giannakas, 2001), decreasing member willingness to provide equity capital (Van Bekkum, 2001), increasing costs related to damaging influence activities (Cook, 1995), laborious decision-making processes (Hansmann, 1996), and incoherent strategic focus (G. Hendrikse & Bijman, 2002). These findings support proposition 8:

**Proposition 8:** The more homogeneous the membership, the easier to achieve goal congruence and, thereby, the better will be the value for members.

**Lack of Superior Options**

This study found that the co-operatives were set up mainly to meet the economic needs within the communities, these needs that had not previously been met by the government, other public sector organisations, or through private investment. In some cases, co-operative members do not have an alternative choice; thus, the members are much more dependent upon the services of co-operatives. This is in line with what Mazzarol (2015) has revealed, that there is no doubt that the success of a Co-operative enterprise, in a business sense, depends on its ability to offer economic benefits that its members cannot obtain from alternative sources. Moreover, to enhance the commitment and loyalty of its membership, co-operatives need to build a strong foundation of both economic and social capital outputs (Mazzarol, 2015; Mazzarol et al., 2012).

**Benefit incentives**
Our results are in line with the previous studies. Simmons and Birchall (2004), and Rankin et al. (2007) have illustrated that participation is motivated positively with different kind of benefits. These benefits can be subdivided into “external” (tangible) and “internal” (subjectively perceived) categories. Birchall and Simmons (2004), Bhuyan (2007), Österberg and Nilsson (2009), Jussila, Byrne, and Tuominen (2012), and Hernández-Espallardo, Arcas-Lario, and Marcos-Matás (2013) have demonstrated that one of the most significant reasons for members participating and retaining their membership in co-operatives is the benefits that the co-operative offers them in term of transaction costs or patronage refund that the co-operative offers them through their membership. Similarly, Söderlund (2002) believed that a member’s decision to remain a member of their co-operative is affected by their perception that their membership offers value for money and functional value such as high-quality service.

The other researchers, including Hudson and Herndon (2002), Birchall and Simmons (2004), Hernández-Espallardo et al. (2013), Rankin et al. (2007), Mazzarol et al. (2012), Hai (2014), Mazzarol (2015), revealed that members are motivated to join and remain loyal to the co-operatives for several reasons, such as strengthening bargaining power, maintaining access to competitive markets, capitalising on new market opportunities, obtaining needed products and services on a competitive basis, improving income opportunities, reducing costs and managing risk. Moreover, Couture et al. (2002) argued that members decide to continue their membership if the co-operatives diversify their range of services and products which meet members’ demand.

Moreover, the preference of members for generating revenue through the co-operative (under equal market conditions) shows how attractive co-operatives are for farmers, regardless of unfavourable social and economic situations. It is surely important for co-operative bodies to engage themselves in promoting member's participation and commitment (Zakić, Vukotić, Laketa, & Laketa, 2013). However, this result is not in line with the finding that member’s
emotions and overall commitment to the mutual organisation are of most importance (Mazzarol et al., 2012). In other cases, however, existing members are reluctant regarding further commitment to participate in co-operatives due to the fact that co-operative members do not receive benefits greater than or indeed different from those who are non-members (Chibanda et al., 2009; Kirsch, 1997; Wolz, 2000; Wolz & Bao Duong, 2010).

In short, the interview data support a positive relationship between members’ commitment and the co-operative’s performance. This is in accordance with previous research findings: for example (Chibanda et al., 2009) argued that low level of members’ commitment led to low participative level of members in their organisation. In another study, Österberg and Nilsson (2009) also concluded that the more members participate in their co-operative, the more they will be committed to the organisation. Moreover, Sweeney and Soutar (2001) also found that emotional value - how members felt about their relationship with their mutual organisation and other members - plays a significant role maintaining member participation. Member commitment is also associated with a member’s ability to establish an affective attachment to the co-operative or mutual through the sharing of common value or purpose. This affective attachment is clearly a powerful component in maintenance of member participation (Mazzarol et al., 2012). These factors relating to a lack of superior options and economic benefit incentives support the proposition 5:

**Proposition-5:** The more economic and social capital outputs the co-operative offers to its members, the more value the members and community will receive

**Internal inhibitors**

The results of our study confirmed that low level of member participations and weak management capacity are the two main internal inhibitors which constraint performance of Vietnamese co-operatives. The findings have been found consistent with a number of empirical
researches around the world. The propositions in chapter 3 were also directly and indirectly supported by these findings relating to internal inhibitors.

**Poor member participation**

In the situation of Vietnam (both historical and political), our study found that poor reputation of co-operative, misconceptions about the nature of co-operative, and the lack of democracy have contributed to poor member participation to their co-operatives. The findings are found in line with other studies. As stated by Österberg and Nilsson (2009), member participation in a co-operative society include attending meetings, serving on committees, involving in recruiting others, and patronage. Additionally, Birchall and Simmons (2004) have emphasised the importance of members’ participation and its effect on the success of the agricultural co-operative enterprise. Garnevska et al., (2011), who conducted their research in an economically developed area in China, found that weak awareness of the cooperation amongst members was the main contributor to the failure of co-operatives.

This result is also supported by the findings of other studies. Österberg and Nilsson (2009) stated that participation of members in co-operative governance is certainly an important part of the success of co-operatives. The case studies in Thailand also found that appropriate participation of members in co-operative administration and governance is a key factor which leads to the success of co-operative enterprise (Suksawang, 2005). Other research conducted by Amini and Ramezani (2008) considered the members’ active participation in co-operative governance as the most important contributor to the success of co-operatives in Iran. According to Gray and Kraenzle (1998) a higher level of member participation may increase democratic costs in a co-operative, as more members participate in the collective decision-making process (at the general assembly or at the board of directors). However, a higher level of member participation may reduce agency costs, as more members monitor management.
Poor reputation

As discussed earlier, co-operatives in Vietnam have a long history of development; however, as in other socialist countries, the co-operative is a social-political organisation led by the Communist Party. The way the governments used the co-operatives has damaged the trust of the farmers over many years. Firstly, it seems that co-operatives are established mainly to meet the political and social interests of the Communist Party, rather than those of the family farmers. Farmers, for this reason, were not keen to join. Secondly, co-operatives still retain poor reputations; as in the past, joining co-operatives is not optional, but is compulsory and membership used to be defined by birth place. This practice also meant that farmers’ properties (including cultivated lands and tools) were completely expropriated. These properties belonged to the co-operatives automatically, and individual farming systems were completely abolished. Thus, in the mind of many Vietnamese people, joining a co-operative means losing their private property. For these reasons, Vietnamese people have an unfavourable view on co-operatives.

Data analysis showed that the co-operatives were not looked favourably upon by most of the population. The farmers themselves, in some case, are especially opposed to co-operative enterprise.

This is understandable, as while the co-operatives were used by the government the farmers suffered. However, when the co-operatives were dissolved and the household responsibility policy was implemented, people’s lives improved (Pattison, 2000). Several previous studies have revealed that in the minds of Vietnamese farmers, co-operatives and rural poverty are closely linked, thus the famers themselves are especially opposed to the co-operative business (Balisacan, 2011; Couture et al., 2002; Pattison, 2000). The results are in line with what has been found in transitional countries in Europe where the co-operatives were not looked favourably upon by most of the population, and the farmers themselves are especially opposed to co-operative business (Van Bekkum & Dijk, 1997).
Fulton and Giannakas (2001), note that members’ commitment is linked to the co-operative ability to develop a reputation as an effective agent for the members. Fulton (1995) and Fulton and Giannakas (2001), conclude that co-operatives must be increasingly aware of members’ feedback and manage them accordingly. The authors note that the successful performance and eventual sustainability of co-operatives is an effective agent for members. In this way, the two incentive problems, namely portfolio, as defined by Vitaliano (1983) and Cook (1995) and influence cost, as defined by Royer (1999), Trewin (2003), and Zhou (2004) if there are any, may be solved. According to Wolz and Bao Duong (2010), with the negative image from the past, many co-operatives could not attract more membership as well as get bank loans even though they have good investment proposals.

**Misconception about the nature of co-operatives**

Having been exposed for decades to the negative experience with such “co-operatives,” farmers may persist in their negative view of the whole concept of co-operatives and reject any proposals to form co-operatives, even when the intention is to create new style co-operatives, not old-style production co-operatives (Gardner & Lerman, 2006; Lerman, 2013). This study also highlights the importance of member education within the co-operative where members receive disseminated information about the benefits the co-operative has brought on both an individual and collective level.

Several studies support this finding. Lack of understanding of the concept of co-operatives, and knowledge about the co-operative tasks are claimed to be the main contributors to the failure of co-operatives in both Malaysia and Iran (Azadi, Hosseininia, Zarafshani, Heydari, & Witlox, 2010; Hashim & Zakaria, 2017; Shariff, Abidin, & Manaf, 2016). This could partly stem from their relative lack of education and training or from ignorance (due to inadequate information). The low level of members’ commitment and participation could be expected in this situation (Chibanda et al., 2009). Moreover, Österberg and Nilsson (2009) and
Birchall and Simmons (2004) concluded that the more members participate in their co-operative, the more they will be committed to this organisation. This is in line with Trechter, King, and Walsh (2002) who found that a member, who received co-operative education, tends to be more committed to the co-operative. The authors concluded that co-operative education influences member commitment which is considered as the most significant contributor to the success of co-operative, as Bhuyan (2007) confirmed. However, they also indicated that when a co-operative provides education on the nature of co-operative or collective actions, the level of member commitment is positively affected.

Ephrem (2014), on one hand, argued that great expertise and understanding of the collective’s actions are the most significant characteristics required in a productive manager. On the other hand, this finding does not support the findings of the study by Azadi et al. (2010), who found that the education level and experience in co-operative have no significant associations with the success of the co-operative.

**The lack of democracy**

The findings of this study confirmed that as a result of political intervention and weak management capacity, democratic practice in both high performance and low performance co-operatives is very low. Several studies have revealed the effects of undemocratic processes on member participation. Österberg and Nilsson (2009) found that there is high member disloyalty when members are dissatisfied with undemocratic management styles. Borgen (2001) reported that a member is seen to be more loyal to decisions in which they participated actively, rather than which were forced on them. Österberg and Nilsson (2009) observe that members considered democratic control to be more crucial and further argues that this indicates that members regard the co-operative as both a social institution, and an economic one. Because of the lack of democracy, existing members are reluctant to commit to patronising the co-operative (Chibanda et al., 2009). This inherent weakness was named the portfolio problem.
(Cook, 1995). This supports the literature that members attach strong importance to democratic systems within a co-operative and hence, indicates the need for implementation of democratic principles (Österberg & Nilsson, 2009).

Due to the above-mentioned issues, very few people are committed to contribute to their co-operatives, or they keep their contribution at a low level. Again, this finding is congruent with other research: Machethe (1990) demonstrated that one of the major causes of the ineffective performance of co-operatives was lack of members’ involvement in policy decision making and that a well-functioning democratic governance system is a cornerstone of any organisation’s success (Bhuyan, 2007; Torgerson et al., 1998). Xiang and Sumelius (2010) Management of farmer-owned co-operatives cannot be successful without the participation of the members. If the managers of a co-operative are ignorant of the members’ opinions, the whole organisation could collapse. If members are permitted to participate in the co-operatives’ governance system, they may be more committed to the co-operatives and have more trust in the board of directors. This relationship can even be expected to be quite strong (Nilsson, Kihlén, & Norell, 2009).

Low management capacity

This research confirmed that inadequate and inappropriate specialised training courses, irregular communication dependence on external supports (knowledge, skills, and technologies), and inadequate marketing activities are the main contributors to weak management capacity of co-operatives. The findings are in line with those of previous studies. Many other studies have also shown that the lack of managerial skills was evident in the co-operatives’ failure to execute their business strategies. As Bhuyan (2007) determined, the human factor in co-operatives is crucial and argued that without having an active board of directors; co-operatives cannot survive in the long run. Similarly, Bruynis et al. (2001)
emphasise the importance of having an effective board of directors to the success of co-operatives.

In another study, Keeling, Carter, and Sexton (2004) conducted research into a Rice Growers’ Association in California and found that the closure of this organisation was primarily due to lack of board supervision and education, coupled with ineffective management and passive membership. Nyoro and Ngugi (2007) identified that successful co-operatives had staff and management committees with more qualifications than the unsuccessful co-operatives. Nkhoma (2011), while citing various authors, concludes that management with required skills will be able to develop strategy on such things as business volume (Nyoro & Ngugi, 2007), type and quality of products (Markelova, Meinzen-Dick, Hellin, & Dohrn, 2009), and competing with other players in the market through individual strategies or joint venture (Bruynis et al., 2001; Dyer & Singh, 1998; Fulton, 1995; Kyriakopoulos, 2000; Morgan & Hunt, 1994; Nyoro & Ngugi, 2007; Poulton, Kydd, & Dorward, 2006; Sexton, 1986; Sexton & Iskow, 1988), while successfully managing risks (Poulton et al., 2006).

**Inadequate and inappropriate specialised training courses**

It is evident that the co-operatives’ managers were inexperienced and were lacked professionalism. These unqualified managers had limited abilities to develop or implement business plans which could maximise benefit to the co-operatives. According to DeLoach (1962), because they lacked the required professional, technical and economic skills, these managers were unable to analyse the trends of the markets. Azadi et al. (2010) argued that experienced managing directors and directing board members can better realise the key points of the agricultural co-operatives’ success. It is believed that lack of experience in running co-operative business activities and underdeveloped management skills mean that the co-operative management and members still depend on external assistance financially (Cook, 1994; Rankin
et al., 2007). Moreover, insufficient management and technical training may prevent member commitment of participation (Cook, 1995; Cook & Burress, 2009; Mazzarol et al., 2012).

In addition to failing to attract qualified personnel, the managers in these co-operatives were operating in an environment that is more complex. Cook (1994), and Lang (1994) argued that co-operative management is not only different from the management of other organisations, such as investor-owned firms (IOF), but it is also more difficult. Considering the market environment, which is characterised by a lack of market information, a lack of clear standards and poor infrastructure, this complicates the challenges for these unqualified and inexperienced co-operative managers.

**Irregular communication**

The literature on developing and maintaining a successful co-operative business revealed that incorporating effective member-owner communications is considered as one of the key success factors in order to develop the capacity of the management and members to listen well and respond appropriately to the genuine concerns of the workers and the community (Birchall & Simmons, 2004; Mazzarol, Reboud, Limnios, et al., 2014). In line with this, Amini and Ramezani (2008) argued that although there are many factors which substantially contribute to the success of co-operative enterprises, interpersonal relationships and skills of the managers are the most important determinants of the success of a marketing co-operative.

According to Mazzarol, Reboud, Limnios, et al. (2014) the way a co-operative enterprise communicates its value to members has a vital impact on members’ perceived value. Many co-operatives have utilised the statement of purposes to communicate MVP to their members (Mazzarol, 2015). Moreover, Poulton et al. (2006) conclude that an efficient communication process also enhances leadership accountability, which is an important factor in establishment of a strong and independent co-operative. This communication is process
needs quality information which is timely and reliable. Therefore, book and record keeping are important in the co-operative organisations.

Rankin et al. (2007) found that the primary contributor to the failure of co-operatives is inadequate communication among members, the board of directors, management and the community. Furthermore, the Study in Northwest China showed that high level efficient internal management, transparency, democracy and excellent communication between members and management were important factors for the success and development of co-operatives (Garnevska et al., 2011). Masayebi and Maleki (2013) revealed that the most important reason for inactivity of co-operatives in Iran is the lack of proportional and mutual relationships within organisations and institutions, lack of proper communication with co-operative members, and weakness in extra-organisational communication.

In short, poor communication contributes to members’ loss of trust in management; effective communication enhances relationships between members and co-operative management, which is important for the co-operative’s success (Bhuyan, 2007; Wadsworth & Business, 2001). Honesty in the dissemination of factual information serves to build trust and loyalty and commitment over time. This can take place via a process of testimonials and members should be permitted to double-check the accuracy of any claims (Hernández-Espallardo et al., 2013).

**Dependence on external supports (knowledge, skills, and technologies)**

The level and type of assistance provided by external agents is very important in terms of generating positive results. However, external interference in the co-operatives’ management can have a negative impact on the performance and sustainability of the co-operative (Chambo, 2009). For instance, Rankin et al. (2007) argue that co-operatives are being pushed into different directions by interested stakeholders, including farmers, government, donors, business interests and other various agencies. Eventually this results in co-operative enterprises
being lost in competitive, rush-induced market activity. Additionally, external support can also create dependency on outside help, thus hampering financial sustainability and self-reliance, and affecting the performance and sustainability of the co-operative, as it may also contribute to free-rider and adverse selection problems by attracting members who seek personal benefits and are not committed to the co-operative’s successful performance (Chibanda et al., 2009).

Schöll et al. (2016) argued that too much support coupled with too little empowerment through poor delivery strategies can create a sense of dependency. This was a particularly significant issue as it was revealed that some of co-operatives visited kept asking for financial help. This finding is consistent with Akwabi-Ameyaw’s (1997) claim that any program that perpetuates dependency is contrary to sustainable efforts and this contributed to co-operatives’ failure in Zimbabwe.

**Inadequate marketing activities**

Oluyombo (2012) argued that marketing activities enable a co-operative to generate funds and contribute significantly to the community in which it operates. The sustainability of the co-operatives is negatively affected by lack of an effective marketing system. Ortmann and King (2007b) revealed that the co-operatives failed to successfully identify the market for their products due to a lack of market information, making it difficult to buy members’ produce. Poor infrastructure and lack of technological development exacerbated marketing problems (Banaszak, 2008). This finding is supported by Prakash (2000), who found that to be more effective, agricultural co-operatives need high levels of market accessibility. Moreover, Ollila and Nilsson (1997) argue that no matter what type and nationality a co-operative might hold, the success of agricultural co-operatives is highly dependent upon their ability to access to markets and their adaptability to market changes.

The above findings are consistent with what has been found in previous studies. A majority of management board members are local farmers with a low level of education and
literacy. Only a few of them have acquired any specialised knowledge of marketing, accounting or management skills (Kirsch, 1997; Wolz, 2000; Wolz & Bao Duong, 2010). The board management’s level of education in agricultural co-operatives is lowest when compared with other types co-operative in Vietnam (Hai & Iwamoto, 2014). However, most of the training courses offered by MARD are little use or irrelevance to co-operatives. The training institutions are located in Hanoi and Ho Chi Minh City, quite far away from remote areas making it difficult for trainees to attend the courses (Hai & Iwamoto, 2014; Khoa, 2012; Kirsch, 1997).

In short, it is essential for management to acquire skills and knowledge of business enterprise, because the operation of co-operative relies heavily on their expertise. Studies show that lack of adequate skills in management has contributed to co-operatives’ failures. Sexton and Iskow (1988) found that the failure of co-operative enterprises was primarily due to the low educational level of management boards, which may couple with ineffective management and passive membership. Nyoro and Ngugi (2007) identified that successful co-operatives had staff and a management committee with relatively higher qualifications than the unsuccessful ones. Management with required skills will be able to formulate effective strategy, and know how to compete with counterparts in the market. Cook (1994) suggested that successful co-operatives require more organisational, communication, and resource allocation abilities and other leadership skills, than what is required by IOF in the same marketplace conditions. In summary, this research confirmed that the level of managerial skills positively affects the sustainability of co-operatives, whereas the lack of adequate managerial and business skills was identified as another contributing factor to co-operatives’ failure.

**Conclusions**

This chapter has compared and contrasted the research findings with the literature. The research identified several governance factors which facilitated and inhibited the success and sustainability of the co-operatives under study. The co-operatives’ mission, effective
organisational structures which allow the co-operative become flexible in their operations, and a sense of commitment which drives members to remaining as members in a co-operative are contributors effective performance of co-operatives, while poor member participation and weak management capacity are internal factors which inhibited co-operative performance. These factors are consistent with what has been stated in the literature.

This chapter also draws on the case studies described in chapter 8, chapter 11 to test propositions underpinning the theoretical model developed in Chapter 3. These propositions relate to the importance of the governance factors in the creating value for the co-operative members. In general, the study found that the transcribed data supported the theoretical propositions in chapter 3.
Chapter 13: Institutional factors – Leximancer findings

Summary of the chapter

The research focus for this chapter is similar to that of chapter 11; however, this chapter examines the external factors that either stimulate or discourage the development and functioning of Vietnam’s agricultural co-operatives. In summary, using the same data set for both NVivo and Leximancer, the study confirmed that the findings resulting from a Leximancer analysis of institutional factors in high and low performance co-operatives are strongly consistent with those of NVivo analysis as discussed in chapter 9, figure 9.6.

Hi-performance co-operatives institutional factors – motivators & inhibitors

A Leximancer theme map of all interviews associated with high performance co-operatives is presented in Figure 13.1. The main identifiers associated with institutional factors of high-performance co-operatives were co-operative, cash, people, and increased. The main findings from this analysis are described below.

Motivators

The strongest themes with institutional motivators of high-performance co-operative were CO-OPERATIVE, CRISES & COMING, TIME & INCREASED, and TRAINING & EDUCATION. These themes strongly interacted with each other. The strongest theme, “co-operative,” included the concepts of “co-operative,” and “government,” indicating that “government” and “co-operative” have a strong connection. These identifiers are consistent with those discovered in chapter 9: figure 9.6, as our data analysis confirmed that governments have a strong influence on the establishment and development of co-operatives. These include favourable policies and appropriate supports.
Next, the themes "crises & coming," and "time & increased" are less important themes and have a distance between them. However, the findings showed that they are very relevant.

Figure 13.1: Hi-Performance Co-ops institutional factors – Motivators & Inhibitors

**CRISES & COMING**

During crises times, the cooperative restricted its operations and focused on secured activities. Unity of members and determination of cooperative staff, management board experience and creativity helped a lot to overcome such setbacks.

The views and experience among the managers of agricultural co-operatives have not exchanged since our co-operative establishment; hopefully, we can exchange working experiences with other co-operatives in our region in the coming days.

**PEOPLE**

Political institutions: Law government official awareness of the nature of newly established co-operatives and skills strategically lead to their poor guidance on co-operative law to co-operatives managers... this is the reason why people hesitate to join the co-operative.

Supportive environment: At the start not, everyone saw us well. The problem was that some people did not appreciate the cooperative because they asked for loans but after they did not want to pay.

**TIME & INCREASED**

In reality, its growth rate was even higher during the crisis time (2009-2009) – up to 35 percent thanks to its prestige among local people. Both turnover and net profits increased as people preferred to patronize to our cooperative rather than other private businesses.

Supportive environment: The co-operative is a reliable enterprise in our village for everyone who needs to invest in an agribusiness, thus it receives the full support and a positive reception from local people. Peoples understanding of the role and value of the Co-operative has increased continuously.

**CASH**

Economic Institutions: Because the co-operatives are very short of funds, the joining members have been required to subscribe their capital in cash in one sum, and members are encouraged to sign more than one share if they have the necessary funds.

Economic Institutions: As most of the members have been regarded as poor, the co-operative avoided asking for cash contributions from them when operational funds are need to upgrade.

**CO-OPERATIVE**

Political Institutions: Vietnam Co-operative Alliance is issuing guidelines to agricultural co-operatives, which might overlap or contrast with those issued by MARD.

Supportive environment: These projects initially have created some significant achievements for the restructuring and development of agricultural co-operatives, contributing significantly to the collective economy of Vietnam. In the future, we optimistically believe that these projects of foreign aid will contribute more to the development of co-operative in Vietnam, particularly in the agricultural sector.

**TRAINING & EDUCATION**

Supportive environment: The Cooperative Union helps them with information about other cooperatives and training for cooperative rules and law. About education and training opportunities, a range of training courses which were organized and delivered to cooperative members and management from government, donors, the Cooperative Union, research and educational institutions.
to each other. The themes “crises & coming” were made up of the concepts: crises, coming, and experiences. The themes, “time & increased” were comprised of the concepts: time, during, increased, local, and everyone. The tight linkage of these concepts illustrated that experiences play a significant role in the resilience of co-operatives when they have to face any coming challenges such as economic and social disturbances. These identifiers are consistent with those discovered in chapter 9, figure 9.6. The enabling legal environment and appropriate assistance at the right time are contributors to the resilience of co-operatives during times of economic crisis. Thus, co-operatives became an increasingly reliable place for farmers wanting to secure their business.

Finally, the themes “education & training” included the concepts of training, education, and law. These concepts indicated that training and education are a big concern of the informants as they may play a vital role in sustainability of co-operative development. The data analysis confirmed that several the government agencies and academic institutions also committed themselves to supporting the co-operatives by providing them with many short training courses on co-operative law, marketing, finance and accounting. Moreover, several government policies also stated clearly what kinds of training program should be provided to co-operatives, as well as a legal counselling programme. Education and training were considered important variables to increase the management skills of the directors and executives of the co-operatives. In summary, the institutional motivators which emerged from Leximancer analysis are in line with the findings found in the chapter 9, figure 9.6.

**Inhibitors**

The themes strongly associated with institutional inhibitor of high-performance co-operative are PEOPLE, and CASH. The theme “people” was created by the concepts of people, government, profits, and difficulty. These identifiers revealed that human resource is challenging the performance of co-operatives. This was supported by the results in chapter 9,
figure 9.6 as it confirmed that weak enforcement policies due to weak government officials who enforce rules and regulations in some cases led to the issuing of inappropriate and impractical policies. As the result, the government policies became ineffective.

The theme “cash” comprised the concepts of cash, member, capital, and co-operative. The linkage of these concepts indicated that capital is extremely important to co-operatives and their members. Data analysis revealed that both co-operatives and their members are very short of capital. However, due to inappropriate and impractical policies, and weak policy enforcement of government agencies, the co-operative and its members found it difficult to access bank loans, although a number of policies which required the banks to offer loans to co-operatives were issued. This is an ongoing issue of most of the co-operatives in Vietnam. These two themes were found to be strongly consistent with the findings in chapter 9, figure 9.6 which confirmed that weak policy enforcement, and inappropriate and impractical policies constrained the performance of co-operatives in Vietnam.

**Hi-performance co-operatives institutional factors – NVivo coding**

To examine the consistency of NVivo coding with the Leximancer analysis, the transcript data was analysed with the text ‘tagged’ to help identify its relationship with the original NVivo coding structure. This specifically related to the key factors: i) political institutions; ii) economic institutions; and iii) supportive environment. In the following sub-sections, the findings from this analysis are discussed with reference to figure 13.2.
Figure 13.2: Hi-Performance Co-ops institutional factors – NVivo coding

The “political institutions” code is associated with the themes PEOPLE and COOPERATIVE, reflecting the role played by the Vietnamese government in the regulation of these co-ops. For example:

Political institutions: The difficulty is that we still don’t have an office so if we want to plan a meeting we have to come to People’s Committee building of the commune but because we are a business organisation the local government cannot help us.

The “economic institutions” code is located between the themes CASH and CRISIS, reflecting the roles played by Vietnamese and international funding agencies who provide the co-operatives with money when they face economic crises. For example:

During the financial crisis of 1997-1998 people were so worried they withdrew their memberships from the cooperative. So, the working capital met difficulty as members withdrew their share capital in cash.

Economic Institutions: The co-operative and its members got an agreement that the profits will be utilized to build up our own operational capital.

The “supportive environment” code is associated with the themes COOPERATIVE and BELIEVE, which the latter of which is related to the belief that members have in their co-operative and the potential for enhanced economic and social development. For example:

Supportive environment: At first, the community did not believe completely in the cooperative because we were only women.

Supportive environment: These projects initially have created some significant achievements for the restructuring and development of agricultural co-operatives, contributing significantly to the collective economy of Vietnam. In the future, we optimistically believe that these projects of foreign aid will contribute more to the development of co-operative in Vietnam, particularly in the agricultural sector.
**Political institutions**

The “political institutions” code is associated with the themes PEOPLE and CO-OPERATIVE, reflecting the role played by the Vietnamese government in the regulation of these co-ops. For example:

> The difficulty is that we still don’t have an office so if we want to plan a meeting, we have to come to People’s Committee building of the commune but because we are a business organisation the local government cannot help us.

In the situation of Vietnam, political institutions produce legislation and regulation. They also determine the legal system and coordinate the processes that create and enforce the law. Political institutions therefore produce economic institutions and determine their quality. This result is consistent with other findings, suggesting that the government has played an extremely important role in the formation and development of Vietnamese agricultural co-operatives. The most important role in supporting goes to some governmental bodies such as People Committee, Communist Party, Labour Union, or Veterans Union for their timely support and appropriate directions. This form of economic organisation has undergone significant transformation since 1954. Moreover, there are still some individuals who are committed to the establishment and development of the co-operatives such as dedicated initiators, leaders, and government officers as shown in the results of this study (chapter 9, figure 9.6).

**Economic institutions**

The “economic institutions” code is located between the themes CASH and CRISES, reflecting the role played by Vietnamese and international funding agencies who provide the co-operatives with money when they face economic crises. For example:
During the financial crisis of 1997-1998 people were so worried they withdrew their memberships from the co-operative. So, the working capital met difficulty as members withdrew their share capital in cash.

The co-operative and its members got an agreement that the profits will be utilized to build up our own operational capital.

This is in line with what has been outlined in chapter 9, as the key informants reported that the development of co-operatives in Vietnam has been found to be primarily facilitated by the active support of external stakeholders. The Vietnamese co-operative movement received significant amounts of support from various international development organisations. These international development organisations such as CIDA, GTZ, USAID, SIDA, DANIDA and others, are believed to play a significantly supportive role. For example, they provide appropriate technical training, capitalisation, and networking assistance. These measures facilitated small-scale and struggling organisations to become viable and sustainable. Government officials and leaders of co-operative alliances believed that these key external players contributed significantly to the success of the co-operative movement at the Macro and Meso levels.

Additionally, the provision of technical assistance from Vietnamese agencies such as help in finding diversified markets and methods for re-capitalisation were also found to be extremely important in both the recovery of failing co-operatives and in the sustainability of those operating profitably. However, that assistance needs to be more practical and of longer duration than has generally been the case in Vietnam. Similarly, data analysis in the previous chapter also suggests that economic disturbance and social crises did affect and threaten the performance and long-term operation of these co-operatives. However, the management experience (by restricting their operations during crises and focusing on the more secure activities) and leadership of the government helped them face this difficult situation. Co-operatives, thus, could overcome the effects of difficult times and remain viable. However, the
results from previous chapters also showed those co-operative enterprises and its members were faced a big challenge as it was not easy for them to access financial resources from the financial institutions. Shortage of capital overall and long-term financing has specifically constrained their performance and the development of co-operatives in rural areas where no bank services are offered. In sum, the co-operatives were formed largely among poorer people and in rural areas. Government involvement and external advice and assistance were instrumental in growing the movement. These are also what have been found in previous chapters.

Supportive environment

The “supportive environment” code is associated with the themes CO-OPERATIVE and BELIEVE, the latter of which is related to the belief that members have in their co-operative the potential for enhanced economic and social development. For example:

At first, the community did not believe completely in the co-operative because we were only women.

These projects initially have created some significant achievements for the restructuring and development of agricultural co-operatives, contributing significantly to the collective economy of Vietnam. In the future, we optimistically believe that these projects of foreign aid will contribute more to the development of co-operative in Vietnam, particularly in the agricultural sector.

This is consistent with what has been found in chapter 9, figure 9.4. Findings from previous chapters confirmed that strong support from community, governments, institutions, and special concerns from international development organisations are primary contributors to the establishment of co-operatives. These co-operatives were also found to have generally created wealth for their communities. The visited co-operatives are generating good incomes for their members; the majority were seen to be making progress primarily for their members in ensuring adequate incomes, continuing employment, access to affordable farming inputs, etc.
Some co-operatives have managed to increase employment that benefits non-member people in the community. Communities also benefitted from purchases made by the co-operative as a whole and by its individual members. Moreover, the co-operatives in the study areas were also found to have had some impact on the price of some agricultural products, and on technology transfer and services in their communities. Additionally, high performance co-operatives appear to provide greater benefits to members than low performance ones in terms of economic and social benefits beyond income. For example, small grants for health care, scholarships, assistance for funeral services, emergency aid or loans. In short, these co-operatives were believed to generate employment, income, social protection for their members, and social responsibility toward their communities. In summary, using the same data set for both NVivo and Leximancer, this study confirmed that the findings of the Leximancer analysis of institutional factors in high performance co-operatives are strongly consistent with those of the NVivo analysis.

**Low-performance co-operatives institutional factors – motivators & inhibitors**

A Leximancer theme map of all institutional factors of low performance co-operatives is presented in Figure 13.3. The strongest identifiers associated with institutional factors of all four co-operatives were co-operative, establishment, community, and knowledge; however, the strongest themes with institutional motivators for these low performance co-operatives were co-operative and establishment, the two themes are partly overlapped together. While co-operative, farmers, and professional strongly associated with institutional inhibitors. The main findings from the analysis of institutional factors are discussed below.
The first theme is "establishment" which comprised establishment, chairman, supports, increase, and favourable. The proximity of these concepts indicates that they are tightly linked.

**Political institutions:** The management board of the cooperatives are Communist party members and they are also current managers of Farmer's Union, Women's Union, or Youth Union. However, by Law active government officials are not allowed to stand for elections to the management boards - in most of the case in the North.

**Economic institutions:** Even those without any debts or having good investment proposals our co-operative is still not eligible for any credit from the banks. As the banker explains to us that co-operatives will have no strong incentive in running their services economically effective as the banks, and indirectly the government, become liable for any losses incurred.

**Supportive environment:** They (local authorities) devote their time and efforts to the establishment and growth of our cooperative because they want their members and women in the area to benefit from the cooperative's activities. In general, leaders are not granted any financial advantages or benefits.

**Political institutions:** There are political discussions that banks should provide special credit to agricultural co-operatives without any collateral, which have to be secured by the local people's committees. A directive has been issued.
connected together. Moreover, these concepts were considered important variables to explain how the environment of a co-operative is supportive to its establishment and development. The findings of chapter 9 confirmed that the establishment of co-operative in Vietnam was greatly supported by dedicated a community, dedicated governments (central and local), local institutions, and special concerns from a number of international development organisations.

Next, the theme “co-operative” which was partly overlapped theme “establishment” included the concepts of co-operative, local, members, strong, playing and favourable. The connection and the overlapping of these concepts in a theme revealed the tight linkage between them, and these identifiers are also used to explain the optimum environment for the establishment of co-operatives. Thus, the strong support from external stakeholders such as community, government, other development organisations were important for the initial stages of the establishment of co-operatives. Moreover, data analysis in chapter 9 also found that in order to promote and retain the sustainability of co-operatives a great number of policies have been issued to create a favourable environment for their development. In short, the institutional motivators of low performance found in a Leximancer analysis support the results in chapter 9.

**Institutional inhibitors**

Emerging from the concept map were the themes “professional,” “farmers,” and “co-operative” that are strongly linked to institutional factors which were believed to constrain the performance of low-performance co-operatives.

As can be seen from the concept map, the strongest theme is “professional” which comprises the concepts of professional and legal. The proximity of these concepts in one theme can be explained by the fact that professional skills are essential elements for effective management. This is in line with what has been found in chapter 9; the results revealed that the majority of management board members possess a low level of education, weak management
capacity, and inadequate professional knowledge to run co-operative business affairs. However, the supportive training courses which are offered by government are inadequate and inappropriate. Vertical and horizontal integrations also do not exist among co-operatives in the same region. Although the need for cooperation with other co-operatives or enterprises is urgent, officials at all levels, especially the provincial level, have not taken an active role to make it happen. As a result, lack of any consultancy service in co-operatives (establishment, management) in local and business linkage constrains the performance of the co-operatives.

Next, the theme “farmers,” which links tightly to “co-operative,” included three main concepts such as farmers, capital, and party. The proximity of the concepts can be considered to explain the need of capital for both the co-operative and its members. This was supported by the findings in chapter 9, as the findings confirmed that the co-operative was established to meet the needs of the rural poor. For this reason, it is not easy for a co-operative to increase its share capital when it needs extra money to invest into new projects. However, these co-operatives find it almost impossible to get loan from a bank due to the weak enforcement policies of government agencies. The situation is similar to that of high-performance co-operatives.

Finally, the theme “co-operative” which is strongly connected to “knowledge” comprised co-operative, services, government, business and losses. The proximity of the concepts can be explained by the over-intervention of the government and the weak policy enforcement of government agencies. This is in line with the findings in chapter 9. In many cases, the co-operative model is the state-control co-operative, which was established mainly to meet political and social interests of the political institutions rather than those of the farming population. Other cases, local governments interfered into co-operatives’ business and production due to the requirement of strengthening co-operative development by their superiors. Thus, the international cooperation principles were ignored. Moreover, data analysed
also showed that the state management apparatus of co-operatives at national and provincial levels have limited capacity to implement and enforce the existing rules; as a result, most of the officials who are in charge of enforcing policies at all levels have insufficient capacity and accountability to properly implement policy guidelines. The situation leads to ignorance of financial institutions on these policies. In sum, the themes which emerged from Leximancer analysis are greatly supportive of the results which have been discovered in chapter 9.

**Lo-performance co-operatives institutional factors – NVivo coding**

To examine the consistency of NVivo coding with the Leximancer analysis, the transcript data was analysed with the text ‘tagged’ to help identify its relationship with the original NVivo coding structure. This specifically related to the key factors: i) political institutions; ii) member participation; iii) economic institutions; iii) supportive environment; and iv) the co-operative’s resilience in the face of economic disturbance. In the following sub-sections, the findings from this analysis are discussed with reference to figure 13.4.
Figure 13.4: Lo-Performance Co-ops institutional factors – NVivo coding

The “political institutions” code is closely associated with the theme COOPERATIVES, reflecting the dominant role played by government and the Vietnamese Communist Party in the co-op movement. For example:

**Political Institutions:** The management board of the co-operatives are Communist party members and they are also current managers of Farmer’s Union, Women’s Union, or Youth Union. However, by law active government officials are not allowed to stand for elections to the management boards – in most of the case in the North.

**Political Institutions:** Our annual reports and business plans need to be approved by local government before these paper documents go public (especially annual meetings).

The code “member participation” was closely associated with the theme COOPERATIVES, reflecting the Vietnamese Communist Party’s approach to forced membership in the co-op movement. For example:

**Member participation:** Individual farming was abolished. My family was forced to join the co-operatives, which meant our real properties (including cultivated lands and tools) were completely expropriated.

Lo-Performance Co-ops institutional factors – NVivo coding

The code “economic disturbance” was associated with the theme FARMERS, which reflects the role played by co-operatives in helping farmers in difficult times but also impacting their trust in each other. For example:

**Economic disturbance:** During the times of economic disturbance, our cooperative has suffered negative effects due to raw materials price rising while selling prices were going down. Some farmers had to reduce their activities to limit losses.

**Economic disturbance:** There was a sharp rise in fertilizer prices during crisis periods (by 300 percent from VND8,000 to VND24,000/kg) which increased the production cost accordingly. As a result, the paddy price went down (to as low as VND4,000/kg sometimes) affecting the farmers’ trust in the cooperative system.
**Political institutions**

The “political institutions” code is closely associated with the theme CO-OPERATIVES, reflecting the dominant role played by government and the Vietnamese Communist Party in the co-op movement. For example:

> The management boards of the co-operatives are Communist party members and they are also current managers of Farmer’s Union, Women’s Union, or Youth Union. However, by Law active government officials are not allowed to stand for elections to the management boards - In most of the case in the North.

> Our annual reports and business planes need to be approved by local government before these paper document go public (especially annual meetings).

The results shown by theme map are consistent with the findings in previous chapters. This research confirmed that although the support from political or social institutions was very important for co-operatives in the early stages of development in order to succeed, it also indicated that government over-intervention could negatively affect these co-operatives. It was found that agricultural co-operatives are in general not initiated by farmers, but rural officials and farm and non-farm entrepreneurs seem to be the major driving forces. Ordinary farmers, in general, were not identified as the main promoters. In many cases, co-operatives are initiated and promoted by government officials rather than famers. As the results, ordinary farmers seem to play a more passive role in setting up agricultural co-operatives. They rely on these co-operatives for improving their farm income, but in general do not initiate their formation. Moreover, the findings also confirmed that in many cases these state-controlled co-operatives were established mainly to meet political and social interests of the political institutions rather than those of the farming population.
Member participation

The code “member participation” was closely associated with the theme CO-OPERATIVES, reflecting the Vietnamese Communist Party’s approach to forced membership in the co-op movement. For example:

Individual farming was abolished. My family was forced to join the co-operatives, which meant our real properties (including cultivated lands and tools) were completely expropriated.

The results from Leximancer theme map are in line with what have been found in chapter 9. Figure 9.4 confirmed, in many cases, especially in the Northern part of Vietnam, co-operative membership, originally defined by birth place, is not optional, but is compulsory.

Economic institutions

The code “economic institutions” was associated with the theme FARMERS, CAPITAL, LOSSES, and SERVICES reflecting the challenge facing many Vietnamese farmers in raising capital. For example:

Decision 67 states that an AC can obtain a long-term loan without a mortgage at any bank if the AC has a business plan. But any bank requires mortgage at least 70% value of a loan and banks don’t care about the Decision 67.

Lack of capital and funds is still challenging farmers and their agricultural co-operatives as one of the most serious and recurrent problems according to most of the informants. Due to lack of capital and poor facilities, most co-operatives provide only “pure” and simple agricultural-related services without expanding the scope of the business and the further development of co-operatives.

In the previous chapter, NVivo analysis confirmed that inappropriate and ineffective policies, and poor enforcement of government policies is one of the factors inhibiting co-
operative in accessing investment capital. Many policies just stop at the written provisions or have low practicality and effectiveness, making it hard for co-operatives to capitalise on their business capacity. For example, land policies for co-operatives to build up their premises, credit in kind, tax waivers, and personnel have been found missing, as most of the localities do not have public land plots to allocate for co-operatives. In reality, not many co-operatives can access state supporting loans due to complicated legal procedures, low loan limits, and requirement of collateral which exceeds the capacity of the co-operatives, as well as their management board. Meanwhile, co-operatives with limited financial, technological, and management capability find it impossible to access the loans from the State. Additionally, as the requirement of credit institutions, very few co-operatives can access to the loans without collateral.

**Supportive environment**

The “supportive environment” code is closely associated with the themes CO-OPERATIVE, ESTABLISHMENT, INCLUDING and LEGAL. This reflects the key role played by government authorities in the establishment and management of Vietnamese co-operatives. For example:

The co-operative was born thanks to the leadership of The People’s Committee of Commune. They helped us in terms of the legal procedures to establish the co-operative.

Even with assistance from external groups, such as the CIDA and its cooperation partners, a significant need remains in Vietnam for organisational development assistance, including professional training, among the co-operatives.

These findings highlight the fact that Vietnamese government has played an extremely important role in the formation and development of Vietnamese agricultural co-operatives which have undergone significant transformation since 1954. The supportive environment that
Vietnamese government created for promoting co-operatives includes human resources and enabling policies.

Chapter 9 illustrated that the development of the new model of co-operatives in Vietnam since the Law on Co-operatives was adopted in 1997 has been supported by different agencies in Vietnam. They include the Co-operative Department at the Ministry of Planning and Investment, which is responsible for formulating strategies and policies for the development of co-operatives in Vietnam; the Vietnam Co-operative Alliance, which aims to support, promote and represent co-operatives at different policy levels; and the Department of Co-operatives and Rural Development at the Ministry of agriculture and Rural Development, which solely focuses on agricultural co-operatives. The activities of these key agencies aim at promoting the establishment of new co-operatives, training to existing co-operative staff, trade promotion, and upgrading facilities, equipment and technology to expand production.

In line with these institutions, local officials are also required by their superiors to foster agricultural service co-operative development. They are given guidelines about the number of co-operatives to be established within their area of jurisdiction and the respective membership to be covered. However, the cornerstone is government policy which created a favourable environment for promoting development of co-operatives.

This research also found that government officials still use co-operatives to gain their political positions. For example, the more co-operatives are established, the better are their career prospects. To obtain the government’s objectives, co-operatives were forced to establish in many ways, and in some cases the development of these co-operatives did not ideally suit their purpose, needs, and capacities. Secondly, co-operatives are under official administration of the three various bodies. This management structure is challenging co-operatives due to the fact that the three bodies are very low in collaboration. In some case, they issued some principles for guidance which overlapped or contradicted one other. Finally, this study found
that many government policies are inappropriate and impractical, with weak enforcement policies, and weak Government officials to enforce rules and regulations.

**The resilience of co-operatives**

The code “economic disturbance” was associated with the theme FARMERS, which reflects the role played by co-operatives in helping farmers in difficult times but also impacting their trust in each other. For example:

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During the times of economic disturbance, our co-operative has suffered negative effects due to raw materials price rising while selling prices were going down. Some farmers had to reduce their activities to limit losses.

There was a sharp rise in fertilizer prices during crisis periods (by 300 per cent from VND8,000 to VND24,000/kg) which increased the production cost accordingly. As a result, the paddy price went down (to as low as VND4,000/kg sometimes) affecting the farmers’ trust in the co-operative system.

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However, as with high performance co-operatives, low performance co-operatives are able to remain viable in times of economic hardship or social adversity and are most likely to do so by diversifying their products and services, focusing on the more secure activities, rationalising their business lines, or by restricting their businesses to secure markets. Moreover, these co-operatives also looked for new markets for the outputs of co-operative members.

In summary, the findings from the Leximancer analysis are strongly consistent with the findings in the previous chapters which mainly utilised NVivo to manage and analyse the same data set. Analysis of the case study data taken as whole (using query functions of NVivo) revealed that the commitment and support of co-operative members, “**supportive environment,**” “**political institutions,**” “**economic institutions**” and “**co-operative’s resilience**” ranked at the top in terms of frequency of mention as a factor or condition for success or failure.

**Government factors – motivators & inhibitors**
A Leximancer theme map of all institutional factors is presented in figure 13.5. The strongest identifiers associated with institutional factors of all eight co-operatives were *co-operative, replication, development, training and level*; however, the strongest identifiers with institutional motivators were *replication, development, co-operative and community*. While *co-operative, training, member and credit* strongly associated with institutional inhibitors. The main findings from the analysis of government factors are discussed below.

**Institutional motivators**

First, the themes CO-OPERATIVE and COMMUNITY are strongly connected. These themes contain the concepts of areas, co-operative, community, and poor. These identifiers indicate that there is an urgent need for establishing co-operatives in order to help farmers in the remote areas. Data analysis showed that the establishment of co-operatives have met survival needs of people in the communities where the co-operatives were established. However, co-operatives were built up among the rural poor, so the external supports are extremely important to them. The data analysis in chapter 9 also confirmed that the most important stakeholder is the Vietnamese government, which played a significant role establishment and development of co-operatives by creating an enabling the legal environment to promote a collective economy. For example, several vital policies on human resources and financial assistance have been issued in order to develop skilled and professional management, and adequate financial supports for co-operatives.

The next, themes REPLICATION and DEVELOPMENT are strongly linked together. While *support, national, and significant* made up the development, the concepts of *economic, contributing, develop, various, model, production, and value* made up theme replication. These concepts illustrated that the co-operative model is replicated and developed in different parts of the nation as well as in various industries. Our data analysis revealed that the development
of co-operatives was supported by different parties from central to local government, and various fields of industry.

Additionally, the document reviews indicated that the government intends to support co-operatives by providing (i) incentives for the establishment of co-operatives; (ii) training for management staff; (iii) access to land and premises; (iv) access to credit; (v) tax cuts; (vi) trade promotion; (vii) technology and extension services; (viii) facilities and equipment and (ix) establishment of the co-operative development fund (VCA, 2017). The government allocates a portion of the budget to different agencies to carry out activities in the above areas according to a yearly plan (VCA, 2017).

In sum, Leximancer analysis revealed that the Vietnamese government has been making a favourable legal environment through a number of enabling policies to facilitate the deployment of co-operatives. The results are consistent with the findings in chapters 8 and 9.
Figure 13.5: Government factors – Motivators & Inhibitors

**COOPERATIVES & COMMUNITY**

Management capacity: The number of persons with the necessary leadership qualities is limited as most of the agricultural cooperatives are in the remote areas of the nation. Thus, it is almost impossible to recruited staffs with the necessary charisma, leadership qualities and social status in rural areas who are required to build up the new cooperative system, but who have no intimate links to the local authorities.

Almost the entire community is associated. We have another credit union, the one with An Giang Tobato’s employees, a Cooperative called “Quy Tín Dùng Mỹ Hới”, which serves its members, and captures savings; it is a very strong one.

**REPLICATION & DEVELOPMENT**

Environment: To encourage the sustainable development of the co-operative economy, the core of which is co-operatives with various forms of co-operative and collaboration, and replication of effective co-operative economic models, creating conditions for the household economy to develop effectively in the fields of agriculture, industry, and services, contributing to the formation of value chains from production to processing and consumption, ensuring the harmony of the interests of participating parties, and facilitating the formation of agro-industrial-high-tech complexes.

Environment: On the basis of the guidelines and policies of the Party and the State on developing the collective economy, our Province has issued a number of mechanisms and policies to materialize and support the development of the collective economy in this Province.

**CREDIT**

Economic institutions: Almost all managers of co-operatives complain that they are very short of operating funds but the needs for investments are high. While getting formal credit from banks is almost impossible for many co-operatives as they do not have appropriate properties to act as collaterals.

**MEMBERS**

Management capacity: Huge efforts have been put up to convince the farmers in this region to join the co-operative as many of them are reluctant to join due to bad experiences in the past. However, almost all newly established agricultural co-operatives have not done enough to broaden their members’ knowledge about the new style co-operative.

**COOPERATIVE**

management capacity: Due to the limit of business management capacities of management board and adequate working capital, the co-operative cannot diversify its services to meet all farmers’ needs; moreover, the quality of these services is still poor in comparison with private sectors in their locality. Thus, we cannot attract more customers, and our current services are operating below the ideal scale in order to make profits.

**TRAINING**

management capacity: In the training courses, co-operative trainers should act as the role of moderators and facilitators in order to help co-operative managers to reflect and learn the views and experiences from the others.
Institutional inhibitors

The most serious problem that challenged the majority of co-operatives is the shortage of capital. The theme CREDIT includes the concept credit and indicates that the need for getting loans and capital of both co-operatives and their members are at high level. However, as described by most of the informants, this kind of need was not satisfied due to low performance of co-operatives and weak policy enforcement by the government officials. Moreover, impractical and inappropriate policies were also believed to contributors of this issue. The result is in line with what have been found in chapter 9.

Next, the theme MEMBERS include concepts of members, past, agriculture, strong and local people revealed low levels of member participation into co-operatives. Data analysis showed that the co-operatives were not looked favourably upon by most of the population. The farmers themselves, in some case, are especially opposed to co-operative enterprise. As in the past, joining co-operatives is compulsory, not optional. Moreover, co-operatives are socio-political organisations led by the party. It can be argued that the new-style co-operatives are established mainly to meet the political and social interests of the Communist Party rather than those of the family farmers. Farmers, for this reason, were not keen to join.

The theme TRAINING, comprising training and government illustrated the training courses offered in order to empower co-operative management boards and government officials. Data analysed showed that many co-operative leaders have low capacity to manage and govern a well-functioning enterprise due to insufficient skill development. Similarly, most regulatory bodies at national and provincial level have limited capacity to implement and enforce the existing rules; as a result, most officials who are charged with enforcing policies at all levels have insufficient capacity and accountability to properly implement policy guidelines. However, the leadership and business capability building programs’ content which are currently used to train the co-operative management is often out of date, impractical, redundant
and not tailored to agricultural co-operatives’ needs. Additionally, rapid changes of the law, lacking of participatory consultation in law drafting, and lacking of training new type of co-operatives lead to misconception about the nature of co-operative.

The theme CO-OPERATIVE includes co-operative, market, management, and professional. This theme has a strong connection with LEVEL which comprises business, and level indicates that there is a need for cooperation or a linkage to connect co-operatives or enterprises in the region. Interview data from informants revealed that the need for cooperation with co-operatives or enterprises is urgent; however, the number of co-operatives that can associate with enterprises or other co-operatives to sell products is still quite low. Managers of agricultural co-operatives in general act on their own without any or little exchange of views and experience with managers of neighbouring ones. While the officials at all levels, especially the provincial level, have not taken on the role to make it happen. Lacking of vertical and horizontal integrations among co-operatives in the same region is also an inherent problem for co-operative development.

In summary, the government factors show weaknesses. The emerging themes from the Leximancer map confirmed that weakness on the part of government officials in enforcing rules and regulations, inappropriate and impractical policies, and weak enforcement of government policies inhibited the development of co-operatives. These findings are closely consistent with what was discovered in NVivo analysis.
Chapter 14: Institutional factors – discussion

Summary of the chapter

In this chapter the research findings on institutional motivators and inhibitors are discussed by comparing and contrasting with the literature and identifying the main findings from the research. Moreover, the theoretical propositions relating to institutional, governance attributes to value-adding performance were tested against the patterns observed in the data analysis. However, before doing that, a cross-check between the cases and government perspectives on ongoing issues of co-operatives was conducted to confirm the main findings. The ‘pattern matching’ analysis conducted in this section produced two main findings relating to the motivators and inhibitors. The levels of value-creating in all cases were consistent with their very conservative institutional arrangements as predicted by NIE theory (Royer, 1999, Nilsson, 2001, Ortmann and King, 2007a).

Comparison of high and low-performing co-operatives

Agricultural co-operatives operate under the 2012 Co-operative Law. This Law regulates the organisation and management of all kinds of co-operative enterprises. The Ministry of agriculture and Rural Development is mandated to perform government administration over agricultural co-operatives. In each province, the provincial People’s Committee performs the government administration functions for co-operatives, being attentive to the specific needs of the co-operatives in the province. The field data clearly show that the way government administered co-operatives is uniform across the country, thus the advantages and disadvantages of this administrative model which the co-operatives experienced are similar across the country.
Table 14.1: Cross-case comparison of Institutional Inhibitors

<table>
<thead>
<tr>
<th>Institutional Inhibitor</th>
<th>Political Institution</th>
<th>Economic Institution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>High performance co-operative</td>
<td>Low performance co-operative</td>
</tr>
<tr>
<td>- The overlap of multi-governing bodies on co-operatives</td>
<td>- The overlap of multi-governing bodies on co-operatives</td>
<td>- Governmental intervention in establishing and governing processes of co-operatives</td>
</tr>
<tr>
<td>- Political motivation and control</td>
<td>- Political motivation and control</td>
<td>- Lack of appropriate policies to foster internal capacity of co-operatives</td>
</tr>
<tr>
<td>- Weak Government officials to enforce rules and regulations</td>
<td>- Weak Government officials to enforce rules and regulations</td>
<td>- The biased policies appreciate co-operative not collaborative groups</td>
</tr>
<tr>
<td>- Unappropriate and impractical policies</td>
<td>- Unappropriate and impractical policies</td>
<td>- Weak linkages among the activities of the co-operatives</td>
</tr>
<tr>
<td>- Weak enforcement policies</td>
<td>- The need for more professional and legal assistance</td>
<td></td>
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</tbody>
</table>

As can be seen from table 14.1, the political issues that both high and low performance co-operatives experienced are very similar. For example, both reported that the overlap of administration between governing bodies, political intervention, and inadequate capacity of government officials, impractical policies, and weak policy enforcement constrained the performance of these co-operatives. In comparison with high performance co-operatives, low performance ones need more appropriate policies which empower their ability by getting more professional and legal assistance. Additionally, from the government perspective, they also recognised their over-intervention in governing of co-operatives, lack of appropriate policies.
to foster internal capacity of co-operatives, and the biased policies. The government also appreciates that co-operatives are not collaborative groups, and these are things that need to be improved. In terms of economic institution issues, the three parties recognised that the shortage of capital, difficulty in accessing to bank loans, and weak linkages with other enterprises heavily inhibited the development of co-operatives.

Table 14.2: Cross-case comparison of institutional motivators

<table>
<thead>
<tr>
<th>Institutional Motivators</th>
<th>Supportive environment</th>
<th>Enabling legal environment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>High performance co-operative</strong></td>
<td><strong>Low performance co-operative</strong></td>
<td><strong>Government perspective</strong></td>
</tr>
<tr>
<td>- Dedicated government agencies</td>
<td>- Dedicated government agencies</td>
<td>- Dedicated government agencies</td>
</tr>
<tr>
<td>- Dedicated local institutions</td>
<td>- Dedicated local institutions</td>
<td>- Dedicated local institutions</td>
</tr>
<tr>
<td>- Concerns from International development organisations</td>
<td>- Concerns from International development organisations</td>
<td>- Concerns from International development organisations</td>
</tr>
<tr>
<td><strong>High performance co-operative</strong></td>
<td><strong>Low performance co-operative</strong></td>
<td><strong>Government perspective</strong></td>
</tr>
<tr>
<td>- Enabling co-operative law</td>
<td>- Favorable government policies</td>
<td>- Enabling regulatory framework</td>
</tr>
<tr>
<td>- Favorable government policies</td>
<td>- Favorable government policies</td>
<td>- Favorable government policies</td>
</tr>
</tbody>
</table>

As can be seen from table 14.2, government agencies, local institutions (academy), international development agencies, and the communities in which the co-operatives were established are strongly committed to the establishment and development of both high and low performance co-operatives. In term of the legal environment, informants from both sides reported that the enabling co-operative law and government policies created a favourable environment for operations of co-operatives. From the government perspectives, they also recognised these institutional motivators in the same way.
The findings are also found to be consistent with NIE theory, which suggests that the choice of organisational form will be a critical determinant of a co-operative’s ability to create and sustain value-adding activities (Royer, 1999, Nilsson, 2001, Ortmann and King, 2007a). However, examples of research conducted in the area of agricultural co-operatives include Cook and Iliopoulos (2000) in the United States, Staal et al. (1997) in Kenya and Ethiopia, Chibanda et al. (2009) in KwaZulu-Natal, and Cox and Le (2014) in Vietnam have revealed that co-operatives suffer from various organisational issues and poorly defined property rights assignments, leading to opportunistic behaviours (such as free-riding, moral hazard, agency problems, etc.), bureaucratic inefficiencies, and under-investment in the co-operative (Cook, 1995; Cook & Iliopoulos, 2000). The promise of NIE is that it can inform the design of co-operatives to prevent failure.

In sum, currently co-operatives in Vietnam are under the transforming process from old style (state-managed style) to new style ones (genuine co-operative which apply ICA’s seven principles of cooperation), and this process has not been accomplished yet. The role of governance was found to be instrumental in the co-operative’s development and ongoing success; however, the government still heavily intervenes in co-operatives’ affairs. Thus, administrative procedures and processes need to be improved in order to facilitate the sustainability of co-operative development. As mentioned by Mazzarol, Simmons, et al. (2014) for co-operatives it is useful to identify the relevant external environmental factors in seeking greater congruence and complementarities and reduced conflict and incompatibilities between technologies, institutions and individuals.

**The role of institutional factors in co-operatives’ sustainability**

According to Liang, Hendrikse, Huang, and Xu (2015), the institutional environment refers to legal system or formal rules such as constitutions, laws, and property rights. The legal system primarily matters to the development of farmer co-operatives. According to the framework
offered by Williamson (2000), the institutional environment is recognised as one of the most important conditions for the success of co-operative organisations. A lack of information and institutional failure may lead to risk and uncertainty within the co-operative (Borda-Rodriguez & Vicari, 2013; Chibanda et al., 2009; Mazzarol, Reboud, Limnios, et al., 2014; Ortmann & King, 2007a). This is consistent with Frances (2004), who asserted that co-operative movement with weak institutions not only grows more slowly in the long run, but experiences greater volatility.

According to Deng et al. (2010), government policies have played a significant role in promoting recent trends of co-operative development in China. To address the question as to why some villages, have agricultural co-operatives and others do not in the rural of China, Deng et al. (2010) found that the role of the government is a primary determinant in promoting, establishing, and developing this kind of enterprise. Additionally, policy support measures (especially the 2006 China Co-operative Law) account for most of the growth of co-operatives in recent years. Similarly, Henriksen, Hviid, and Sharp (2012) show that the Law has facilitated and promoted the success of Danish co-operatives.

Parnell (2001) examined the extent to which government support is required for the successful development of the co-operative enterprises. The findings broadly revealed that support from both political and social institutions is extremely important. This is especially so in less developed countries where co-operative members and managers are at low educational level, and the co-operative enterprises require support from political or social institutions in the early stages of development in order to succeed. Importantly, some scholars found that the lack of depth of business skills, negative perception of the co-operative enterprises by external stakeholders, government ambivalence, and a lack of willingness on the part of employees to co-operate for mutual benefit, are inhibitors of co-operative performance and development. Thus, support from social and political institutions is necessary (Chaddad & Cook, 2004;
Hammond & Luiz, 2016; Sykuta & Cook, 2001). Formal institutions include the political (those that determine the structure of the state and the procedures of the political decision-making process) and economic (those that determine property rights and thus reduce transaction costs) (Chibanda et al., 2009; Cook, 1995; Nilsson, 2001).

**Institutional motivators**

The research findings revealed that supportive and enabling legal environments were contributory to the success of co-operative performance. In the following section these factors were compared and contrasted with the literature.

**Supportive environment**

The key factors that comprise a supportive environment are: i) having government agencies and local institutions that are dedicated to supporting co-operatives; ii) having a community that is dedicated to supporting co-operatives; and iii) leveraging the support of international development organisations able to provide support to co-operatives.

**Dedicated government agencies and local institutions**

The findings of this study are very similar to those of China where local officials seem to be required by their superiors to foster agricultural service co-operative development (Sultan & Wolz, 2012). In addition, local administration is also eager to see that the co-operatives will be economically successful in order to serve the agricultural population as most rural villages are still dominated by agriculture, and thus village leaders have a strong interest in it (Couture et al., 2002; Gardner & Lerman, 2006; Pattison, 2000; Wolz & Bao Duong, 2010).

**Dedicated community**

As discussed earlier, Vietnam’s history reflects a well-entrenched attitude of collectivism in the rural communities. That context seems to have been an important contributor in the success of the co-operative movement in the country. The finding in line with other empirical studies. The support of community is a feature that should not be ignored. Without the support from the
community, co-operatives may not be established. Thus, community support is a valuable systemic resource for many co-operatives (Ševarlić, Nikolić, & Simmons, 2010), and a special feature of co-operatives is their ability to be embedded in their local community (Levi & Pellegrin-Rescia, 1997). Congruence between the goals of the community and the goals of the co-operative can result in members’ loyalty. Hence, investment in this relationship can also be important for the co-op to reinforce to the member its co-operative principles as a mechanism for building social entrepreneurship and innovation within the enterprise (Novkovic, 2008).

Furthermore, community involvement is one of the most significant factors contributing to the sustainability of the (Hashim & Zakaria, 2017; Shariff et al., 2016). Moreover, Garnevska et al. (2011) found that dedicated initiators and leaders were the key contributors for the successful development of farmer co-operatives in Northwest of China.

**Concerns from International development organisations**
The findings of this study confirmed that although the most important external players were local authorities and national co-operative alliance representatives, international co-operative organisations also played key roles. The support of external players was found to greatly facilitate the evolution of Vietnamese co-operatives and communities of people where the co-operatives were established. For instance, the provision of technical assistance such as help in finding diversified markets and methods for re-capitalisation were found to be extremely important in both the low performance co-operatives and in the sustainability of high-performance ones. However, the assistance needs to be systematic and of longer duration than has generally been the case in other countries. This is consistent with the finding of Rankin et al. (2007) who found that support offered by external stakeholders can have a direct impact on the early delivery of realised benefits to members, which are crucial during the formation stages of a co-operative as they help to secure member commitment. However, in order to avoid dependence and ensure that autonomous, market-driven co-operatives are a reality, reduction of support over time must be coupled with management skill development.
The finding was supported by previous research. The level and type of assistance provided by external agents is very important in terms of generating positive results (Chibanda et al., 2009; Wanyama, 2016). As co-operatives in less developed countries are characterised by resource-poor small-scale farmers, which make external support essential, especially during the initial start-up phase of co-operative, for the group to achieve economic gains (Birchall, 2010). Hill, Nel, and Illgner (2007), in a study on the impact of external assistance, identified that support had significantly improved the rural livelihood of the community and it had facilitated co-operatives’ access to markets for their products. Garnevksa et al. (2011) found that appropriate external support from professional NGOs were the key factors for the successful development of farmer co-operatives in Northwest of China. In addition, CIDA (2013) found that the support provided by external players has been found contributory to the start-up and growth of co-operatives in Guatemala at the Macro and Meso levels.

**Enabling legal framework**

Previous research studies have highlighted the essential roles of regulatory framework to the sustainable development of co-operative enterprises. Gide, Long, and Warbasse (1922) point to the need for legislation that will assist in recognising the presence of the co-operative. He also highlighted the significant role played by state in setting the regulations relating to taxation exemptions for many non-distributing co-operatives. Recently, the enabling role of government through legislation and regulation has been emphasised.

A co-operative must be organised and operated within the terms in the law. Principles of co-operatives are usually specified in the law (Deng et al., 2010; Mischler, 1957). Compliance with these principles is one of the important factors for evaluating performance of co-operatives (Rathbone & Wissman, 1993). Non-compliance with the law generates costs, such as litigation (Mischler, 1957). However, Liang et al. (2015) and Xu (2014) found that farmer co-operatives tend to look for legal assistance from the government if they are not able
to achieve normalisation under the law, which may have a negative impact on the independence of the enterprises.

Similarly, Mazzarol, Reboud, Limnios, et al. (2014) revealed that co-operatives, as with any organisation, do not exist in a vacuum, and so any analysis of the co-operative enterprise must consider government activity. According to these scholars, the governments have a significant influence on the creation and demise of co-operative enterprises. Key areas of government involvement that can impact on the co-operative are legislative frameworks and policies that influence incorporation and governance structures for co-operatives. Government interest in the development of the co-operatives sector varies from country to country and across time periods (Birchall, 2010; Mazzarol, Reboud, Limnios, et al., 2014).

In many developing economies, co-operatives have been given support by governments seeking to enhance the economic conditions for farmers, or as a means of boosting housing availability (Birchall, 2010; Birchall & Simmons, 2010; Giagnocavo, 2011). The previous studies indicate that the stable legal environment, together with government supporting policy, can greatly improve the performance of farmer co-operatives. These support policies for training and financial assistance have had a strong effect on agricultural co-operative establishment and development in a short period of time (Cox & Le, 2014). This finding is consistent with studies of agricultural co-operatives in China, a nation that shares many similarities to Vietnam in terms of history, domestic economies, which are predominantly farmer and rice cultivating, and the transition from formerly central planned into increasingly market-oriented economies (Garnevska et al., 2011). This is also similar to a few previous studies of farmer co-operative development in the middle and eastern area of China (Garnevska et al., 2011; Han, Qin, Zhang, & Luo, 2006; Yu, 2009). These findings are consistent with Johnson and Shaw (2014), who revealed that having to deal with potentially fluctuating policy environments, the co-operatives have faced many institutional challenges in both Africa and South America.
In developed countries, the government’s impact on co-operatives in the area of agricultural producer markets has been well documented (Mazzarol, Reboud, Limnios, et al., 2014). Australia’s bulk grain storage and handling systems is a good example. With the active support of state governments, the handling monopolies and single desk marketing systems controlling pricing and exports the Australian grains industry co-operatives enjoyed significant growth during 20th century (Mazzarol, 2011; Mazzarol, Limnios, & Reboud, 2013).

A similar pattern of government involvement can be found in the United States. Government regulation of agriculture commenced during the 1880s and legislation relating to co-operative marketing was introduced during the 1920s (Looney, 1992). Additionally, Federal Government agencies were established to assist co-operatives to enforce production and marketing rules and promote exports. The support of government aimed to promote co-operatives and their power to control market supplies (Libecap, 1997). This is similar to Sargent’s (1982) comparative analysis of co-operative development in seven developed nations which included UK, Ireland, the USA, Denmark, the Netherlands, France and Italy. The finding of the present study rejected what Van Bekkum (2001) found, showing that government policy has a limited impact on co-operative development in full-market economies. These findings are supportive of propositions 1 and 2:

**Proposition-1:** The sound institutional arrangements and good governance contribute to good performance of a co-operative. Good performance of a co-operative means better value for its members and community.

**Proposition-2:** Sound institutional arrangements are influenced by good governance and conversely, good governance is influenced by sound institution arrangements.

**Institutional inhibitors**

The research findings revealed that political institutions and economic institutions are not without their weaknesses. These issues are discussed in the following sections.
**Political and social institutions**

Several studies recently revealed that government policy is a very important factor influencing the development of co-operatives; however, any attempt to divert the purpose and resources of co-operative enterprises to the support of particular political goals adversely impacts co-operative development (Crawford, 1997; Golovina & Nilsson, 2011; Mazzarol, Reboud, Limnios, et al., 2014). This is considered as contributory factor to control-related problems in traditional co-operatives (Cook, 1995).

Mazzarol, Reboud, Limnios, et al. (2014) suggest that government policies are a very significant factor influencing the development of co-operatives. While in most developed countries co-operatives have been free of government control and have been based on the Rochdale principles of self-governance, namely, one-member one-vote with distribution of surpluses to members (Simmons & Birchall, 2008), the co-operatives in many transitioning economies were formed by governments as a means of transforming traditional economies; thus, they were manipulated by politicians to further their own interests rather than the interests of members. This top-down approach has often caused the collapse of co-operatives in these developing countries (Simmons & Birchall, 2008). Although the government plays a crucial role in providing the legal framework and enabling an environment for the co-operative to develop, any intervention should not damage the autonomy of the co-operative (Mazzarol, Reboud, Limnios, et al., 2014). For example, the state should play a key role in providing fair access to resources and markets. The relationship with the government is therefore beneficial and critical as long as it does not interfere with the management of the co-operative (Baffour Awuah & Amal, 2011).

However, the interventions of governments into co-operative governance have been highlighted by several scholars and international development organisations. In a World Bank study, Hussi, Murphy, Lindberg, and Brenneman (1993) noted the existence of inappropriate
policy frameworks and the detrimental effect of too much government intervention. At the same time, Münkner (1991) called for more market orientation and less government intervention for co-operatives. The liberalisation policies of the 1980s and 1990s began to remove government support and subsidies from co-operatives in many countries even if this was not immediately reflected in a change in the policy and legal environment. The ICA *Statement on the Co-operative Identity* in 1995 firmly declared that co-operatives are member-owned, democratically run and autonomous enterprises (MacPherson, 1995). That declaration established an international framework for co-operative policy for all countries. It incorporated the 1995 Co-operative Identity Statement and the Co-operative Values and Principles (Birchall, 2004; Cracogna, Fici, & Henrý, 2013; Henrý, 2005).

Carroll, Goodstein and Gyenes (1988), drawing on an empirical study of farmer-owned co-operatives in Hungary, found that the structure of the state has significant effects on the organisational structure as well as the behaviour of agricultural co-operatives. This indicates that the institutional environment can have a certain influence on the management process of the co-operative model in the country.

Kurjańska (2015) collected qualitative data from 19 coffee co-operatives in two regions of Peru; the author found that some agricultural co-operatives were used to implement development projects in their local communities. What remains to be explained is why these co-operatives were not free to pursue their own business commitment. Similarly, Couture et al. (2002) found that co-operatives in centrally-planned economies were subjected to considerable government interference at all levels of their operations. Similar challenges have been faced by many co-operatives in African and Asian centrally-planned economies under the pressure of adjustment policies. Additionally, critics of top-down, centralised approaches argue that decentralisation allows for better and more cost-effective fulfilment of local needs (Palmer & Engel, 2007). These scholars proposed that there is an essential need for the establishment of
favourable conditions for co-operative development in liberalised market economies, and dealt substantially with transition processes in former socialist countries.

As with many other socialist and centrally-planned economies, the emergence and development of the co-operative model in China took a top-down rather than a bottom-up approach (Liang & Hendrikse, 2013). Although the Chinese government promotes the development of farmer co-operatives in order to help farmers access markets and enhance their income, the co-operatives in China are still regarded as one of the vital tools of the government for the aim of economic development and political stability (Liang & Hendrikse, 2013; Xu, 2014). Thus, the development of agricultural co-operatives in China is heavily driven and influenced to a large extent by the state (Liang & Hendrikse, 2013; Liang et al., 2015).

In line with these findings, according to Garnevsk a et al. (2011), the development of co-operatives in north western China also faced major challenges due to excessive government intervention. The authors admitted that although their findings showed that the support by the government was very important role in establishing and developing agricultural co-operatives, it also found that too much government intervention negatively affected the development of these co-operatives. The authors proposed that government officials should find a balanced approach to foster, guide and support, but not intervene into co-operative operation and management.

The research findings in this study are consistent with these earlier studies of other developing economies. It is what Birchall (2010) found in his examination of the historical evolution of the co-operative sector in developing countries. Similar patterns of too much or too little government intervention in co-operatives in countries such as Tanzania and Sri Lanka (Birchall and Simmons (2010), Malaysia (Othman et al., 2014), and Russia (Golovina & Nilsson, 2009a, 2009b, 2011).
According to Birchall (2010) co-operatives were introduced into developing countries early in the 20th century by colonial administrators, either to centralise and control local supply chains, or assist smallholder farmers and shopkeepers experiencing poverty, with the risk of social unrest. However, these actions did not fully satisfy the best interests of the local community who comprised the membership. Such actions were paternalistic.

After independence, the new national governments of these countries began to take an active role in promoting co-operatives, and international aid agencies were also keen to support and promote them. However, these co-operatives were not fully autonomous, open, democratic or focused on the benefit of their members. Many were used as a tool to achieve political goals. For example, the ruling party or the state quickly brought co-operatives under their control to create jobs for officials and to use them for political ends. Political parties utilised them as an organising base, particular in the rural areas (Birchall, 2010).

Birchall (2010) highlighted that these post-colonial nationalist governments were often socialist in their political focus and sought political rather than purely economic outcomes from the co-operative sector. Despite this, the level of government intervention stimulated significant growth in co-operatives in countries across Africa and Asia. However, most of these co-operatives were small and often not economically viable, with one village having seven or eight different types of co-operatives. Rapid growth led in many cases to an over-supply of weak co-operatives that were badly managed and sometime corrupt. Inevitably, these governments began a period of intensification of control, culminating in some nations in the complete takeover of the sector.

Co-operatives of this kind were born from the pen of the registrar and not from voluntary association. These co-operatives were seen to be even more centrally controlled. For example, in Sri Lanka, under the Act of 1970 co-operative boards were required to consist of 15 people, only five of whom were elected by members; in many cases hardly any were elected,
and unsurprisingly there was little interest among members to stand for election. In many cases, they were not multi-purpose, retail sales were inadequate, and there was inefficient and dishonest management (Birchall, 2010).

Moreover, Birchall and Simmons (2010) identified various issues faced by the co-operatives in Tanzania and Sri Lanka which related to a lack of democracy caused by government intervention. Similarly, co-operatives throughout Asia, including Malaysia, have suffered from a lack of capital, low profitability, and weaknesses in management. This has raised concerns over the robustness of their overall business model and led to government intervention (Birchall, 2004). The Malaysian government provided a strong supporting environment for their co-operative sector, which saw significant growth during the 1960s and 1970s (Othman and Kari 2008). The National Co-operative Policy (NCP) of 2002 introduced a range of measures designed to give support to the Malaysian co-operative sector. This helped to significantly boost the growth of the Malaysian co-operatives’ sector over the first decade of the current century (Othman, Mansor, & Kari, 2014).

However, the overall long-term growth of the Malaysian co-operatives sector has not been as smooth and steady. Othman et al. (2014) show that despite the relative success of the NCP and Malaysia Co-operative Societies Commission (MCSC) in fostering growth in the total size of the Malaysian co-operatives sector, in-depth analysis of its economic efficiency has raised some concerns. As noted in that analysis, the ‘success’ of Malaysian co-operatives may be attributed more to government support than the inherent robustness of the business models or the management skills of the majority of these enterprises. This suggests that the Malaysian co-operative movement needs to be re-examined, especially with regard to its membership, governance and management.

In Malaysia, as in Vietnam, the government utilised co-operatives as a tool to assist them to accomplish national development goals. For example, the first New Economic Policy
(NCP) (1970-1990), which was focused on eradicating poverty, did not view co-operatives as being an instrumental force in economic growth. However, the current NCP (2011-2020) is focused on increasing the level of the co-operative sector’s contribution to wealth creation within Malaysia. The underlying cause of the problems facing the Malaysian co-operatives’ sector have been identified as the need to develop independent, robust, well managed and sustainable business models that are not dependent on government support for their survival (Othman et al, 2013; 2014a/b; 2016).

To explain for the slow development of co-operatives in the Russia, Golovina and Nilsson (2009a) highlighted the tendency for the Russian political leadership to decide that co-operatives should be established and that such co-operatives were then organised and coordinated by governmental agencies. Hence, these enterprises are financially supported by government, and the management is recommended by the public administration. Yet such an approach, as shown in the case of Vietnam, rarely generates vibrant, self-sustaining and member focused co-operatives.

According to Golovina and Nilsson (2011) it must be recognised that politicians and the governmental administration generally have a positive view of co-operatives. However, they also noted that the bureaucratic attitude of the administration hampers co-operative development. Co-operatives are established by the grass roots, whereby member involvement may be strong. As the Russian co-operatives are formed by governmental bodies, the producers can be expected to be less committed. In summary, the findings from this research were not only found to be very consistent with socialist countries, but also other developing countries in the world.

**Weak enforcement of government policies**

Frances (2004) argued that political institutions create the political processes that issue legislation and regulation. These institutions also determine the legal system and control the
processes that produce and enforce the law. Co-operative evolution with weak institutions not only grows more slowly in the long term, but experiences greater instability (Frances, 2004). According to Nyoro and Ngugi (2007), weak legal and regulatory frameworks lead to corrupt and manipulative behaviour and weak regulatory environments also make co-operatives vulnerable to exploitation by deceitful businessmen. Moreover, Coulter and Onumah (2002) identified that the lack of supportive regulatory framework and disabling policies are among the issues that affect the development of market-oriented co-operatives.

Due to the lack of appropriate support, close monitoring and enforcing evaluation processes, the system of current policies has failed in facilitating the co-operatives to solve their problems. According to Oxfam (2015) ineffective and impractical policy systems is one of the main obstacles which currently constrain the development of mutual enterprises and other mutual models in Vietnam. Additionally, this is also attributed to slowing growth and the transformation process of mutual enterprises in this transitional economy. Consequently, many co-operatives have to terminate their businesses or their names just exist on papers; this may cause negative perspectives for external stakeholders on reviewing the co-operative model. Having a clear set of criteria and methods to evaluate the policies which directly relate to facilitate the development of co-operatives is very important.

These results are also consistent with what has been found in Russia (Golovina and Nilsson, 2011). The weak position of the top-down organised co-operatives in the Russian agriculture sector is attributable to poor knowledge among the government officials who initiated these co-operatives. They advocated only one model, namely the traditional co-operative model, which is characterised by unallocated equity, collective decision-making, equal treatment, and other co-operative principles. However, a traditional co-operative is not necessarily the best one under the existing socio-economic conditions (Golovina & Nilsson, 2009b).
Economic institutions

In relation to the role played by economic institutions in the development of Vietnamese agricultural co-operatives, two key factors emerged from this study. The first relates to the lack of working capital within these co-operatives, which is associated with the relative poverty of the members and the difficulty faced by many co-operatives in securing financial credit, particularly as many lack physical assets (e.g., land or buildings). The second is the relatively weak linkages that exist between these co-operatives and other enterprises within their markets and supply chains. These two issues are discussed below.

Inadequate working capital

Lyne and Collins (2008) explained that traditional co-operatives struggle to raise equity capital due to the free-rider, horizon, portfolio and control problems. According to Ortmann and King (2007a), agricultural co-operatives are also businesses by nature, so they need capital. If the co-operative does not have equity or assets financed from equity, they may be faced with the difficulty of borrowing. Financial institutions are profit-making organisations that are risk-averse and are designed to make as much profit as possible at minimal risk for their shareholders. Hence, the higher the project risk, the less likely the co-operative will get funding without collateral (Ortmann & King, 2007a).

However, financial assistance may also contribute to free-rider problems as this may attract members who are after personal benefit and not committed to co-operative success. Chibanda et al. (2009) revealed that some farmers were establishing co-operative as a mean of getting government grants other than forming a genuine co-operative enterprise. This can help to explain the reasons for not getting loans from the local banks. Other empirical research has also emphasised how essential having adequate capital is to the success of co-operatives. For example, several scholars have found that financial support might enable co-operatives to develop faster and grow larger in a short period of time. A general shortage of capital would
limit the scope of the business and further development of co-operatives in many developing countries (Bruynis et al., 2001; Garnevska et al., 2011; Grashuis & Cook, 2017; GRASHUIS & SU, 2018; Shariff et al., 2016).

**Weak linkage with other enterprises**

From an NIE perspective, co-operatives can be viewed as a form of horizontally integrated organisation in which members surrender some control rights to a manager in return for economic benefits and voting rights (Lyne & Collins, 2008). With these arrangements, members gain collective bargaining power and other benefits through size economies that are otherwise unattainable by individual smallholders.

Co-operation with external stakeholders, suppliers and customers is one of the strengths of any co-operative enterprise. Co-operation is primarily based on self-regulation, which can be achieved through adequately wide stakeholder participation, including with the broader community. By building networks with several local and international associations, non-governmental organisations and trade unions offer the co-operative enterprises the opportunities to be successful in business activity (Birchall & Simmons, 2004). For example, co-operative networks, between primary co-operatives, co-operative associations, national alliance, and International Co-operative Alliance have the potential to allow co-operative accessing to resources, training courses and markets (Birchall, 2010).

In establishing linkages for small-scale producers through joint marketing and in seeking new markets and in negotiating prices in national and international markets, co-operatives are considered as the most appropriate model. A number of smallholders are getting advantages from these linkages (Ton, 2010; Vorley & Proctor, 2008). Co-operatives that link together credit, production, storage and marketing were established in Uganda (Borda-Rodriguez & Vicari, 2013). Hartley (2014) has shown how co-operative networks can provide additional benefits to the economic aspects. The author asserted that being part of wider networks is one of the dimensions that enable the co-operatives to develop, bringing access to
training for their members. This dimension is also highlighted by Hannan’s (2014) study showing that the co-operative’s governance should promote access to bigger networks that would bring benefit to both the co-operative and the wider community.

Building relationships with suppliers, customers, businesses, other co-operatives, supporting infrastructure (which includes educational institutions, utilities, the regulatory framework, market transparency), and the community around it is an essential component contributing to the co-operative enterprise’s success (Birchall & Simmons, 2004; M. E. Porter & Kramer, 2011). M. E. Porter and Kramer (2011) point out those factors are crucial determinants in driving productivity, innovation and competitiveness.

From a network perspective, this provides a means of scaling up operations by building more extensive networks through these external stakeholders (M. E. Porter & Kramer, 2011; Simmons & Birchall, 2004). However, the potential for expanding participation in networks is affected by perceptions of other network partners (Parnell, 2001) and their willingness to transact. Inside a network the interaction moves away from pure economic drivers to factors driven by social dynamics (Granovetter, 1992). The trend towards social dynamics suggests that building personal relationships through trust and good governance is critical in building strong networks. These findings support both proposition 1 and proposition 7:

**Proposition-2:** Sound institutional arrangements are influenced by good governance and conversely, good governance is influenced by sound institution arrangements.

**Proposition 7:** By promoting good policies, democratic governance and the co-operative values and principles the more likely the co-operative will strengthen member identity and therefore improve member commitment with the co-operative.

**Conclusions**

This chapter has compared and contrasted the research findings with the literature. The research identified several institutional factors which contributed to the success and sustainability of the
co-operatives under study. These factors include the supportive environment where the co-operative are operating, the enabling legal environment which created the favourable policies to facilitate the development of co-operatives, the deep intervention of government in establishing and governing the operations of the co-operative which may inhibit the performance of co-operative, the economic institutions which ignored government policies and were not willing to offer loans for co-operative enterprises, and the lack of linkages between co-operatives and other enterprises which made their performance become less effective.

Applying NIE theory, this research suggests that the legal environment and appropriate government policy and support are extremely important for the successful development of co-operatives which is in turn lead to better value for its members. The Co-operative Law of Vietnam has set up the legal framework to foster the establishment and development of commercialised agricultural co-operatives at the national level. However, the case studies presented in this study have illustrated that not only national institutions’ influences but also those of local and organizational level are equally important. These factors are consistent with what has been stated in the literature.
Chapter 15 Conclusions and Recommendations

Summary of the chapter

In this chapter the conclusions and recommendations are discussed. For clarity purposes, the conclusions are based on the research questions of the study and theoretical propositions. The chapter also presents recommendations primarily based on the empirical findings reported in chapters 8, 9, 11, and 13. The recommendations are targeted at policy-makers, management board, co-operative promoters, NGOs and other stakeholders in an effort to improve the member value-creating ability of the agricultural co-operatives studied. Particular attention is given to institutional changes that would help to reduce capital constraints, considering changes possible within the limits of existing legislation, and alternative solutions that require amendments to the 2012 Co-operative Law. Based on the findings of this research project, combined with the findings of the comprehensive literature review, emerging co-operatives would increase their chances of success by adhering to the recommendations in the following parts of this chapter.

Introduction

The main objectives of this thesis and the study that it is based on were two-fold: i) to look into factors that either stimulate or discourage development and functioning of agricultural co-operatives in a context of moving from a centrally planned economy to open market system, and ii), to make recommendations aimed at improving their ability to create and sustain value-adding activities. The study drew on New Institutional Economics (NIE) literature and the conceptual framework for research into co-operative enterprise developed by Mazzarol, Reboud, Limnios, et al. (2014) to recognise key propositions about relationships between these determinants of co-operative performance and their value adding activity. The field data was found to provide support for the theoretical propositions outlined in chapter 3. This study was
particularly relevant in light of the key role that agricultural co-operatives are expected to play in diversifying Vietnam’s agricultural sector and enhancing its competitiveness in both local and global markets. The study aimed to answer the following research questions:

**RQ1:** What does the historical evolution of Vietnamese Agricultural Co-operatives tell us about the nature of existing institutional and governance structures?

**RQ2:** How have institutional factors influenced the MVP of Vietnamese Agricultural Co-operatives?

**RQ3:** How have governance factors influenced the MVP of Vietnamese Agricultural Co-operatives?

**RQ4:** What changes to institutional factors relating to Vietnamese Agricultural co-operatives might improve performance?

**RQ5:** What changes to governance factors relating to Vietnamese Agricultural co-operatives might improve performance?

The research relied on qualitative, multiple-case study approaches to gather and analyse information from field work and secondary sources. Eight agricultural co-operatives were purposefully selected for in-depth interviews. Four of the co-operatives were located in North and the other four in the South of the country. The primary empirical findings which responded to the research questions were presented within the respective chapters (Chapters 4, 8, 9, 11, 13, and 14). While Chapters 8 and 9 created a general research results with the facilitation of NVivo software, chapters 11 and 13 went into within case and cross-cases analysis with help of Leximancer software, the comparison of codes which emerged from NVivo were compared with those of Leximancer to increase the credibility of the findings.

The first research question RQ1 was aimed at examining the evolution of agricultural co-operatives and the role that government agencies have played in this process. It was satisfied by documenting the institutional, governance, management and member value attributes of the agricultural co-operatives sampled. The next two research questions, RQ2 and RQ3 were aimed
at examining internal and external factors that either stimulate or discourage development and functioning of newly established agricultural co-operatives in a context of a transitional economy such as Vietnam. They were satisfied by analysing empirical data from the file trip in Chapter 8, 9, 11, and 13. The last two research questions, RQ4 and RQ5, were addressed by the recommendations in this chapter which are primarily based on the empirical findings reported, combined with the findings of the comprehensive literature review.

The remainder of this chapter synthesises the key findings and recommendations of the study in relation to the five research questions. It draws the study’s contribution to the current literature, its limitations and recommendations for future research. The main findings can be summarised in the following several points. For clarity purposes, the conclusions are based on the research questions of the study. From the review of co-operative theory and practice in this research, several key points can be highlighted which contributed to addressing the first part of RQ1.

**Research Question 1**

RQ1: What does the historical evolution of Vietnamese Agricultural Co-operatives tell us about the nature of existing institutional and governance structures?

**Stakeholders in agricultural co-operative development and their main characteristics in Vietnam**

To answer RQ1, the focus should be placed on the stakeholders of co-operatives and their primary characteristics as illustrated in table 15.1. While farmers are reluctant to form co-operatives, other actors do show an interest in, and play a role in, co-operative development. When looking at the driving forces of co-operative promotion in Vietnam, four major stakeholders can be identified, as summarised in table 15.1
Table 15.1: Stakeholders in agricultural co-operative development and their main characteristics in Vietnam

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Main roles</th>
<th>Main embedded resources</th>
<th>Main incentive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration (bureaucratic entrepreneurs)</td>
<td>Initiators and controllers</td>
<td>Political resources; Organizational and Management skills</td>
<td>Political, develop local economy</td>
</tr>
<tr>
<td>International development organisations, and</td>
<td>Initiator, advisor, trainer, and financial assistant</td>
<td>Financial resources; Organizational and Management skills</td>
<td>Contribute to the country’s poverty reduction and empowerment goals</td>
</tr>
<tr>
<td>academic institutions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agricultural Entrepreneurs</td>
<td>Initiator, owners and controllers</td>
<td>Natural and capital resources; organizational and production skills</td>
<td>Income; increase production and better Marketing</td>
</tr>
<tr>
<td>Rural farmers</td>
<td>Beneficiaries and participants</td>
<td>Natural resources; production skills</td>
<td>Income; access to markets and services</td>
</tr>
</tbody>
</table>

(Cox & Le, 2014; Sultan & Wolz, 2012; Wolz & Bao Duong, 2010)

Besides the members, managers and employees of the co-operatives, the government, the Communist Party, and the local administration might have an interest in the co-operative’s development and services. As identified in other studies in Vietnam (Cox & Le, 2014; Sultan & Wolz, 2012; Wolz & Bao Duong, 2010), agricultural co-operatives are in general not initiated by farmers, but by rural officials from governmental bodies such as the People’s Committee, the Communist Party, Labour Unions, or Financial institutions which took responsibility for setting up a co-operative, and encouraging people to join in. Later on, the leadership role was delegated to devoted members through annual members’ meetings. Therefore, the relationship between local administrations and agricultural service co-operatives is very close.

Farmers who are expected to benefit from being users of the co-operative were not identified as the principal promoters (Sultan & Wolz, 2012). While the most important role in setting up the co-operative is played by the government, other institutions such as agricultural entrepreneurs, academic institutions, and especially international development organisations
seem to be the important supportive forces, mainly in technical, professional, and financial areas (Sultan & Wolz, 2012; Wolz & Bao Duong, 2010).

**The administration and governance of co-operative sectors in Vietnam**

The position of Vietnamese co-operative sectors in Vietnam should also be examined. As can be seen from figure 15.1, co-operatives have been a bridge linking the government with people to effectively implement the activities of socio-economic development in rural areas. The growth of the Vietnamese co-operative was driven both from the top down (the government and other authorities encouraging people to join co-operatives) and the bottom up (local people willing to work collectively to meet economic and social needs).

In its reformed phase, the policies and guidelines issued by the government for the development of co-operatives identified and retained the significant roles of co-operatives in the economy as: i) an efficient institution for farmers, small producers and poor people to develop and achieve economic, social and cultural objectives; ii) a mechanism to secure political and social stability and balanced development; and iii) as a foundation to strengthen the national economy.

In short, from the above conclusion, the RQ1 can be addressed as follows. In Vietnam, agricultural co-operatives have been established and developed since the end of the 1927. The existence and development of agricultural co-operatives have undoubtedly played a significant role in agricultural production and rural development. However, the case studies presented here have demonstrated that not only national institutions’ influences but also those of the governmental bodies at a local and organisational level are equally important. Under the central planning economy, agricultural co-operatives used to directly manage the land, organise production activities and the input supply as well as the marketing of the products.
However, the launch of a series of renovated agricultural policies since 1988 has given added vigour to the agricultural co-operatives. Since then, the co-operatives have changed from the direct production managers into the rural economic organisation that supports the agricultural productions of farm households. This research argues that the legal environment and appropriate government policy and support are extremely important for the evolution of co-operatives. In other words, the Vietnamese government has been playing a significant role in introducing, forming and developing co-operatives during the last six decades.

Conceptual framework of co-operative development in Vietnam

By summarising the empirical research results, this study aims to respond to the RQ2, RQ3, RQ4, and RQ5 in the following parts. As mentioned by Mazzarol, Reboud, Limnios, et al.
Co-operatives, as with any organisation, do not exist in a vacuum. To fully understand the nature of the co-operative enterprise it is important to examine the systems level environment that surrounds them. Systems level analysis enables the examination of persistent problems that exist between the key actors in its external environment (e.g., members, customers, suppliers, the government and competitors) and the real-world experiences of the co-operatives’ management and board. The results of the study are summarised in the conceptual framework, which is reflected in Figure 15.1 The framework is made up of internal and external factors.

![Conceptual framework of co-operative development in Vietnam](image)

Co-operatives are primarily established to meet economic or social needs within the communities which are not being met by the Government, other public sector organisations, or through private investment. In particular, agricultural co-operatives play the role of organising production for small scale farmers, common quality certification, common market access and
linking with businesses in the value chain. As illustrated in figure 15.1, the research findings found that both in internal and external factors that either stimulate or discourage development and functioning of newly established agricultural co-operatives in the context of a transitional economy.

The theoretical propositions derived from the conceptual model in chapter 3 were tested against the data using a ‘pattern matching’ approach. The findings documented in Chapters 8, 9, 11, and 13 strongly confirmed these theoretical propositions by relating the co-operative’s observed value-adding activities to its institutional and governance factors as presented in Chapters 12 and 14.

**Research questions two and four**

RQ2: How have institutional factors influenced the MVP of Vietnamese Agricultural Co-operatives?

RQ4: What changes to institutional factors relating to Vietnamese Agricultural co-operatives might improve performance?

RQ2 and RQ4 were summarised in the following part through the analysing of high and low performance co-operatives. The cross-comparison of the co-operatives revealed that all the co-operatives studied had very similar, conservative institutional arrangements. As a result, the small differences observed in their levels of value-creating could not be attributed to differences in their institutional arrangements.

**External factors**

The evolution of co-operatives in Vietnam was found to be greatly enhanced by the drive and support of external stakeholders to the specific communities where the co-operatives were formed. The most important external contributors were the Vietnamese Communist Party, devoted authorities, national co-operative alliance representatives and a few international
development organisations. In fact, the field data clearly showed that in most cases a compelling need of community members inspired the idea of forming a co-operative while the idea became reality with the active support of local authorities. Initially, dedicated leaders from governmental bodies such as the People’s Committee, the Communist Party, the Labour Union, or the Veterans Union were in charge of building up a co-operative, and encouraging people to take part in it. Later on, the leadership role was delegated to dedicated members through annual members’ meetings. More importantly, the study found that government policy has played an extremely significant role in the formation and development of Vietnamese agricultural co-operatives. While the most important role in setting up the co-operatives is played by the governmental bodies, appropriate support from several international development institutions (such as CIDA, SOCODEVI, DID, and CCA) have over time also played a key role in the successful development of farmer co-operatives in Vietnam, mainly in financial and technical areas.

However, external support is not without weaknesses. This study found that although an extensive range of support policies is available to co-operatives, there are still some problems with their implementation. The legal framework and policy system to support the development of co-operatives is not appropriate and lacks synchronism. Other problems include i) inconsistent perceptions of co-operatives: rapid changes in the law and lack of participatory consultation in law building; as a result, the awareness of agricultural co-operatives at all levels, sectors and farmers on the role of agricultural co-operatives is not the same as the nature of co-operatives under the Co-operative Law 2012; ii) the policies have not been consistently implemented across agencies or at different administrative levels; iii) the state management apparatus of co-operatives lack capability; iv) there is a lack of breakthrough mechanisms and policies to give strong and practical support to the co-operative; v) legal guidance documents are issued slowly and inadequately; vi) some localities have administered
co-operatives incorrectly, and showed over-intervention; vii) there is a lack of consultancy service in co-operatives (establishment, management) in local and business linkage; viii) there is a lack of training, leadership and business capabilities in new types of co-operatives; ix) the mechanism of credit and land access for co-operatives is limited; x) the tax regime is not reasonable for new co-operatives; and xi) support policies measures do not enable a favorable environment for the starting of a co-operative business, but mainly provide input support via financial cover.

The history of the co-operative movement in Vietnam is very similar to other developing countries around the world as discussed in chapter 14. Most of the governments of these countries have utilized co-operatives as a tool to achieve their desired purposes or interfere heavily in the governance of the co-operatives. In this way, the co-operatives have often increased in numbers and in memberships, but these are typically unsustainable without ongoing government support. They also fail to achieve the co-operative vision and purpose.

In sum, the development of co-operatives in Vietnam has been greatly influenced by the external environment and political approaches to co-operative promotion. It is concluded that both formal and informal institutions have shaped the way in which co-operatives are understood and utilised by farmers in this country; thus, using co-operatives for development purposes requires a basic alignment between the features of institutional environment and co-operative organisational characteristics. If stimulated properly through positive policy changes, co-operatives can prove to be powerful tools to empower their members and as well as contribute to the development of communities. There is also much potential for utilising the co-operative model for purposes of rural development. However, co-operatives in transitional economy settings require legal clarity that not only sets them apart from other types of firms in the market but also from degenerated forms of co-operatives that exist to serve interests of politicians rather than co-operative members and their communities. Additionally, the
government should be aware of the constraints which hinder the evaluation of co-operatives in order to amend the law and policies in an appropriate way to facilitate the co-operative development in the coming time.

**Addressing the generic problems**

This finding is consistent with NIE theory, which suggests that agricultural marketing co-operatives that adopt traditional institutional arrangements are less likely to add and sustain value-increasing activities due to the inherent of institutional problems (namely, horizon, free-rider, portfolio, influence and control problems) (Cook, 1995).

The information in Table 15.2 suggests that agricultural co-operatives in Vietnam would face free-rider, horizon, portfolio, control, and influent cost problems. While free-rider, horizon, and portfolio problems cause insurmountable problems such as constraining investments in and growth of the co-operative initially, as the co-operative is established, control and influence cost problems could also emerge as the co-operative grows and expands its membership and activities. Promoters and leaders of co-operatives should be aware of these problems and their likely impacts on the evaluation of co-operatives.

The management board and government bodies of co-operatives should also keep an open mind about the lifecycle of co-operatives (Cook, 1995), and that members may later pressure managers and directors to convert their co-operative into an ownership form that may be more efficient, such as a new generation co-operative or an IOF. In addition to these inherent weaknesses of traditional co-operatives, causes of co-operative failures developing and transitional economy also need to be closely studied in order to avoid similar pitfalls in future.

**Table 15.2: Inherent weaknesses of traditional co-operatives and their likely applicability to new style co-operatives in Vietnam**

<table>
<thead>
<tr>
<th>Inherent Weakness</th>
<th>Applicability</th>
<th>Evidences</th>
</tr>
</thead>
<tbody>
<tr>
<td>Free-rider (Common property) problem</td>
<td>Yes</td>
<td>Voting on a one vote per member basis</td>
</tr>
</tbody>
</table>
| Problem                      | Yes | Large amount of collective capital  
|------------------------------|-----|------------------------------------  
|                              |     | Open membership (the same price for their produce as long-standing members)  
|                              |     | A substantial amount of unallocated capital is high  
|                              |     | External assistance (financial support)  
| Horizon problem              | Yes | An unwillingness to invest in the co-operative over the longer term  
|                              |     | Shares are untradeable by law (nonredeemable)  
|                              |     | Low levels of investment  
|                              |     | Shortage of capitals  
|                              |     | Skilled staff and less skilled staff  
|                              |     | Old style co-operative  
| Portfolio problem            | Yes | Low levels of investment  
|                              |     | Shares are untradeable by law (nonredeemable)  
|                              |     | Low levels of education, lack of production and management skills training  
|                              |     | Weak marketing arrangements  
|                              |     | Low returns to members as patrons or investors  
|                              |     | The level of heterogeneity becomes higher  
|                              |     | Difficult to ask members to contribute more capital  
|                              |     | Weak linkage with other enterprises  
| Control problem              | Yes | Government over intervention  
|                              |     | The relative lack of expertise on co-operative boards  
|                              |     | Lack of democracy  
|                              |     | Reliance on government and donor funding  
|                              |     | Divergence of interests between management board and members of co-operative  
|                              |     | Reliance on external support  
|                              |     | Skilled staff and less skilled staff  
|                              |     | The one member-one vote basis of governance  
|                              |     | The absence of external scrutiny  
| Influence cost problem       | Yes | Political intervention  
|                              |     | Ineffective governance structures  
|                              |     | Small scale co-operative (business volume)  
|                              |     | Reliance on government and donor funding  

Low returns to members as patrons or investors
Diversified services lead to higher overheads
Remaining low lucrative services for a group of members

In summary, a number of the institutional issues identified in this study have been found that greatly affected the performance and eventual sustainability of agricultural co-operatives in Vietnam. These issues were consistent with what had been found in most of the literature (especially in the developing countries). NIE theory suggests that a co-operative’s ability to create and sustain value-increasing activities depends on its institutional arrangements and related governance. They were generally related to five inherent problems (Cook, 1995), which were control-related and investment-related in nature, as argued by (Nilsson, 2001).

According to Cook (1995) the institutional problems faced by traditional co-operatives include free rider, horizon, portfolio, control, and influence cost problems caused by vaguely-defined property. Nilsson (1999) identified that free-rider, horizon and portfolio problems are investment-related while control and influence cost problems are decision-related. Chibanda et al. (2009) argued that a traditional co-operative may be challenge by free-rider, horizon and portfolio problems at the first stage of its establishment, while control and influence cost problems could also emerge as the co-operative develops and enlarges its membership and business volume. These inherent weaknesses would constrain and weaken the establishment and development of co-operatives in the transitional economy like Vietnam.

Research questions three and five

RQ3: What changes to institutional factors relating to Vietnamese Agricultural co-operatives might improve performance?

RQ5: What changes to governance factors relating to Vietnamese Agricultural co-operatives might improve performance?
RQ3 and RQ5 were related to identification and analysis of the internal factors at the co-operative level which were either facilitated or hindered the value-creating activities of the co-operatives. Although there are a number of differences in characteristics and management capacity of high and low performances co-operative, the cross-cases analysis showed general picture about internal environment of the co-operative in Vietnam as following:

**Internal Factors**

Vietnamese agricultural co-operatives have experienced huge changes and transformation in the last decades and are still in the transformation phase, whereby there is a slow conversion of the old-type co-operative to the new co-operative type guided by the 2012 Co-operative Law. The successful cases of high-performance co-operatives outlined in this study suggest that the new model of co-operatives could work well in the context of a transitioning economy.

The research findings revealed three primary factors which created the favourable environment for the establishment and development of co-operative. First, the co-operative has met the members’ needs as it addressed concerns of members and offered them real social and economic benefits. Data analysis illustrated that most agricultural co-operatives have been able to provide valuable services to their members, especially input supply, marketing and selling of agricultural outputs. Some co-operatives have diversified their services by mobilising investment capital, developing production planning, and building market share, creating jobs and achieving high returns. Second, under the 2012 co-operative law the organisational structure of co-operatives has become more effective as the number of management board members was reduced from 30 to 7 members. This also allows co-operatives to be more flexible in running their business, the communication between the management boards and members becomes more effective, and it save a lot of overheads. Successful co-operatives in Vietnam were observed to have a governance structure that keeps boards and members in touch with each other. Finally, high level of member commitment towards their co-operative is also
significant contributor. Data from the study showed that trust in committed management board, high level of members’ homogeneity, a lack of alternatives, and benefit incentives are the core contributory factors of members’ commitment. All Macro, Meso and Micro level informants confirmed that these factors are considered as significant contributors to the process of co-operative development.

The new type of co-operative has many difficulties in management capacity, access to capital and land, small scale of operation, member participation and low sustainability. Three of the most important problems which were reported repeatedly by informants are weak management capacities, lacking of working capital, and low member participations. Firstly, the quality of human resources in the management of both high and low performance co-operatives is currently low. Currently, the qualifications of the main staff of the co-operative is limited, since they lack special training in the market. Business and production development have not kept pace with the development of the market mechanism, and there is a lack of acumen and dynamism in the organisation of production and business. Secondly, the average capital of agricultural co-operatives is low. Most of the agricultural co-operatives lack capital for production and business; it is difficult to access loans from credit institutions due to the need to mortgage their assets, meanwhile, difficulties in mobilising capital from members affects the production capacity and competitiveness of co-operatives. Finally, the low member participation as a result of poor reputation caused by the negative impact of the former planning mechanism, misconceptions about new styles of co-operative in the community, and the lack of democratic governance mechanism in the top-down co-operative.

In the future, the state needs to institute policy that creates a fair business environment for co-operatives, promotes capacity strengthening and also changes the credit assessment conditions for agricultural co-operatives. More importantly, agricultural co-operatives should actively improve their capacity to continue and properly implement cooperation agreements.
with enterprises on business and production planning, information recording, internal quality management and traceability. Co-operatives need to be proactive in planning production and expanding potential markets to promote the expansion of scale and model in the co-operative.

The validation of conceptual framework for research into co-operative enterprise and NIE

This study has sought to fill a gap in the current academic literature and has applied the conceptual framework which examines co-operative behaviour at three levels, the macro-economic or “systems level”, the “enterprise level” and the “member level” developed by (Mazzarol, Reboud, Limnios, et al., 2014). As Mazzarol, Reboud, Limnios, et al. (2014) argued that the most significant purposes of investigating an institution from a business model perspective is to get to know how its activities can be arranged in order to offer values for all its stakeholders. This framework allows scholars and managers understanding the behaviours of the co-operatives as well as how co-operative enterprises utilise the existing resources to optimise their configuration and goals.

The study tested the impact of the theoretical framework’s parameters on the diverse historical evolution of Vietnamese agricultural co-operatives by analysing the impact of external “systems level” factors, such as government regulation, political institutions, economic institutions, and international assistance on driving and shaping co-operative strategies. While the internal “enterprise level” environment, in particular the configuration of co-operative purposes, governance capacities were identified as a critical determinant of co-operative resilience over time. These findings highlight the importance of the development of enabling legal environment, management capacity, the viability and organisational structure, member value, identity and commitment within co-operative enterprises in the process of co-operative development.
The study finds support for the conceptual framework and the theories as useful research tools. As the findings confirm evidence in this study that is consistent with the conceptual framework’s parameters on the co-operative business model. This result is also in line with other empirical researches were conducted by Mazzarol et al. (2012), Limnios and Simmons (2012), Limnios, Mazzarol, Schilizzi, et al. (2014), Clark et al. (2014), Mazzarol (2015). Moreover, this business model framework was examined in a major international research programme of co-operatives (38 co-operatives in 16 various countries) addressing a series of research questions using historical narratives, interviews, surveys and case studies (Mazzarol, Reboud, Limnios, et al., 2014).

As discussed in the literature review, NIE theory is a very useful tool to analyse the behaviour of co-operative enterprises. It highlights the causal relation between institutional arrangements and co-operatives’ structure and characteristics. This study also acknowledges the contributions of the NIE theory.

**Practical contributions of this study**

The lessons from this research are expected to be applied effectively for the sustainable development of agricultural co-operatives in the context of Vietnam and other developing countries. First, the results made a significant help to improve the understanding of challenges facing agricultural co-operatives. Therefore, the government, policy makers, development partners, donors and promoters of co-operatives can recognise co-operative-related policy and regulatory frameworks that need to be amended to enhance co-operatives’ performances. Second, policy implementation has to be monitored closely as it is the key to delivering intended outcomes and this is particularly important at the local level. It is important to make timely adjustments that are relevant to sectoral and local conditions to support the growth and development of co-operatives.
Third, the findings of this study call into question of the policy and legal and regulatory framework’s implementation and adherence, knowledge of smallholder farmers on co-operative philosophy, values and principles, knowledge of promoters’ effective extension to co-operatives and the government and donor’s financial and material support to co-operatives over other forms of business organisations which smallholder farmers could use to increase their income and wealth. Finally, the government should also focus on quality and efficiency of the newly formed co-operatives and not only on growth of the quantity. The formation of co-operatives should be based on voluntary participation.

To the co-operative management boards and members

The motivations of participants give information about the way in which managers of a co-operative should shape their member participation strategies. Hence, the results suggest that management board should pay sufficient attention to members’ characteristics, perceived values, needs, satisfaction and goals because the survival of any co-operative ultimately depends on the commitment and participation of its members. In addition, to overcome these inhibitors and gradually enhance participation, there is a need for better training which focuses on management skills, social and pedagogical skills for the co-operative leaders; this is a requirement for sustainable development of these social institutions. Importantly it is better to choose highly respected and skilful managers for a co-operative because trust plays a crucial role in members’ participation in governing co-operative. Moreover, management boards should not ignore the opinions of members and must maintain good contact with these members. Good leaders should encourage members’ participation in co-operative management to create more value for their members. Finally, diversifying products, upgrading technology, introducing innovation have the potential to increase efficiency and this will help co-operatives to add value, become more competitive and move up the value chain.
Theoretical contributions of this study

One of the primary objectives of examining an organisation from a business model perspective is to understand how its activities can be configured in order to deliver total value for all its stakeholders. Taking into account profound changes and volatility within the system of Socialist-oriented market economy in the last three decades and in the external environments (the process of regionalization and globalization), this study suggests that the conceptual framework outlined by Mazzarol, Simmons and Mamouni Limnios (2014) also offers both researchers and managers a potentially useful tool to understand mutual enterprises’ behaviours not only in the capitalist system countries, but also in the socialist system countries where co-operatives have been effected greatly by governmental interventions, as it highlights the causal relation between institutional arrangements, co-operative’s structure, and characteristics in the transitional economy like Vietnam. The conceptual framework of this study recognises the need for attention to be given to the interplay between the member, the co-operative and the wider social and economic system in which these two actors exist. This study acknowledges the contributions of this framework.

In terms of theoretical contributions, the research first helps co-operatives’ promoters, policy makers, legal and regulatory institutions, academicians and the co-operators to understand institutional and governance issues related to top-down co-operatives’ philosophy, values and principles of a socialist and transitional economy like Vietnam. Secondly, it helps stakeholders in academic sector in designing academic and training curriculum in co-operatives development; training or reference manuals on co-operative formation and management; and assessment tools for auditing co-operatives’ organisations and enterprises. This study is also believed to be helpful to other researchers as a stepping stone to organisational and business development of credible, viable and sustainable agricultural co-operatives in developing countries.
Even though the results of this study may not be fully generalised for the whole of Vietnam or for all developing economies, it provides a pragmatic advocacy’s entry-point for co-operatives’ advocates for government, other policy makers, development partners, donors and promoters of co-operatives in the country to revisit the co-operatives legal and regulatory framework and implement policy measures suitable for the development of appropriate co-operatives structure and systems for smallholder farmers.

In summary, Vietnam is a country in transition from a centrally planned economy to a market-oriented economy. Co-operatives in Vietnam have a long history of development; however, as with other countries which are under a socialist system, co-operatives are socio-political organisations partly led by the Communist Party. It can be argued that they have been greatly affected by political interference. Farmers, for this reason, were not keen to join, while other stakeholders, especially Vietnamese scholars, underestimated the contributions of these co-operatives.

To the author’s best knowledge, no prior studies have been carried out regarding the interactions between governance-institutional factors and the performance of co-operatives in the one-party government context of Vietnam, as well as the design of incentive mechanisms that can allow the co-operative to work effectively. This research, therefore, produced substantial contributions to the existing body of knowledge by offering various empirical evidences of the crucial factors that can secure state-led co-operatives’ sustainability in Vietnam.

**Limitations**

This study faced some challenges emerging from the choice of the research methodology and scope of the study.
Practical perspective of limitation

First, due to the limitation of resources, the study concentrated only on one industry (agriculture). If the research encompassed other industries, the outcomes would have consisted of a more complete picture of co-operatives across industries. Second, Vietnamese co-operatives are under the management of three different government agencies, namely the Ministry of agriculture and Rural Development, the Ministry of Planning and Investment, and the Vietnam Co-operative Alliance. Statistical reports, however, issued by these agencies are heterogeneous. Therefore, it is expected that the validity of secondary data was a big challenge. Last, due to the high rates of illiteracy in the rural areas of Vietnam, some of the respondents are illiterate; moreover, the poor conditions of infrastructures are the other factors contribute to these challenges.

Theoretical perspective of limitations

Perhaps the most significant general limitation of using the qualitative method is the amount of time and effort that it requires (Belk et al., 2012; Dudwick, Kuehnast, Jones, & Woolcock, 2006). Employing this approach typically requires extensive periods of time in the field and requires the researcher to be heavily involved with their research subjects. Additionally, adopting a qualitative method, it does not rely on a large sample as with a survey approach. As this approach has been proven to be a sharp tool to solve the research questions posed by this research; however, broad generalisation to a large number of co-operatives can be problematic.

While this is clearly a benefit of the method in terms of the depth of understanding of the phenomenon that it requires, for DBA research it is also a significant limitation due to high level of resources (time and financial) that are required to conduct research in this manner. Qualitative data collection approaches also generate large volumes of rich data and the analytical approach involved is intensive, time consuming, absorbing and often simply
confusing as you are forced to continually interact with your data and develop and refine theoretical interpretations of what you are seeing and reading (Belk et al., 2012). It forces an ongoing commitment to thinking analytically and conceptually about your data from the beginning of the study until final write-up which is highly rewarding but also exhausting at times. Related to the above point, a common criticism of case study research is that findings provide a poor basis for generalisation.

Finally, Transaction Cost Economics (TCE) approaches was not presented in details in this study such as the reason for the emergence of the co-operatives, their investment behaviour vis-à-vis investor-oriented firms (IOFs). As this research is on the grounds that TCE theory was not a major focus of the final study.

**Future research**

The study was successful in identifying the contributors that affect the sustainability of the co-operatives. However, there are also significant limitations which require further researches that rigorously test its validity and applicability in larger and more diversionary samples of co-operatives to be conducted. The following areas are suggested for future research.

First, the limitations of the study are primarily related to the methodology as various segments of a population are sampled and data are collected at a single moment in time. However, the literature review revealed that those successes factors in co-operatives are better understood if we collect data at different times. Therefore, the future study needs to provide longitudinal data to examine continuity of response and to observe successes that occur over time. Quantitative approaches or the combination qualitative and quantitative methods are highly recommended in further researches to explore these issues through the survey of a larger sample with members drawn from a wider range of co-ops of different kinds.

Second, the co-operatives that were interviewed were only agricultural co-operatives and may have unique characteristics that will not transfer onto other types of mutual
enterprises. Further research could also be undertaken on co-operatives which are involved in animal husbandry, fishery, handcrafts, retail, banking, finance, and other co-operatives. These co-operative enterprises may have quite different dynamics.

Finally, since the government plays a significant role in agricultural co-operative development in Vietnam, especially at their establishment and initial steps of co-operative development, further studies need to be undertaken to identify the most appropriate approaches that government could take to foster the successful development of farmers’ co-operatives but without over-intervention.

**Recommendations**

As discussed in the literature review, NIE is concerned with the social, economic and political institutions that govern everyday life (Kherallah and Kirsten, 2002). Thus, strategies for improvement of institutional and governance issues were suggested in respect to the NIE theory. Based on the findings of this research project, combined with the findings of the comprehensive literature review, emerging co-operatives would increase their chances of success by adhering to the recommendations in the following parts of this chapter.

**Recommendations for action at the co-operative enterprise level**

While the internal motivators which comprised co-operatives’ missions, effective organisational structures, and common sense of commitment has played an important role in the performance of co-operatives, many participants in this study highlighted poor member participation, weak governance and a lack of managerial skills as the main problems affecting their co-operatives. These were found common to the co-operatives with low performance. In order for these agricultural co-operatives to succeed and survive, they need to find strategies to address the problems identified. Based on these research findings, combined with the literature
review, the following recommendations are provided, in order to increase their opportunities for success and to make them more sustainable:

**Strengthen co-operative management capacity**

The co-operative should provide all its members with general training and awareness-building regarding co-operative laws, values and policies, as well as member rights and obligations. Basic information can be transmitted through simple, easy-to-understand training materials, as well as mass media campaigns. Encouraging staff pursuing short term (2 to 3 weeks) and full-time skill-based management training, and continued covering partly tuition fee for the staff, to enable co-operative managers and officers to assimilate learning through practice. In addition to general content, training should address issues and skills particular to each position.

**Building self-reliance**

To avoid influence and control problems, self-reliance must be an important concept for co-operatives. Firstly, the co-operative should have a capacity to create and conduct their own business plan effectively under business competition of market mechanism regardless of the assistance received from the government or other development organisations. Secondly, the co-operative should build effective solutions and risk management capacity for their business operations in the complex market economy. Finally, the government should enact and implement policy solutions to help create the independence and self-reliance of co-operatives, particularly agricultural-service co-operatives.

**Create effective administration**

To achieve the successful goals of the business, priority should be placed on the improvement of management capacity. It is essential for the co-operative to have an efficient administration. Thus, the careful selections of the dedicated management boards those are experienced and professional are a must. If business volume and equity permit, a full-time management staff that experienced with the co-operative operating structure should be hired. Additional experience with a specific management skill matching the co-operative’s needs such as
marketing or purchasing, will be beneficial to the business. The consolidating and building capacity for a management boards should focus on business and markets: frequently update information, ensure orientation in management is compliant with the market, improve market searching capabilities and maintain partner relationships. Accurate financial statements need to be prepared and distributed on a timely basis to the management team. For the management team to effectively manage the new co-operative, the financial statements need to be used on a regular basis.

**Integrated marketing activities**

One of the reasons for the establishment of the co-operative is the failure of market access. In the agricultural sector, farmers need to sell their products with market price, thus, marketing strategies have played a major role for responding to this demand of farmers. Therefore, a system of marketing activities under fair trade should consider increasing the economic and social aims, as follows:

The findings found that most products and services of each co-operative are primary and single. Thus, the recommendation of this research is that marketing activities of Vietnamese co-operatives should be improved continuously, particularly by increasing the quality of products and services so as to enhance the value of these products and the product diversity. Safe vegetables now have a positive reputation in the market, thus the lack of registration of trademark protection can lead to the dispute, or forged trademarks on the market, causing discredit of safe vegetable products. Agricultural co-operatives should be supported in terms of the preparation of procedures for certification of quality standards, registration and trademark protection, legality in relation to the export of agricultural products.

Marketing strategies applied need to consider the environment and characteristics of each co-operative in different parts of the country, including the level of member participation. These lead to increased competitiveness with other businesses under the existence of the co-operative system and also achieve economic purposes as well as bring about high returned
benefits the co-operative members. The emerging co-operative needs to handle sufficient business volume to remain economically viable. Insufficient business volume does not permit a co-operative to generate the income needed to cover operating costs.

**Linkages with other organisations**
The research findings revealed that the demand for linkage is great, however the number of co-operatives that can associate with enterprises to sell products is still less. Most farmers still have to “self-produce, self-selling,” leading to high risks in production, consumption and income of co-operative members. The co-operatives, therefore, need to be proactive and innovative in building and developing sustainable linkages with other enterprises as the following recommendations:

First, **possessing proactive attitudes for developing linkages** is very significant. Linking businesses and co-operatives, advertising and trade promotion, building a product identification system, provide origin information, linking with modern consumers in the inner big cities (safe vegetable shops, supermarkets, and distribution companies) should be given priorities. Secondly, **co-operative enterprises should proactively search and consult with partners** to diversify co-operative relationships and market access in order to avoid dependence on certain enterprises. Thirdly, as the co-operatives develop, the **small-scale co-operatives might get together and form federations**, which would increase their market power and provide more services for their members. Therefore, cooperation with other co-operatives in different regions could be perceived as another opportunity for farmer co-operative development. Finally, there is a need to **promote the role of local government in connecting enterprises and co-operatives**. Both local and central authorities should uphold their role in linking enterprises with co-operatives, to ensure that the co-operative can help its member selling their outputs in the suitable market with the reasonable prices. Connecting reliable enterprises with strategic and potential co-operatives will beneficial to the farmers.
**Encouraging member participation**

Since it is confirmed that the members’ participation is significant contributor to co-operative success, the co-operative leaders, promoters and other stakeholders should attract and encourage the members’ participation in decision-making in regard to co-operative important affairs. Basically, in order to increase the level of members’ participation in co-operatives, it is evident that creating awareness among the members through suitable techniques. For example, formal, informal or group training must be considered as an important activity, in order to increase the members’ beliefs in the philosophy and power of cooperation.

Promoting member participation requires its own appropriate procedures. Following are some ways to increase co-operative members. Firstly, priority should be placed on the improving management capacity, which is believed to attract more members, increasing the connections among members, between co-operatives and members, and attracting partners. Secondly, several policies should be prioritised for members of agricultural co-operatives rather than non-members to attract people to participate in co-operatives. Thirdly, diversification of services and products is also a fundamental approach to both encourage existing members, and to pull in new membership. Importantly, services rendered by co-operatives throughout the year helps maintain membership participation. Finally, regular patronage refunds and dividends should be delivered to maintain loyalty in co-operatives.

**Improving communication**

It is important that co-operative boards and management should maintain a two-way channel of communication with members. Interview respondents indicated that a majority of members are illiterate, and the medium of communication is rated as influential. Therefore, reaching multiple audiences in co-operatives is necessary and communication methods should be refined for each of those audiences. Importantly, the study recommends face-to-face meetings as the most preferable method of dealing with co-operatives in rural areas.
Fostering democracy
More democratic governance in co-operatives ensures they effectively respond to the needs of various stakeholders, especially the member-owners who are the most important stakeholder group in co-operatives. Despite the fact that directors have the authority to make many decisions on behalf of the members who elected them, they should not act autonomously. Before making major decisions, management board should consult the co-operative’s members. This will ensure that consensus or vision on how the co-operative is to be run. Furthermore, this can contribute to the education and general awareness of all members as to how the co-operative is operated successfully.

Establishing New Generation Co-operatives
Getting new generation co-operatives (NGC) in the agricultural sector is an important policy agenda for the sustainability of agricultural co-operatives in future. Such member-investor co-operatives will cultivate the required risk-taking by the members and will prevent free-riding while the co-operatives will get the right incentives to sustain the co-operative enterprise in Agriculture. Such an arrangement will attract qualified leadership and management capacity expected in agricultural co-operatives. However, the NGC requires farmers to commit to substantial up-front investments and contracted supply targets with potential for enhanced risk and return, which has proven successful in the United States, where farmers are generally financially strong and have access to alternative lines of credit. Yet, in the case of Vietnam, it may be difficult for farmers to find sufficient capital to make such up-front investments and assume the commercial risks associated with the type of supply contracts that are used in U.S. NGCs. Nevertheless, research into the overall return on assets (ROA) found in American, European and Asian agricultural co-operatives suggests that the presence of NGCs has significantly enhanced the ROA. The Americas region shows double the ROA (e.g. 6.2%) in 2017, when compared to the Asian and European regions which have only 2.9 per cent (ICA-Euricse, 2017).
Summary:

Agricultural co-operatives should actively improve their capacity to continue and properly implement cooperation agreements with enterprises on business and production planning, information recording, internal quality management and traceability. Co-operatives need to be proactive in planning production and expanding potential markets to promote the expansion of scale and model in the co-operative.

Recommendations for agencies supporting co-operatives

It will be beneficial for co-operatives if the external stakeholder considers and implement the following recommendations.

According to the findings of the study, government and NGO supports are found as major contribution to the sustainability of these co-operatives. However, the external supports are not without their weaknesses as it may lead to influence problems; thus, co-operative management boards need to ensure that important decisions should come from the members. Gradually, the support should be delimited by time for concern of their long-term sustainability. This will avoid over-dependence on these supports.

Additionally, the external stakeholders need to be aware about co-operative principles and the value of not interfering in co-operative governance. Respecting co-operative autonomy and supporting effective governance are contributory to sustainability of co-operative.

IOFs should have investment strategies for co-operatives based on the principles of co-existence and mutual development in order to build a quality value chain that is focused on long-term business, stability, professionalism, the role of enterprise in the market, and exchange technologies (including effective management solutions). IOFs should also develop a reasonable pricing solution, and they should practise benefit- and risk-sharing more often. This should be done under the principles of partnership, equality, mutual benefit, the spirit of negotiation, and bargaining and should consider it a key factor in stabilising and developing cooperation with farmers through their co-operatives.
**Recommendations for governments**

Birchall (2010) and Patmore and Balnave (2018) recognised five models through which donors, development agencies, and government have come to view the idea of member owned businesses in developing countries. They are model 1: “the old parastatal model”; model 2: “community development model”; model 3: “a reformed co-operative model”; model 4: “civil society interest group model”, and model 5: “an economic association model”. Model 1 is essentially a co-operative model of Vietnam in the period of 1950s to 1970s. Model 3 is the Vietnam co-operative model in the period of 1980s to 1990s. The current model of Vietnamese co-operative is the mix of models 3 and 4. These build on the reformed co-operative model as enshrined in the national Co-operative Law of Vietnam. However, as shown in this research study, this law offers an idealised model that is often not realised in actual practice. Instead, the government seeks to move the co-operatives either towards Model 4 or Model 5, in order to achieve both social and economic objectives. This can create tensions and conflicts within the co-operatives. Yet this does not need to occur. The co-operative is a hybrid business model that should aim to offer a balance of economic and social outcomes for its members (Levi, 2006; Levi & Davis, 2008). Thus, is essential for government to reference these models to orientate the development of co-operatives in the future.

A good law is necessary but insufficient. How to implement the law efficiently is a very important question. It requires a sound good administrative (government) structure from central to local level, and also active participation by NGOs, co-operative association, and mass-organisations. The future policies that promote efficient co-operative development should follow the proposal steps:

**Improve the legal framework and macro policies**
The 2012 co-operative law should separate the economic and welfare functions of providing services in rural areas, and ensure the autonomy and efficiency of the co-operatives, as in the
current policies relating to converting co-operative under the 2012 Co-operative Law, many co-operatives are not sure that whether they are genuine co-operatives or organisations providing public services and essential services in rural areas as they used to be. Thus, it is important to ensure the separation of co-operatives’ service systems for their members, and the community service system for the community. A co-operative is not a purely social enterprise; its main goals are not to do with maintaining political stability or reducing poverty in the rural areas. A legal framework which clearly defines the contractual agreements between government and co-operatives in the provision of community services, thus, should be enhanced.

Regarding government management in agricultural co-operatives, there should first be clarification of the management responsibilities of ministries and departments, from the national to local level. Revision or amendment of inter-ministerial circulars to lower restrictions and create a better environment for performance and development of co-operatives should occur. The legal framework for co-operatives should be amended in line with international experience, and the international cooperation principles of the International Co-operative Alliance for sustainable development of agricultural co-operatives adopted.

The government also should provide supports for promoting trade, providing information, seeking the markets for members and co-operatives in domestic and overseas, introducing and displaying the products in exhibitions and trade-fairs, and processing and trade-marking crops. In other words, the government should be a facilitator of the co-operatives. The policies should focus on encouraging co-operative marketing partnerships (federations) and signature of contracts with buyers can also assist in this area. To simplify operations and time saving measures for co-operative management boards, the one-stop principle should be applied in consulting on the establishment and management of co-operatives.
Reduce government intervention

Although this study revealed that government support was very important for the establishment of farmer co-operatives, it also indicated that government over-intervention could negatively affect these co-operatives. Therefore, government officials should find a balanced approach to offer encourage, guidance and support but not intervention in co-operative governance. The following steps should be taken in a serious way to ensure that the international principles of cooperation are not ignored.

First, the establishment of co-operative or any other mutual enterprise should be based on practical needs and the governance capacity of farmers rather than on political motivations. Farmers’ needs for cooperation and linkage should be strongly considered in the law and policies. The needs of farmers not only contain economic motivations but also non-economic benefits (social, environmental and health).

Second, the government should shift its agricultural co-operative administration focus from monitoring and supervising to fostering and support through training and consulting. In order to do this, government agencies responsible for administering agricultural co-operatives need to fulfil the requirements of government stated in the 2012 Co-operative Law.

Finally, personnel and human resources policies should be amended to ensure autonomy and freedom from government control. To be specific, boards of directors should be elected by and from members only; the interference of government in the appointment of management staff and governance of co-operatives should be reduced. Additionally, the central government should decentralise responsibilities to local government in attracting more professional management to manage the operations of co-operatives.

Create favourable policies

Several actions should be taken to remove existing constraints which inhibit co-operative growth. The government should enhance the administrative environment, consulting services,
and professional training by making practicable policies. There is a need to justify policies on land access for co-operatives. The government should review current policies on land using rights for co-operatives and modify these policies to be more practical and better to facilitate the accessibility of co-operative enterprises. For example, allocation of land free of charge and granting the land use right certificate to the agricultural co-operatives.

The government should justify credit policies towards encouraging the accessibility for co-operatives. To be specific, policies on finance and credit for co-operative enterprises should be modified to encourage the diversity of credit forms for co-operatives to increase their credit accessibility from credit institutions, banks and national projects, etc. For example, previous economic contracts can be used for credit loan approvals. Additionally, there should be policies to encourage commercial and state bank on providing loans for co-operatives based on their effective production and feasible business plans. Supporting to improve infrastructure for co-operatives should be prioritised by providing funds for (1) building and renovating co-operative offices, and (2) facilitating for materials supply and processing and support to market development should be a priority.

**Enhance policy enforcement**

The research findings found that the instructions for implementing policies are lacking and inconsistent, so the implementation process is confused. The following solutions are fundamental to enforce the policies effectively. The policy instructions should be practical, specific and detailed to guarantee a quick transition. They should clearly define the functions of each government agency, to help members and the management boards of co-operatives ensure that procedures are completed in the correct manner. Government agencies should promptly provide adequate guiding documents on the implementation of government policies on encouragement of co-operative development. Additionally, when the policy is set, information should be provided promptly and widely so that the beneficiaries can capture the
information. Policy systems to encourage co-operative development such as taxation, credit, providing land, trade policies etc. should be completed as soon as possible.

**Strengthen co-operative management capacity**

The long-term training programmes on co-operative governing policies and legislation, project planning & management, finance and service management organisation, business management, marketing, accounting, and financial management should be built up to educate and train management staff who are in charge of daily managing co-operatives.

The content of these training courses should be practical, needs-based training. For example, they should comprise mainly knowledge and skills in management, adhering to world standard and practices in agricultural production, value chain management, industry, business knowledge, and market access, etc. In addition, to build the human capital of co-operatives, the government should provide support towards training fees and training materials. Thus, the budgetary support for training, especially longer-duration programs required to build capacity should be increased. The support and advisory units for the co-operative should have professional staff who are in charge of administering, supporting, and developing co-operatives. Thus, the state agencies, central and local level officials’ capacity should be upgraded by providing them with appropriate and practical capacity-building training programs, administered by qualified trainers.

The local academic institutions, in coordination with the Department of Co-operatives and Rural Development, should undertake the responsibility for formulating an appropriate plan for training and educating of co-operative management officers and co-operative state management officers. Introducing and organising study visits to effective agricultural co-operative models is considered an effective way for co-operatives to share and learn from each other’s experiences. This study further suggests that the participatory approach, such as role-playing, is an efficient training tool for members with limited education.
Shortcoming awareness on nature of co-operative

The awareness of the nature of the co-operative among officers and members is inadequate and inconsistent. Generally, the people do not fully understand what the co-operative really is in the framework of a multi-sectoral market economy. The strong enhancement of comprehensive public awareness on the nature of co-operatives is a good start and fundamental for sound and sustainable development of co-operatives. The awareness-raising program on co-operative concepts and co-operative law should be implemented extensively by making a copy of the legal document available to each member.

Summary

Government policies should focus on supporting agricultural co-operatives by: creating an equal business environment, capacity building for managers of co-operatives, promoting product marketing activities, cooperating with the co-operative to use promotional tools, increasing consumer belief for safe products, creating a bridge between the co-operative and the market, supporting the preparation of procedures for certification of quality standards, protection of trademarks, and legality in relation to the export of agricultural products.

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Appendix A: Case Study Protocol

This case study protocol is guided by Yin (2013). In his book, Yin (2013) recommends the development of the protocol in four areas: overview of the case study, field procedures, case study questions and a guide for the case study report. These four areas are outlined in four sub-sections highlighting how each area is dealt with in this data collection stage.

Part I: Overview of case study project

Significance of the research

The main objectives of this study are to identify the key factors influencing the performance of agriculture co-operatives in Vietnam and to understand their roles towards ensuring their long-term viability. This research will then develop a business model framework appropriate for agricultural co-operatives in the resource-constrained rural contexts of Vietnam, and design incentive mechanisms that enable this business model to work under local conditions. As the results of this, member can get the best value from their co-operatives.

To the author’s best knowledge, no prior studies have been carried out regarding the influential factors of the performance of Co-operatives in the resource-constrained rural context of Vietnam, as well as the design of incentive mechanisms that can allow the Co-operative to work effectively. This research, therefore, will attempt to offer various empirical evidences and analysis on the crucial factors that can secure Co-operatives’ sustainability in Vietnam.

Theoretical Framework, Research questions, and Theoretical Propositions

The theoretical framework, key research questions, and theoretical propositions in this study are summarised below:
Research Questions

Co-operative – System Level

1- What does the historical evolution of Vietnamese agricultural Co-operatives tell us about the nature of existing institutional and governance structures?
2- How have institutional factors influenced the MVP of Vietnamese agricultural Co-operatives?
3- How have governance factors influenced the MVP of Vietnamese agricultural Co-operatives?
4- What changes to institutional factors relating to Vietnamese agricultural co-operatives might improve performance?
5- What changes to governance factors relating to Vietnamese agricultural co-operatives might improve performance?

Theoretical Framework

Birchall (2010) argued that no single theory is sufficient to explain success and failure in Co-operatives. It is, thus, recognised that NIE is the most relevant theory and The Conceptual Framework for Research into Co-operative Enterprise (Mazzarol et al., 2014) will be employed for this proposed study. As Nabli and Nugent (1989), and Kherallah and Kirsten (2002) argue that the purpose of the NIE is both to explain the determinants of institutions and their evolution over time, and to evaluate their impact on economic performance, efficiency, and contribution. The NIE is, therefore, a useful framework that could help determine the types of institutions needed to improve economic performance in developing countries. While Mazzarol, Simmons and Mamouni Limnios (2014) argued that co-operative does not exist within a vacuum, the main challenges are in the organizational design of Co-operative regarding management of and the environment where the Co-operatives work in. This theory and framework, therefore, is an appropriate base for this research.

Theoretical Propositions

1- The sound institutional arrangements and good governance contribute to good performance of co-operative. Good performance of co-operative means better value for its members and community.
2- Sound institutional arrangements are influenced by good governance and vice versa.
3- The better performance the co-operative do, the more economic output contribute to its members and community
4- The better performance the co-operative do, the more social capital output contribute to its members and community
5- The more economic and social capital outputs the co-operative offer to its members, the better member value the members and community will receive
6- The better alignment between the values of the co-operative and the values of its member, the better member identity with their co-operative is. As the result, members are more committed to the co-operative.

7- By promoting good policies, democratic governance and the co-operative values and principles the more likely the co-operative will strengthen member identity and therefore improve member commitment with the co-operative.

8- The more homogeneous the membership the easier to achieve goal congruence and, thereby, the better will be the value for members.

Role of protocol in guiding the case study researcher

A case study protocol can contain questionnaires, procedures and rules governing data collection (Yin, 2013). Yin (2013) argued that case study protocol is crucial significant to researchers as the following reasons. First, it helps researchers to keep targeting their research questions within the of case study. Secondly, researchers may anticipate several problems, including the way the case study reports are to be done. For instance, it is very important to recognize your audiences for your case study report even prior to conducting your case study. This forethought allow researcher preventing mismatches in the long term. It is, therefore, a significant way to increase the reliability of case study research and it is essential to have one for a multiple-case study (Yin, 2013).

Part II: Data Collection Procedures

Case study selection

The selection of representative co-operative s will be guided by theoretical rather than a random sampling approach (Eisenhardt, 1995, Yin, 2013). The purposeful sampling techniques (Belk et al., 2012, Ritchie et al., 2013) will therefore be applied to recruit case studies and participants who have been and are currently involved in the Co-operatives.

The selection will also be validated by officials from the Vietnam Co-operative Alliance (in the North) and Centre for Co-operative Development (in the South) in order to gain the viewpoint on the performance of each co-operative.

Table 1: List of identified Co-operatives for data collection

<table>
<thead>
<tr>
<th>Coding</th>
<th>Performance</th>
<th>Core Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>CO-OP-1</td>
<td>HIGH</td>
<td>Vegetable</td>
</tr>
<tr>
<td>CO-OP-2</td>
<td>LOW</td>
<td></td>
</tr>
</tbody>
</table>
Gaining access to key institutions or interviewees

We will initially be assisted in identifying and making contact with key organisations or interviewees via our contact persons. Vietnam Co-operatives Alliance is the peak body for all co-ops located in Vietnam and it has national network to co-operatives in each province. However, we also have the ability to access co-operatives via our network of academic institutes and other research partners. This includes the following:

Table 2: List of contact persons

<table>
<thead>
<tr>
<th>No</th>
<th>Contact Person</th>
<th>Institution</th>
<th>Role</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Mr. Nguyen Binh Hung</td>
<td>Vietnam Co-operative Alliance Duong Dinh Nghe Street Yeh HoA Ward, CAU GIAY District Hanoi, Vietnam</td>
<td>They are in a position to assist with introductions to coops in the Northern Part of Vietnam</td>
</tr>
<tr>
<td>2</td>
<td>Dr. Vo Thi Hoang Giang, Ms</td>
<td>Faculty of Economics and Rural Development, Vietnam National University of Agriculture</td>
<td>They are in a position to assist with introductions to coops in the Northern Part of Vietnam, they also help us to recruit interviewers and</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CO-OP-3</th>
<th>HIGH</th>
<th>Fruit (Dragon Fruit)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CO-OP-4</td>
<td>LOW</td>
<td></td>
</tr>
<tr>
<td>CO-OP-5</td>
<td>HIGH</td>
<td>Paddy Rice</td>
</tr>
<tr>
<td>CO-OP-6</td>
<td>LOW</td>
<td></td>
</tr>
<tr>
<td>CO-OP-7</td>
<td>HIGH</td>
<td>Poultry</td>
</tr>
<tr>
<td>CO-OP-8</td>
<td>LOW</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Name</td>
<td>Position</td>
</tr>
<tr>
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</tr>
<tr>
<td>3</td>
<td>Tran The Cuong, Mr</td>
<td>Research Centre for Rural Development, An Giang University</td>
</tr>
<tr>
<td>4</td>
<td>Dr. Nguyen Van Kien, Mr</td>
<td>Faculty of Economic and Business Administration, An Giang University</td>
</tr>
<tr>
<td>5</td>
<td>Ho Bach Nhat, Mr</td>
<td>Center for Co-operative Development (CCD), College of Management for Agriculture and Rural Development 2 (CMARD 2), Ministry of Agriculture and Rural Development (MARD)</td>
</tr>
<tr>
<td>6</td>
<td>Dr. Tran Minh Hai, Mr</td>
<td>Center for Co-operative Development (CCD), College of Management for Agriculture and Rural Development 2 (CMARD 2), Ministry of Agriculture and Rural Development (MARD)</td>
</tr>
<tr>
<td>7</td>
<td>Nguyen Hung Thanh, Mr</td>
<td>Provincial department of Co-operative Development, An Giang Province</td>
</tr>
<tr>
<td>8</td>
<td>Nguyen Thi Ngoc Hanh, Ms</td>
<td>Long An Province Famers’ Association, Long An Province</td>
</tr>
</tbody>
</table>

**Human resources for collecting the data**

The research team engaged in this study comprises six chief investigators: Professors Tim Mazzarol, Assistant Professor Elena Mamouni Limnios, and Doctoral candidate Mr Tuan-Trung Pham. This provides sufficient resource for undertaking the data collection and some additional assistance may be available from casual research assistants or collaborative research partners where required.

It should be noted that the depth of data collection required for these cases is likely to be substantial and will involve interviews with multiple people within each co-op, as well as substantial documentary analysis of materials provided by the co-op or obtained from other sources. Careful planning will be required to ensure that there is sufficient time allowed for the data to be collected and that all key informants who must be interviewed are available during the time that the researchers make their visits.

Where a particularly large data collection task is involved it would be desirable to have multiple investigators engaged in the data collection. However, there should be close coordination of all such data collection and care needs to be taken to avoid duplication of effort.
Mr Tuan-Trung Pham will be responsible for keeping a track of the data collection for every single case and coordinating the allocation of research personnel to the interview tasks as required.

**Check List for collecting data**

The following is a check list for researchers undertaking data collection for these case studies. Please note that it is not meant to be exhaustive:

- Digital audio recorder or tape recorder – with sufficient battery life, replacement batteries and disk space;
- Computer lap top – as required containing soft copies of any key templates;
- Digital data storage device (e.g. flash drive) for the collection of any digital documentation;
- Pens, notebooks;
- Copy of the Case Study Protocol document as guide;
- Participant information forms;
- Consent forms that can be signed including duplicates for leaving with the interviewee;
- List of interview questions plus list of key documents for collection from case study organization;
- Mobile telephone with numbers of key contacts plus calendar for appointment times and location addresses
- Provision for quite meeting room in place of data collection to avoid interruption and in-confidence discussions. This might also extend to a desk or room where documents can be read or examined in private.

**Procedures for calling and guidance**

Once the case study organisations have been selected, some initial contacts will be made with them via telephone (which may be facilitated by our partner investigators); initial letters of recruitment will be sent to the management board of the co-operatives that will be designed to secure agreement from the organisation for the case study data to be collected. Next, the key contact people - who will facilitate communications, organizing interviews and access to documents or other data as required - have been identified. Finally, through contact persons, these selected co-operatives and key informants will be contacted in four to five days prior to the anticipated date in order to notify them of the visit and its purpose. The agricultural and rural development officers will be expected to accompany the researcher. *(For more details about case study selection criteria and procedures, please refer chapter 3 – Research Methodology).*

**Schedule for data collection activities**
While the precise timing for the collection of case study data is contingent on our ability to secure consent for these interviews it is our intention to collect data during September and October 2017. This data collection for the cases will be undertaken in parallel with the other aspects of this study as illustrated in Table 3.

**Table 3: Time-frame for data collection**

<table>
<thead>
<tr>
<th>Case</th>
<th>Government Agency</th>
<th>Activity</th>
<th>Research-Identified Area</th>
<th>Week</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1st</td>
</tr>
<tr>
<td>CO-OP-1</td>
<td>An Giang Department of Cooperative Development, An Giang Cooperative Alliance</td>
<td>Key informant, in-depth, semi-structured interviews (Total: 6)</td>
<td>An Giang Province</td>
<td>X</td>
</tr>
<tr>
<td>CO-OP-2</td>
<td>Vietnam Cooperative Alliance, Ministry of Agriculture and Rural Development (Representatives in HCM city)</td>
<td>Key informant, in-depth, semi-structured interviews (Total: 6)</td>
<td>Long An Province</td>
<td></td>
</tr>
<tr>
<td>CO-OP-3</td>
<td>Ministry of Agriculture and Rural Development</td>
<td>Key informant, in-depth, semi-structured interviews (Total: 4)</td>
<td>Ha Noi Metropolis City</td>
<td></td>
</tr>
<tr>
<td>CO-OP-4</td>
<td>Bac Ninh Cooperative Alliance</td>
<td>Key informant, in-depth, semi-structured interviews (Total: 4)</td>
<td>Bac Ninh Province</td>
<td></td>
</tr>
</tbody>
</table>
It should be noted that case studies that require inter-nation data collection will need to be planned well in advance as airline bookings and other arrangements will require careful planning.

**Expected Preparation**

Alternative sets of case study protocols should be prepared as following:

It is to be expected that case studies will be delayed for a variety of reasons. This may be caused by cancellation or withdrawal of participants or participating organisations. It might also be affected by the illness or unavailability of a member of the research teams. In this situation, the chief investigators will be responsible for arranging back up interviewers in the latter case, and liaising with partner investigators to find replacements for any participant withdrawals.

All data collected for these case studies needs to be stored in a secure place and backed up on a regular basis to avoid loss or damage to electronic files. Where data is collected in the form of physical documents a document register will be maintained for each case. This will ensure that documents are secured and returned as required to the participating organisation.

The chief investigators will be responsible for the maintenance of this document register and the archiving, storage and backing up of all electronic files. They will also maintain a calendar or diary to coordinate appointments for case study interviews and will work with the UWA Admin Support staff to arrange flights and accommodations for field researchers engaged in data collection.

Moreover, additional recorders are also to be prepared and brought along as back-ups.

Last but not least, it should be aware that weather is worth consideration as it may prevent the progress of data collecting process.

For health and safety purposes attention should be given to the UWA guidelines for safety and health when staff are working or travelling overseas and in rural and remote areas.


Also: [http://www.safety.uwa.edu.au/topics/off-campus/field-work-remote](http://www.safety.uwa.edu.au/topics/off-campus/field-work-remote)

**Part III: Case Study Questions**

Yin (2013) notes that “*the heart of the protocol is a set of substantive questions reflecting the actual inquiry*” and he suggests that these questions are designed for you, the investigator not the respondent. They are designed as reminders regarding the information that needs to be collected and why. Each question should also be accompanied by a list of probably sources of evidence.
Based on the research questions, an *aide-memoire* will be developed (Punch, 2000, Belk et al., 2012). In this regard, research questions will be translated into a set of more specific questions for interview in the initial *aide-memoire* as illustrated in Table 5. These questions aim to examine the development of agricultural Co-operatives and the role that institutional and governance factors have played in this process.

<table>
<thead>
<tr>
<th>Interview Topics</th>
<th>Proposed People to Interview</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Theme 1: Historical evolution of Vietnamese Co-operatives</strong></td>
<td></td>
</tr>
<tr>
<td>The history of Co-operative movement and significant milestones</td>
<td>- Co-operative Management Board</td>
</tr>
<tr>
<td></td>
<td>- Provincial Department of Co-operative Development</td>
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<tr>
<td></td>
<td>- Provincial Co-operative Alliance</td>
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<tr>
<td></td>
<td>- Vietnam Co-operative Alliance</td>
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<tr>
<td></td>
<td>- Co-operative Department at Ministry of Agriculture and Rural Development</td>
</tr>
<tr>
<td></td>
<td>- Co-operative members</td>
</tr>
<tr>
<td>Circumstances made changes of the Co-operative: social, political...</td>
<td>- Co-operative Management Board</td>
</tr>
<tr>
<td></td>
<td>- Provincial Department of Co-operative Development</td>
</tr>
<tr>
<td></td>
<td>- Provincial Co-operative Alliance</td>
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<tr>
<td></td>
<td>- Vietnam Co-operative Alliance</td>
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<tr>
<td></td>
<td>- Co-operative Department at Ministry of Agriculture and Rural Development</td>
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<td></td>
<td>- Co-operative members</td>
</tr>
<tr>
<td><strong>Theme 2: Member value proposition</strong></td>
<td></td>
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<tr>
<td></td>
<td>- Co-operative Management Board</td>
</tr>
<tr>
<td></td>
<td>- Provincial Department of Co-operative Development</td>
</tr>
</tbody>
</table>
| **Self-control (autonomy) of Co-op** | - Provincial Co-operative Alliance  
- Vietnam Co-operative Alliance  
- Co-operative Department at Ministry of Agriculture and Rural Development  
- Co-operative members |
|---|---|
| **Co-operative constitutions (Co-operative charter)** | - Co-operative Management Board  
- Provincial Co-operative Alliance  
- Co-operative members |
| **Democracy (international Co-operative principles)** | - Co-operative Management Board  
- Provincial Department of Co-operative Development  
- Provincial Co-operative Alliance  
- Co-operative Department at Ministry of Agriculture and Rural Development  
- Co-operative members |
| **Financial benefits to members** | - Co-operative Management Board  
- Provincial Co-operative Alliance  
- Co-operative members |
| **Interaction amongst other members of the Co-op** | - Co-operative Management Board  
- Provincial Co-operative Alliance |
| **Interaction with the community and other Co-operatives** | - Co-operative Management Board  
- Provincial Co-operative Alliance  
- Co-operative members |
| **Social welfare and responsibility of Co-operatives in the community** | - Co-operative Management Board  
- Provincial Co-operative Alliance  
- Co-operative members |

**Theme 3: Governance factors that serve to drive and shape co-operative strategies (Co-operative Regulations)**
- Co-operative Management Board  
- Provincial Co-operative Alliance
<table>
<thead>
<tr>
<th>Membership criteria</th>
<th>- Co-operative members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Election procedures and functioning of the Management board</td>
<td>- Co-operative Management Board</td>
</tr>
<tr>
<td></td>
<td>- Provincial Co-operative Alliance</td>
</tr>
<tr>
<td></td>
<td>- Co-operative members</td>
</tr>
<tr>
<td>Role and responsibility of members</td>
<td>- Co-operative Management Board</td>
</tr>
<tr>
<td></td>
<td>- Provincial Co-operative Alliance</td>
</tr>
<tr>
<td></td>
<td>- Co-operative members</td>
</tr>
</tbody>
</table>

**Theme 4: Institutional factors have played in the process of the development of contemporary agricultural Co-operatives (Legal and Policy Environment for Co-operative)**

<p>| Co-operative Law (understanding of)                                              | - Co-operative Management Board               |
|                                                                                    | - Provincial Department of Co-operative       |
|                                                                                    |   Development                                 |
|                                                                                    | - Provincial Co-operative Alliance            |
|                                                                                    | - Vietnam Co-operative Alliance               |
|                                                                                    | - Co-operative Department at Ministry of      |
|                                                                                    |  Agriculture and Rural Development            |
| Registration process for Co-ops                                                   | - Co-operative Management Board               |
|                                                                                    | - Provincial Department of Co-operative       |
|                                                                                    |   Development                                 |
|                                                                                    | - Co-operative members                         |
| Policy to support the development of Co-ops                                      | - Provincial Department of Co-operative       |
|                                                                                    |   Development                                 |
|                                                                                    | - Vietnam Co-operative Alliance               |
|                                                                                    | - Co-operative Department at Ministry of      |
|                                                                                    |  Agriculture and Rural Development            |
|                                                                                    | - Provincial Department of Co-operative       |
|                                                                                    |   Development                                 |
|                                                                                    | - Vietnam Co-operative Alliance               |</p>
<table>
<thead>
<tr>
<th>Supporting strategy from the government</th>
<th>Co-operative Department at Ministry of Agriculture and Rural Development</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institutional support</td>
<td>Provincial Department of Co-operative Development</td>
</tr>
<tr>
<td></td>
<td>Vietnam Co-operative Alliance</td>
</tr>
<tr>
<td></td>
<td>Provincial Co-operative Alliance</td>
</tr>
<tr>
<td>Access to information and government services</td>
<td>Co-operative Management Board</td>
</tr>
<tr>
<td></td>
<td>Provincial Department of Co-operative Development</td>
</tr>
<tr>
<td></td>
<td>Provincial Co-operative Alliance</td>
</tr>
<tr>
<td></td>
<td>Vietnam Co-operative Alliance</td>
</tr>
<tr>
<td></td>
<td>Co-operative Department at Ministry of Agriculture and Rural Development</td>
</tr>
<tr>
<td><strong>Theme 5: Performance of Co-operative</strong></td>
<td></td>
</tr>
<tr>
<td>Income generating activities and services</td>
<td>Co-operative Management Board</td>
</tr>
<tr>
<td></td>
<td>Provincial Co-operative Alliance</td>
</tr>
<tr>
<td></td>
<td>Co-operative members</td>
</tr>
<tr>
<td>Management of capital and investment decisions</td>
<td>Co-operative Management Board</td>
</tr>
<tr>
<td></td>
<td>Provincial Co-operative Alliance</td>
</tr>
<tr>
<td></td>
<td>Co-operative members</td>
</tr>
<tr>
<td>Market and customer issues</td>
<td>Co-operative Management Board</td>
</tr>
<tr>
<td></td>
<td>Provincial Co-operative Alliance</td>
</tr>
<tr>
<td></td>
<td>Co-operative members</td>
</tr>
<tr>
<td>Business plans/Action plans for the Co-op</td>
<td>Co-operative Management Board</td>
</tr>
<tr>
<td></td>
<td>Provincial Co-operative Alliance</td>
</tr>
<tr>
<td></td>
<td>Co-operative members</td>
</tr>
</tbody>
</table>
Below is the interviewee distribution of the research which includes people inside outside of the Co-operative.

**Table 4: Interviewee distribution**

<table>
<thead>
<tr>
<th>Interviewee distribution</th>
<th>Amount</th>
<th>Data collecting method</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Inside Co-operative</strong> <em>(member and coop-enterprise level)</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management Board (Chairperson and vice-chairperson)</td>
<td>4</td>
<td>In-depth individual interview</td>
</tr>
<tr>
<td>Co-operative members (male and female)</td>
<td>4</td>
<td>In-depth individual interview</td>
</tr>
<tr>
<td><strong>Outside Co-operative</strong> <em>(community, local government stakeholders, and policy-makers)</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vietnam Co-operative Alliance</td>
<td>1</td>
<td>In-depth individual interview</td>
</tr>
<tr>
<td>Local government official</td>
<td>1</td>
<td>In-depth individual interview</td>
</tr>
<tr>
<td>Head of Co-operative Department at Ministry of Planning and Investment</td>
<td>1</td>
<td>In-depth individual interview</td>
</tr>
<tr>
<td>Chairperson and vice-chairperson of Provincial Department of Agriculture and Rural Development</td>
<td>2</td>
<td>In-depth individual interview</td>
</tr>
</tbody>
</table>

**Part IV: A guide for the case study report**

Yin (2013) suggests developing the case study structure early because “the reporting phase is one of the most difficult to carry out in doing case studies”. Also, the draft report should be refined continually rather than procrastinating until the end of the data analysis process.

The case study report structure followed a theory-building logic that were guided by Mazzarol et al. (2014) which was the key theoretical framework examined in this study. As the case unfolds, the author examined the evidence and causal argument to support the theory.
Appendix B: Criteria for ranking performance of co-operatives 2017

Circular No. 09/2017/TT-BNNPTNT dated 17 April 2017 of the Ministry of Agriculture and Rural Development, providing guidelines for the classification and evaluation of co-operatives operating in agricultural sector. The circular has been taken effective on 31 May 2017. According to the Circular, there are 6 criteria for evaluating an agricultural co-operative:

1- The revenue and the income earned in a year;
2- Benefits of the members of the agricultural co-operative;
3- The working capital;
4- The number of members who have positive influence on the community;
5- The reward(s) earned in a year;
6- The satisfaction of the members.

The performance of co-operative is ranked by the 4 levels of the scale consist of excellent (80 – 100), good (65 – 80), average (50 – 65), and weak agricultural co-operative (lower than 50).

Table: Criteria for ranking the performance of co-operative

<table>
<thead>
<tr>
<th>No</th>
<th>Criteria</th>
<th>Maximum mark</th>
<th>Self-mark</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The revenue and the income earned in a year;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>a</td>
<td>Ratio of Net revenue on planning revenue</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td></td>
<td>b</td>
<td>The total annual turnover of the co-operative</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td></td>
<td>c</td>
<td>Average annual income per member</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td></td>
<td>d</td>
<td>Deduction of the development fund is not less than 20% of the revenue</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td></td>
<td>e</td>
<td>Deduction of financial reserves funds is not less than 5% of the revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Benefits of the members of the agricultural co-operative</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>-------------------------------------------------------</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a</td>
<td>Providing services for members at reasonable prices which are lower than that of regular market</td>
<td>8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>b</td>
<td>Net profit distribution to members according to the level of use of products and services of the co-operative</td>
<td>8</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>3</th>
<th>The working capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>a</td>
<td>The growth of share capital</td>
</tr>
<tr>
<td>b</td>
<td>The growth of total working capital</td>
</tr>
</tbody>
</table>

| 4 | The number of members who have positive influence on the community | 8 |

| 5 | The reward(s) earned in a year | 6 |

<table>
<thead>
<tr>
<th>6</th>
<th>The satisfaction of the members</th>
</tr>
</thead>
<tbody>
<tr>
<td>a</td>
<td>Providing information for members fully</td>
</tr>
<tr>
<td>b</td>
<td>High quality of products and services</td>
</tr>
<tr>
<td>c</td>
<td>Timely supply</td>
</tr>
</tbody>
</table>

| Total Marks | 100 |