

Is trust necessary for collective agribusiness strategies?

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ABSTRACT

This paper aims to contribute to the understanding of collective agribusiness strategies, especially in the case of trust and personal perception. The results of the fieldwork include the responses of 97 Micro, Small and Medium agribusiness, all belonging to the cheese industry, interviewed in 2008. Three concepts were included in the questionnaire: self oriented and peer oriented perceptions, cooperation and willingness to participate in a PDO or collective strategy. Results show that despite the lack of trust, a positive peer perception or a cooperative past, firms are willing to follow a collective strategy. Our findings indicate that collective agribusiness strategies are calculative actions.

INTRODUCTION

Cooperative Strategies have existed in the strategic management vocabulary since the eighties, and they include concepts such as: “networks,” “collective strategy,” “joint ventures,” “strategic alliances,” and “strategic sourcing” (Mintzberg, Ahlstrand, & Lampel, 1998). The logic underlying them was that individual strategies under “turbulent environments” (Ackoff, 1974; Michael, 1973) should be substituted by strategies at a collective level (Astley & Fombrun, 1983), stressing the importance of strategies that generate cooperative mutual gain rather than strict competition, being the first more additive than the last (Nielsen, 1988). Other contributions such as the co-competition concept (Brandenburger & Nalebuff, 1997) proposed a mix between competition and cooperation, whilst the idea of institutional strategy implied an industry-wide cooperation allowing firms to increase their control over the environment (Lawrence, 1999).

On the other hand, trust has been pointed out as a main component for cooperative strategies, despite the abundance in theoretical work in both concepts, empirical work regarding both is scarce. This could also be attributed to trust and cooperation being treated as synonyms (Mayer, Davis, & Schoorman, 1995), but cooperation can exist without trust. Oliver and Ebers (1998), when censuring network studies in the business area, observed that trust and opportunism have been less important for understanding networking phenomena. Still, they also consider the possibility that networking studies based on trust are less important because of trust’s difficulty to be measured. In some aspects, collective strategies that are based on trust could be considered under the rational view as a calculative concept whilst under the sociological view it takes the image of a “glue” sustaining societies. In the last case, trust is related to risk and uncertainty, as it provides a way to cope with them.

As the relationship between trust and collective strategies might be stated, still the question about the need for trust to exist in order to collective strategies to flourish hasn’t been proved. The present research presents the results of 97 interviews with cheese makers of the state of Veracruz in Mexico, they all were interviewed in order to explore if trusting their peers was a condition for their willing to participate in a collective strategy.

THEORETICAL BACKGROUND

Collective strategies can take several forms, in a study made by Porac et al. (1989) concerning Scottish knitwear manufacturers, they found that: "From their point of view, no other producers can manufacture the kinds of sweaters that they manufacture. Thus, when asked to discuss their competition, they focus mainly upon each other..." (Porac et al., 1989: 407). Other examples of Micro and SME following cooperative strategies, include the firms participating in Toyota City (Fane, Vaghefi, Van Deusen, & Woods, 2003), in this case out-sourcing as a second strategy reshapes the cooperative agreements. In both cases, geographical proximity has been an important element for implementing cooperative strategies. Other contributions, such as Axelrod's (1984), concluded that cooperation can be achieved using a tit-for-tat strategy, which disregards the environment where all that is needed is rationality. In this case, as cooperation and trust are related, trust will also depend on the shadow of the past and the shadow of the future (Figuroa Rodríguez & Figuroa Rodríguez, 2007).

Dwivedi et al. (2003) found in the literature seven bases for trust: characteristic based trust (belonging to the same family/community), process based trust (related to the business ties), institutional based trust (Zucker, 1986); deterrence based trust, identification based trust (Shapiro, Sheppard, & Cheraskin, 1992); calculus based trust and knowledge based trust (Lewicki & Bunker, 1996). Another classification of trust has been suggested by Kramer et al. (1996), specially considering the collective level: a) Reciprocity trust –'I will engage in trust behavior because I believe you are likely to do the same'. b) Elicitative trust –'By engaging in trust, I induce others to do the same'. c) Compensatory trust –Members consider collective trust as a valuable shared resource worth protecting. d) Moralistic trust –'I will act in a trusting and trustworthy fashion irrespective of what others in the group do or don't do.' In any case, trust, for the ends of this research, is considered either as *calculative* or as *socially* constructed, being both interrelated. Kramer et al. (1996: 384), expose that "all decisions about trust, at least to some degree, turn upon calculation." As several definitions for trust exist, McEvily et al. (2003: 92) definition was retained: "Trust is the willingness to accept vulnerability based on positive expectation about another's intentions or behaviors."

METHODS

The research was carried out in 2008; perceptions of 97 owners of micro, small and medium cheese-production firms in Mexico were interviewed regarding their willingness to participate in a collective strategy. In this case, the collective strategy was the establishment of a PDO (Protected Denomination Origin) for the "Jarocho" cheese, a regional endemic cheese. We used a snowball technique in order to reach the firms and a closed questionnaire; results were based in ten basic questions.

RESULTS AND DISCUSION

The first variable is the personal perception of the firm owner. In general the owners had a positive perception of their selves, as they considered themselves as hardworking (17.5%) and responsible (12.4%), or a mix of positive characters (26.8), on the other hand they disregarded the cooperative (7.2%) and independent (4.1%) labels.

In general, they had good to regular relations with other cheese makers (75.3 and 22.7% respectively) and only 2.1% of them expressed they had bad relationships with the other firms. This is in accordance with their general perception of others, as they thought they were participative (53.6%), still, the other group thought that the other cheese makers were unreliable (18.6%), individualistic (23.7%) and they did not participate with others (4.1%).

Twenty-five percent of the firms reported having some degree of exchange with other firms, still in most of the cases this was not the case. Half of the firm owners considered that there are may rivals in the market, and 41.2% consider that they do not have rivals. In general, they considered that their market is quite sure (39.2%), and that the client determines the safety of the market (37.1%), only 18.6 and 4.1% of the owners believed that there is a lot of rivals and disloyalty.

The last part of the questionnaire explored the collective strategy issue; in this case, owners were asked if they knew what a PDO was. Our findings show that 92.8% of them did not know what a PDO was, still, 83.5 percent were willing to participate, 82 of 97 firm owners were willing to participate in an association and 72 of 97 firm owners were willing to make changes in their process in order to participate in the PDO.

All variables were tested for correlations with a .05 level of significance, no correlation results were found.

As it can be observed, agribusiness owners mentioned having a good relationship with others; still, there is no general pattern, as owners considered others as participative, individualistic and unreliable. This means that either having good relationships did not implied business relations so there are limited to casual encounters, or that they define having a good relationship despite the negative perceptions they have of others. In the same line of thinking are the firm owners that considered people to be participative still, they did not cooperate with others, or they believed having many market rivals despite their believes in others cooperative rational. Finally, regarding the interest of participating in a PDO, most of the agribusiness owners were willing to participate.

CONCLUSIONS

The understanding of the agribusiness firms' willingness to participate in collective strategies lacks of empirical evidence for the better knowledge of local strategies that might help firms cope with global treats. In order to contribute to this research topic, we interviewed 97 firm owners of the dairy industry and asked their self perceptions, the perceptions of other cheese producers and their willingness to implement a collective strategy, such as a PDO.

Our findings support Axelrod's (1984), conclusion that cooperation can be achieved using a tit-for-tat strategy, which disregards the environment where all that is needed is rationality. In this sense, it does not matter what they believe of each other, or if they have good relationships between them, they will be willing to participate in a collective agribusiness strategy, even when they do not trust each other.

LIMITS OF THE RESEARCH AND FUTURE DIRECTIONS

The main limit of our research is the fact that firms belonged to only one kind of industry reduces the validity of our results. The second consideration is the scale used for evaluating the perceptions; a seven point Linkert scale would have been preferable. Finally, it would have been preferable to have a multicultural sample; this would allow making more adequate contributions. Concerning the future directions, it would be interesting to retest our study, in a cross-industry scenario in order to overcome the limitations of our study.

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