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SOCIAL CAPITAL AND COOPERATION: A COMPARISON OF AGRICULTURAL COOPERATIVES AND SOCIAL PURPOSE ENTERPRISES IN GREECE

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ABSTRACT

Social enterprises are a valuable and effective tool that modern societies might use in their quest for sustainable development. It is often assumed that horizontal measures to support initiatives in the field of social enterprises would suffice to promote a cooperation paradigm that might produce higher societal and economic outcomes. Here we argue that cooperation is built within the cultural context of societies and the stock of social capital that is associated with their organizations. The latter decisively intervenes with the types of cooperation that might emerge in social enterprises and the socio-economic effects of their pursuits.

Key words: Social capital; Cooperation; Social economy; Social enterprises; Agricultural cooperatives

Introduction

The social economy paradigm in Greece involves two types of initiatives, namely agricultural cooperatives (ACs) and social purpose enterprises (SPEs). Agricultural cooperatives are the oldest type of social enterprises in Greece. The long-lasting tradition of the cooperative movement in Greece has evolved around two opposite pathways. On the one hand, we observe the existence of several efficient and dynamically developing cooperatives while, on the other, there exists a long list of unproductive cooperatives that face severe inefficiencies in terms of their organization and operation (Bijman et al. 2012; Efthimiou 2017).

A promising way forward for the country, is to empower both types of social enterprises towards embracing a culture of cooperation in order to produce economic and social value added and avoid rent-seeking activities that will endure or reproduce the unproductive practices of the past (Bijman et al. 2012). Nevertheless, cultivating a culture of cooperation towards aligning a network's goals with those of the society requires that a) the same norms and values (with regard to productive activity) are shared between the particular group and the society at large, and b) that qualitative institutions are present and able to monitor and support the operation of such cooperative organizations. The first requirement suggests that shared norms and values that favor productivity and the efficient use of resources should prevail and signal the society's orientation towards sustainable growth paths (Bitros 2013). The second requirement emphasizes the need to institutionalize such norms and values so that they support the society's development goals and ensure a stable long run development process (Bika 2011).

The current momentum seems quite favorable towards achieving both the above mentioned goals. The optimism that characterizes the 'social economy discussion' in the country largely draws from an implicit assumption that market failures and state inefficiencies might all be addressed by initiatives emerging from within the social economy arena. Addressing the long standing developmental impediments of the agricultural sector is one such area of failures and inefficiencies waiting to be dealt with. Here, some optimism is justified to the extent that radical (in the sense of unprecedented) institutional changes have been introduced in order to provide formal support to the productive firms in the sector. Nonetheless, questions arise when the wider developmental potential of such production organizations is considered. A shift of policy interventions towards emphasizing the social character of agricultural cooperatives does not guarantee that a cooperation culture does exist. A dynamic cooperation environment requires that a stock of positive social capital is present. The present

study provides qualitative evidence of the bonding (in-group) and bridging (out-of-group) stock of social capital as observed in a sample of Greek ACs and SPEs. Empirical analysis involves a total number of 133 questionnaires (40 units and 93 members) established in Crete Greece. Quite interesting findings are presented with regard to differences in the out-of-group social capital that ACs and SPEs hold.

Background knowledge and hypothesis

The development of the primary sector in the country is inexorably linked with change and adaptation in order for it to cope with current sectoral challenges and especially with globalization and increased competition, a diversified and strict EU agricultural policy framework, and with a new and strict national legislation framework. To that extent, change is about transforming the primary sector of the country into a value generation 'vehicle' that refrains from the unproductive practices of the past.

The current analysis aims at providing insights on the ability of Greek cooperative organizations to develop towards embracing the principles of social economy. Addressing the challenges of ACs through the social economy 'umbrella' can be very useful given the special features of social enterprises (SEs). The importance of the social economy model derives mainly from its ability to mobilize the civil society, and pursuit economic goals that are in line with societal needs. In other words, in SEs economic and social sustainability goals might be promoted together as long as a firm adheres to a set of common 'rules' related to serving the group members (or the community), being autonomous and self-managed, apply a democratic decision making process, and give priority to people (over financial gains) (Defourny and Nyssens, 2008; Brooks 2009). However, this is a challenge to be met and not an inherent characteristic of any of the entrepreneurial initiatives that are born underneath the social economy umbrella (Cho 2006; Peredo and McLean 2006; Austin et al. 2006; Chell 2007; Martin and Osberg 2007; Dacin et al. 2011).

Social capital is the basis of social purpose enterprises as it is implicitly assumed to enhance the overall efficiency of such initiatives and create value added through the development of interpersonal and common purpose networks (Putnam 1993). Social capital is actually seen as the mechanism through which the above mentioned benefits might be realised since it is embedded in the relationships between individuals and groups, and it is accumulated through time and the frequent communication of group members (Coleman 1990). Formally stated, social capital is a feature "… of the social structure in which a person is

embedded" (Coleman 1990: 315) and includes "…trust, rules and networks that can improve the effectiveness of society by facilitating coordinated actions" (Putnam 1993: 167).

Current research in the field focuses on identifying the implications of the turn towards social enterprises and the limitations that might apply to their future development (Macke et al. 2018; Bansal et al. 2019; Rawhouser et al. 2019; Bozhikin et al. 2019). Many studies verify the social value creation of social enterprises (for a review see Gupta et al. 2020). Dwivedi and Weerawardena (2018) for example, study a sample of 507 US based social purpose organizations and do verify their orientation towards innovativeness, proactiveness, risk management, effectual orientation, and social mission orientation. So, entrepreneurial behavior in the context of SPEs is in line with the quest of social innovation (Dwivedi and Weerawardena 2018). On the other hand, SPEs are largely acknowledged to operate in a state of 'a continuous search of balance' between their social and economic goals (Muñoz and Kimmitt 2019). As Muñoz and Kimmitt (2019) suggest this balance is a 'tensioned' effort to exploit a competitive advantage by seeking to develop market-oriented social missions. To that extent, many areas of research are still open to debate including the role of state and non-state actors, the combination and coordination of many different regulatory mechanisms, the overall governmental policy orientation, social capital and the business models that are employed within the social entrepreneurship ecosystem (Bozhikin et al. 2019).

Here we focus on social capital as the cultural basis of the successful development of all entrepreneurial activities, and especially of those that emerge from within the social economy context. We measure the stock of social capital and assess its bonding (in-group) and bridging (out-of-group) attributes and capabilities.

Social economy in Greece: the current policy context

As mentioned earlier the social economy paradigm in Greece involves two types of enterprise initiatives namely the agricultural cooperatives (ACs) and the social purpose enterprises (SPEs). The most recent policy initiatives that the country has adopted aim at addressing several structural problems that these two types of enterprises are linked with. In the case of ACs we might point to the 'loose' and 'vague' policy context of the past that nurtured unproductive, and in some cases destructive, production activities (Bitros 2013; Bika 2011; Dimakis 2004). It is indicative that the financial bailout programs that Greece has signed during a decade of economic crisis focused on dealing with the 'major problem' of ACs

operating as an obstacle to the country's overall development efforts (Bijman et al. 2012). In light of the bailout programs, Greece issued specific laws in order to promote structural interventions in the agricultural sector. In 2011 the introduction of the National ACs' Registry set forth strict terms and conditions regarding the establishment and official operation of Cooperative Agricultural Organizations in the country (Law 4015/2011). A few years later an even more effective law was issued. In particular, Law 4384/2016 has been decisive since it sets deadlines to all the procedures associated with cataloguing in the National Registry of ACs and imposes sanctions to those agricultural cooperatives that fail to follow the strict guidelines that are in effect. It is indicative that pre-crisis unofficial catalogues included more than 6,700 ACs out of which only 10% qualified for inclusion in the National Registry (Efthimiou, 2017).

As regards the social purpose enterprises, the relevant policy framework is sketched by Law 2719/1999, which is an attempt to regulate a number of issues concerning the organization and function of Social Cooperatives. An attempt to more fully define the Social Economy area, that is relevant for policy intervention, is observed in the Law 4019/2011 wherein the term Social Economy is used for the first time. There, the social purpose enterprises are defined as the Social Cooperative Enterprise (Koin.S.Ep.) field of initiatives. In 2016, a more integrated and specific framework is introduced under the Law 4430/2016 which not only defines the 'Social and Solidarity Economy' as a distinct area of the economy but also introduces the criteria that must be met from all types of enterprises in order for them to qualify for inclusion in the National General Registry of the Social and Solidarity Economy. Cataloguing in the Registry is mandatory and for the first time exclusive criteria and deadlines are again in effect.

Table 1: Number of ACs and SPEs in Greece

Year	ACs	% annual Δ	SPEs	% annual Δ
2018-2019	608	-	1,316	-
2019-2020	599	-0.02	1,638	24.5
2020-2021	928	54.9	1,882	14.9

Source: Ministry of Agricultural Development and Food, National ACs' Registry; Ministry of Labor and Social Security, Directorate of Social and Solidarity Economy, National SPEs' Registry. Last update of the number of ACs, in the Registry is on 30-03-2021.

Despite the sharp decline in its figures within the last four decades1, the primary sector still accounts for 4.4% of the country's GDP and for 13.8% of the country's employment (2020) (Hellenic Statistical Authority, temporarily data). The corresponding EU figures for 2020 are 1.3% for the GDP and 4.5% for employment (Eurostat). The sector's contribution remained high throughout the financial crisis period both in terms of employment and GDP contribution. In contrast, national rates of employment in social purpose enterprises is low (compared to the European average). For example, during the 2014-15 period the corresponding employment figures are 3.3% in Greece and 6.3% in the EU (Monzon and Chaves 2016). Nevertheless, there is a continuous increase in the amount of SPEs in Greece during the last years. Table 1 presents the most recent official data on the number of ACs and SPEs in Greece.

A final note should be made of the considerable changes take place in the 'arena' of SPEs. An illustrative example is the demographics (births and deaths) of firms as reported in the Registry. In 2019, 27 SPEs are noted as 'temporarily removed' from the catalogue while 9 are noted as 'permanently removed' enterprises. In 2020, 195 firms are in a state of removal from the Registry while in 2021, 180 are characterized as 'temporarily removed' and 87 as 'permanently removed' from the Registry. Nevertheless, the annual growth rates of the last periods are significant (Table 1).

Case study: Social capital and cooperation in ACs and SPEs in Crete

Data for our empirical analysis are drawn from a cross-section questionnaire survey (05/2020 – 04/2021) that collected detailed information on the stock of social capital as embedded in a sample of ACs and SPEs in Crete, Greece. The Region of Crete is a dynamic agricultural production region accounting for 10.03% of non-gross valued added and 8.62% of employment in the primary sector of the country (ELSTAT 2018, provisional data). Table 2 presents the distribution of ACs and SPEs units in the Region of Crete (NUTS II) and its four Prefectures (NUTS III) for the last three years.

As regards our sample, a total number of 206 units have been conducted and 40 of them have agreed to participate in the survey (response rate 19.42%). Given the current circumstances of the Covid-19 pandemic and the associated health protection measures, face-to-face interviews have been cancelled and alternative ways of communication were adopted. This has caused delays and reluctance as many of the respondents (mostly members of the ACs) did not report availability

[1] In 1980 the agricultural sector accounted for 17% of the country's GDP.

to communicate with alternative means (e.g. phone or email interviews, social platforms, etc.). Overall, we have a total number of 133 questionnaires of which 40 questionnaires are completed by the units' President / Director (14 AC and 26 SPE units) and 93 by members (26 AC and 67 SPE members).

Table 2: Number of ACs and SPEs: Region of Crete and Prefectures, 2021

Year	NUTS II	% of Country	NUTS III			
	Crete		Heraklion	Lassithi	Rethymno	Chania
ACs	144	15.52	64	47	9	24
SPEs	112	5.95	58	7	17	30

Source: Ministry of Agricultural Development and Food, National ACs' Registry; Ministry of Labor and Social Security, Directorate of Social and Solidarity Economy, National SPEs' Registry.

Table 3 presents the basic characteristics of the units included in our analysis. As expected there are striking differences in terms of the units' age, membership and sources of income. ACs are, on average, four decades old whereas SPEs count a mean age of 6 years. Long-lived units are present in both cases (the oldest AC in the sample is 92 years and the oldest SPE is 19 years of age). As regards the number of members the observed differences are again anticipated both in absolute numbers and in terms of gender composition. ACs account for larger number of predominantly male members while smaller scale SPEs are characterized by the presence of higher percentages of female members. More specifically, the interviewed ACs have a total number of 2,824 members (of which 72.3% male) and the SPEs have a total number of 507 members (of which 47.3% male). As expected members that are also employed in the unit amount to 24 (of which 71% male) in the case of ACs and 84 (of which 46% male) in the case of SPEs. In contrast, the non-member employees of ACs amount to 117 persons (again mostly male employees, 74% of total non-member employees) and to 26 persons (50% male) for SPEs. Finally, the sharp difference in the amount of volunteers working for each unit is also expected. ACs occupy a total number of 17 volunteers (all male) while SPEs are assisted by 107 volunteers (of which 56% male). As regards, the sources of income we see that SPEs show a more diversified pool of income sources whereas ACs are mostly directed towards increasing own operation incomes and the amount of governmental grants. The average figures for all these variables are presented analytically in Table 3.

Table 3: Basic characteristics of ACs and SPEs Units in Crete

	ACs	SPEs
Age of unit in years, average (stdev)	39 (29)	6 (4)
Members (average):		
Number of male members	146	9
Number of female members	56	10
Number of male members-employees	1	2
Number of female members-employees	1	2
Number of male non-member employees	6	1
Number of female non-member employees	2	1
Number of male volunteers	1	2
Number of female volunteers	0	2
Income primarily from:		
Own operation (% yes)	100	96
Co-funded EU projects (% yes)	0	0.04
Government grants (% yes)	0	15.4
Membership fees / donations (% yes)	0.1	19.2
Government grants received last four years (% yes)	50	27
Government grants last four years, average (stdev)	€350,940 (€227,270)	€93,236 (€46,723)

Both types of units have a good level of cooperation with a number of local and extra-local organizations and thus the network there are situated in might be characterized as dense and focused. As regards density, we see that ACs have strong local ties while SPEs seem to mostly cooperate with other similar in nature units (Table 4).

Table 4: Network's density: formal and informal ties

Sectoral links (%yes):	ACs	SPEs
Member of higher level Union	29	27
Cooperation with other similar ACs / SPEs	36	50
Participation in local / regional events	57	39
Member of sectoral Chambers	43	<1
Links with Ministry / Government bodies	36	19
Links with research institutes (e.g. Universities)	43	19

Within this context, our analysis focuses on the stock of social capital that the members of each type of units possess and the bonding and bridging effects of

this stock. Using 26 ACs and 67 SPEs members' questionnaires suggests that the average sample size per type of businesses is similar (1.9 members / AC unit and 2.6 members / SPE unit). Table 5 summarizes the basic socio-demographic and economic characteristics of our respondents. Compared to SPEs, ACs' members are mostly male, somewhat older, with lower levels of human capital (education, foreign language), lower levels of technical skills (ICT knowledge) but higher levels of particularized knowledge (seminars relevant to firm's goals) (Table 5). Considerably higher are also the percentages of ACs' members that are married and have at least one child. Half of the respondents have reported the unit to be their main employer while a larger part of SPEs members report higher incomes (Table 5).

Table 5: Socio-demographic and economic profile of respondents (members)

	ACs	SPEs
Gender (% male)	77	48
Age (average years)	46	43
Education (% tertiary education)	42	69
ICT (% knowledge and use)	81	90
Seminars relevant to the firm's goals (% yes)	69	40
Foreign languages (% speaks at least 1 foreign language)	54	90
Annual household income (% < 15.000 euro)	50	46
Annual household income (% < 20.000 euro)	85	70
Married (% yes)	73	48
Children (% at least 1 child)	62	54
Main employment in the firm (% yes)	54	55
Other main employment (% self-employed)	39	<1
Other main employment (% public or private employee)	<1	24

The next step in our analysis has been to evaluate the in-group stock of social capital. This is approximated by three index variables namely socializing, communication and trust that are used to approximate the density, the depth and the impact of each unit's stock of social capital, respectively. Each index variable is calculated as the average of 5 relevant items for which responses are measured on a 0-10 Likert scale. Important differences are observed among the two types of businesses analysed here. In particular, ACs show higher average levels of socializing among the units members, of meaningful cooperation on a range of matters that are of interest to the person, and in terms of trust towards the other

members of the unit (Table 6). Qualitative indicators of this higher level of social capital are the higher minimum values of all indexes and the lower standard deviation levels. In contrast, SPEs show lower levels of social capital in all cases accompanied with low minimum values and somewhat higher variability (Table 6).

Table 6: In-group social capital

	Index variable	Min	Max	Average	St. Dev.
ACs					
Density (frequency of)	Socializing	2.8	10	7.0	1.9
Depth (type of)	Communication	3.2	10	7.4	1.8
Impact (degree of)	Trust	3.2	10	7.1	1.8
SPEs					
Density (frequency of)	Socializing	1	10	6.1	2.4
Depth (type of)	Communication	0	10	6.0	2.3
Impact (degree of)	Trust	0	10	6.2	2.1

The final step in our analysis is to test for the bonding and bridging effect of these different stocks of social capital. As regards the bonding effects of in-group social capital we see that in both types of firms strong bonds among the groups' members are present (Table 7). Frequent socializing empowers in depth communication and both these channels support high levels of trust among the members of the group. This is observed for both ACs and SPEs (Table 7). On the other hand, the bridging effects of in-group social capital are not the same when ACs and SPEs re compared. We focus here on the relationship between the unit members and the government and try to identify the potential distance between the higher level institution of the country (higher level of legislative power, control etc.) and the lower level of social entrepreneurship initiatives, i.e. a unit and its members.

Table 8 summarizes the results of testing for the correlation between in-group social capital and the members' subjective evaluations of government. Our satisfaction with governance indicators include a) the perceived efficacy of government initiatives and b) the degree to which group members are satisfied with their cooperation with the government. Both indicators are crucial as perceived efficacy of policy initiatives is the basis of individuals' willingness to

cooperate (adopt or comply with measures, etc.), while satisfaction with cooperation verifies the presence of shared views and commonly pursuit goals.

Table 7: Correlation among in-group social capital items

ACs	Socializing	Communication
Socializing		
Communication	0.779***	
Trust	0.853***	0.931***
SPEs		
Socializing		
Communication	0.780***	
Trust	0.555***	0.781***

Note: ***Significant at 0.001%.

Table 8: Correlation between in-group social capital and subjective evaluations of governance

Satisfaction with governance indicators:	Socializing	Communication	Trust
ACs			
Efficacy	0.537**	0.419**	0.383*
Cooperation	0.438**	0.209	0.198
SPEs			
Efficacy	0.046	0.088	0.072
Cooperation	-0.022	0.032	0.028

Notes: **Significant at 0.05%. *Significant at 0.10%.

As regards the relationship between the in-group social capital variables and the governance indicators we see that statically significant correlations are observed only in the case of ACs. In particular, we see a positive and statistically significant correlation between all types of social capital and perceived efficacy. In the case of cooperation, only socializing presents a statistically significant and positive association with satisfaction with cooperation. This is illustrative of the argument that more close relationships and conduct lead to more satisfied group members. The cultural context and the content of this cooperation is of outmost

importance if we are to more fully understand the scope, goals and achievements of the two types of social enterprises.

Conclusion

We postulate that social capital is a catalyst for joint action and the pursuit of common goals and we test for this relationship using a sample of Greek ACs and SPEs. Qualitative exploratory evidence are provided of that the two types of enterprises are different in terms of the ways in which they might use the social capital they develop within their boundaries. Both types of enterprises present a dynamic, outward looking profile and are different, as expected, in terms of age, demographics and the diversity of income sources. Yet, there is evidence that ACs cultivate stronger relationships and trust both within their boundaries (in-group social capital) and with government bodies (out-of-group social capital) whereas SPEs do not. While acknowledging the limitations of the present study, stemming from the small sample size and the qualitative nature of the analysis, support is provided of the argument that the country's current effort to develop forms of collective production activities needs to be informed of the type and use of the social capital stock that is developed within these collective entities.

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