



*The World's Largest Open Access Agricultural & Applied Economics Digital Library*

**This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.**

**Help ensure our sustainability.**

Give to AgEcon Search

AgEcon Search  
<http://ageconsearch.umn.edu>  
[aesearch@umn.edu](mailto:aesearch@umn.edu)

*Papers downloaded from AgEcon Search may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

*No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.*

# Entrepreneurs' Ability of Specialized Farmer Cooperatives and Its Influencing Factors

Yiqing SHEN\*

College of Economics and Management, Huazhong Agricultural University, Wuhan 430070, China

**Abstract** In the context of alienation of cooperative development in China, the concept of cooperative entrepreneurs' ability was expounded based on the theory of entrepreneurial competence, and then factors restricting the development of cooperative entrepreneurs' ability in China were analyzed. Finally, some countermeasures were put forward.

**Key words** Cooperatives, Entrepreneurs' ability, Growth ability

## 1 Introduction

Specialized farmer cooperatives (hereinafter referred to as cooperatives) have common properties of enterprises and the public, and they are organizations with social equity and economic efficiency<sup>[1]</sup>. The cooperatives play positive demonstration roles in the improvement of farmers' quality of life. Specialized farmer cooperatives began to develop in the 1980s and then developed rapidly in China. In 2007, *Law on Specialized Farmer Cooperatives* was issued officially in China, and then farmer cooperatives have developed rapidly in China<sup>[2]</sup>. The sustainable development of the cooperatives in each industry has stimulated the vitality of China's agriculture. However, its development speed and quantity are abnormal, which has led to the abnormal developments of many cooperatives. Many scholars have queried the displacement of essence of current specialized farmer cooperatives. For instance, Du Yintang and Pan Jin found that no specialized farmer cooperatives accorded with the standard of traditional cooperatives. In addition, there exist many "alienation phenomena" in the process of foundation and operation of the cooperatives<sup>[3]</sup>.

In recent years, the prosperous development of the cooperatives benefits from the formation way. In the competition of market economy, the enterprise attributes of the cooperatives have been shown obviously with the reform of agricultural management mode and diversification of consumers' demand. Therefore, besides realizing the maximization of overall interest of members, the ability of the cooperatives to make a profit should be enhanced to realize their benefit. Nevertheless, competent cooperative entrepreneurs can manage cooperatives with good performance<sup>[4]</sup>. That is, the ability of cooperative entrepreneurs plays an important role in the composition and operation of farmer cooperative economic organizations<sup>[5]</sup>. Hence, it is demanded that entrepreneurs such as a person in charge of a cooperative and its director has good talents. At present, most cooperatives have no excellent entrepreneurs, which is one of important factors influencing the formation and de-

velopment of specialized farmer cooperatives in China<sup>[6-7]</sup>. Therefore, the growth of entrepreneurs' ability of cooperatives has become an issue that is worth exploring.

## 2 Cooperative entrepreneurs and their ability

**2.1 Cooperative entrepreneurs** Many scholars give different definitions of cooperative entrepreneurs. For example, Harms suggests that cooperative entrepreneurs are persons who can find and realize cooperative effect, and the cooperative effect show that cooperatives should be tested by market and members' participation, that is, the organizations can exist in competition and attract members<sup>[8]</sup>. Estrin has pointed out that the talents of entrepreneurs will make enterprises form competitive advantages in terms of finding and utilizing market opportunity, developing new products and market, and forming organization capability. Entrepreneurs have supernormal information and resource superiority, so they can process and utilize information in time, which can help them find accurate location for cooperatives and process scarce resources and information accurately to realize benefit maximization<sup>[9]</sup>.

Guo Lulai suggests that members of cooperatives, who have knowledge about cooperatives, master necessary ability of social activities and have dedication, are the founders and leaders of cooperatives, namely cooperative entrepreneurs<sup>[10]</sup>. Xu Xuchu have pointed out that cooperative entrepreneurs have original capital accumulation or obtain information or resources easily, and most of them are rural elites having cooperation knowledge and cooperation awareness<sup>[6]</sup>. He Chenjiao emphasized the exemplary or leading roles of cooperative entrepreneurs, and most entrepreneurs are directors of cooperatives and persons in charge of related department<sup>[11]</sup>. Sun Yafan suggests that most cooperative entrepreneurs are founders or leaders of their, or social elites who play organization roles in the process of founding and managing cooperatives; in comparison with common farmers, they have cooperation consciousness, innovation ability and a talent for managing enterprises<sup>[7]</sup>.

Most scholars suggest that cooperative entrepreneurs, as a kind of scarce resources, can influence the performance of cooper-

atives. For instance, the foundation of a cooperative is not a spontaneous process and is affected by many factors, while the successful foundation of a cooperative can not be separated from cooperative entrepreneurs<sup>[10]</sup>. Because cooperative entrepreneurs can master all kinds of resources such as material, human and social resources, their value is very important to the foundation of cooperatives, development and improvement of their core competitiveness, and their subsequent sustainable development<sup>[12]</sup>. In the same condition, the difference of resource availability of cooperative entrepreneurs, corresponding treatment measures and ability can influence the definition of contention scope of cooperatives, thereby affecting the performance of cooperatives<sup>[13]</sup>. Hu Pingbo investigated 90 presidents of specialized farmer cooperatives in Jiangxi Province and concluded that the management and organization ability of cooperative entrepreneurs could affect the enhancement of economic organization performance, governance performance and social performance significantly<sup>[14]</sup>.

**2.2 Ability of cooperative entrepreneurs** Some scholars suggest that the ability of entrepreneurs is shown as different dimensions in an organization. Among them, Drucker and Schumpeter mainly emphasize entrepreneurs' innovation consciousness and suggest that they should have social innovation spirit, which is the lever of social progress. This is the definition of entrepreneurship by Drucker, that is, the essential work of entrepreneurs is continuous innovation, and entrepreneurs need to drive economic development and stimulate social development and progress. Wei Bo thinks that currency is one of signs of success for entrepreneurs in the development process of an enterprise, and having loyalty and sense of responsibility to their own business is the supreme experience and driver of entrepreneurs<sup>[15]</sup>. Chandler *et al.*<sup>[16]</sup> have pointed out that in order to manage an enterprise successfully, an entrepreneur should take a founder, technical expert and manager. That is, an entrepreneur should have the ability to find existing and potential business opportunities and have a sense of responsibility. Meanwhile, they should have the ability to utilize professional information and resources effectively in time. Cooperative entrepreneurs are members of a cooperative, so they should have cooperation consciousness, namely sharing decision-making power with other members and observing benefit distribution system of a cooperative. Above all they should pursue the maximization of members' common interest in the operation and decision-making process, which are the differences between common entrepreneurs and cooperative entrepreneurs.

He Xiaogang *et al.*<sup>[17]</sup> suggest that entrepreneurs' ability should include strategic capability, management ability, relation ability, and governmental resources. Liao Qin *et al.*<sup>[18]</sup> think that leaders of a cooperative should have the follow-up core ability, including influence, team spirit, achievement orientation, customer service orientation and professional technical knowledge. Cheng Bo<sup>[19]</sup> has pointed that entrepreneurs' ability refers to technical capacity, relation capability, organization ability, strategic capability, conceptual ability, etc. Hu Pingbo<sup>[14]</sup> has found that the ability

of cooperative entrepreneurs contains management ability, relation ability, cohesion ability, and strategic capability. In addition, Zhang Xiaoshan *et al.*<sup>[20]</sup> emphasize that if cooperative entrepreneurs lead members to pursue common prosperity, they should have the ability to unite members, so as to organize loose farmers and ensure the efficient operation of follow-up management. As presidents, cooperative entrepreneurs should have dedication<sup>[14]</sup>.

### 3 Influencing factors of growth of cooperative entrepreneurs

In terms of growth of cooperative entrepreneurs, Hu Pingbo<sup>[14]</sup> surveyed the presidents of more than 200 specialized farmer cooperatives and suggests that seven factors affect entrepreneurs' ability, including family conditions, learning ability, management experience, social status, support from a key person, cooperative status and institutional environment. Here three factors inhibiting growth of cooperative entrepreneurs will be analyzed from the aspects of macro environment, cooperative entrepreneurs and cooperative environment.

**3.1 Macro environment** When cooperatives face good market and policy environment, cooperative entrepreneurs can enhance their strategic capability and relation sources greatly. However, some social environments still limit the development of cooperative entrepreneurs. For instance, agricultural weak industries can not attract existing entrepreneurial resources to conduct investment; small farmer consciousness and legal environment have hindered the growth of entrepreneurs<sup>[11]</sup>.

Under the current system, there exists dislocation of relation between cooperatives and governments, which is adverse to the growth of cooperative entrepreneurs. In the conditions of inductive institution evolution and government guidance system innovation, cooperative economic organizations produce cooperative relation with administrative organizations at all levels, which has resulted in inaccurate location and functional disorder of specialized farmer cooperatives<sup>[21]</sup>. Some cooperatives lose the power to appoint and dismiss members and can not form effective organization and management mechanisms, which has limited the development of cooperative entrepreneurs<sup>[22]</sup>.

**3.2 Cooperative entrepreneurs' own factors** When analyzing success factors of new generation of cooperatives, Carlberg *et al.*<sup>[23]</sup> emphasized the roles of entrepreneurs' own gifts and other factors and have pointed out that they have important significance to the success of a cooperative; they mainly refers to entrepreneurs' professionalism, experience, persistence, etc., and these factors are closely related to entrepreneurs' human capital.

Bernadett *et al.*<sup>[24]</sup> suggest that economic factor is one of conditions for making farmers grow into cooperative entrepreneurs, but farmers' value and social capital (referring to trust here) are also very important. Peasant entrepreneurs in many regions have low comprehensive quality, which has limited the development of cooperative entrepreneurs' ability. Because most farmers have low

education background and low quality and show an one-sided attitude to an issue, they are difficult to adapt to the demands of informatization, knowledge, professionalization, and complication of management system, so that it is very difficult to realize the transformation from potential entrepreneurs to real entrepreneurs successfully<sup>[25]</sup>. Yuan Peng<sup>[26]</sup> emphasizes that farmer cooperative entrepreneurs should have devotion, and peasant entrepreneurs can not produce positive economic and social benefit and even increase operation cost and risk at the initial stage of cooperative foundation, so they have no devotion; though cooperative entrepreneurs set up cooperatives, they can not realize the enhancement of cooperative performance and growth of their ability.

**3.3 Cooperative factors** Though the growth of entrepreneurs plays a key role in the development of farmer cooperative organizations, the development of farmer cooperative organizations will determine the growth level of entrepreneurs<sup>[27]</sup>. Farmer cooperative organizations is the key to the growth of entrepreneurs, because they are the organization object of entrepreneurs giving full play to their talents. Differences between modes of cooperatives and incentive and restraint mechanisms implemented by cooperatives play important roles to the growth direction, speed and connotation of cooperative entrepreneurs<sup>[12]</sup>. In order to give full play to entrepreneurs' talents, it is necessary to give entrepreneurs control power. When the demand of entrepreneurs by the development of cooperatives is increasingly high, the development of entrepreneurs' talents will be stimulated.

In addition, China is not deficient in rural entrepreneur resources but lacks soil cultivating cooperative entrepreneurs. The emphasis limiting the growth of cooperatives should be put on the shortage of reward and punishment incentive system, talent selection mechanism and constraint mechanism in organizations<sup>[28]</sup>, and these mechanisms are beneficial to the performance of entrepreneurs' talents. In the team production theory, Alchian *et al.*<sup>[29]</sup> emphasize that entrepreneurs should become residual claimants to share remaining ownership arrangement, which can supervise and motivate entrepreneurs. However, due to the return principle and limited capital of current cooperatives, cooperative entrepreneurs have no right to obtain residual claim, and the benefit and risk responsibility of cooperatives are not equal. The influence is small in a short time, but it must affect the enthusiasm of entrepreneurs to take part in an organization in a long time<sup>[30]</sup>. Capital limited system is an important norm of cooperative distribution system, and it should be thought carefully to change the system.

## 4 Countermeasures

**4.1 Improving cooperative entrepreneurs' devotion** Seen from the current situation of cooperative entrepreneurs, cooperative entrepreneurs pay more attention to economic benefit and are deficient in high-level pursuing. To enhance cooperative entrepreneurs' ability, it is necessary to guide cooperative entrepreneurs to pursue self-worth, thereby increasing their sense of responsibility

for cooperatives and economic income of cooperative members. Cooperative entrepreneurs' ability is an irreplaceable resources, and the use of scarce resources can increase the cost of cooperatives according to rules of resource market allocation, so that cooperatives may not comply with allocation principles of economic benefit. Therefore, it is necessary to enhance cooperative entrepreneurs' spirit to realize farmers' common prosperity. Spears *et al.*<sup>[31]</sup> point out that most scholars think public servant leadership is a style of leaders' leadership beyond self-interest, and this kind of leaders respect personal dignity and value, while the primary task is to service others, thereby meeting the psychological, emotional and physiological needs of followers<sup>[32]</sup>. That is, cultivating cooperative entrepreneurs' consciousness of public servant is beneficial to the development of their devotion. At first, governments can strengthen the construction of rural cooperative culture through all kinds of publicity and education, which is the culture base of formation and development of cooperative entrepreneurs' operation capacity and public servant leadership. Secondly, enough political treatment should be given to cooperative entrepreneurs who make great contributions, which can encourage them to realize self-worth.

**4.2 Strengthening the development of human resources of cooperative entrepreneurs** To solve the scarcity of rural cooperative entrepreneurs' ability or rural cooperative entrepreneurs radically, it is necessary to pay close attention to the development of rural human resources or introduce talents. Cooperative entrepreneurs have special talents, and there exists a certain gap between them and common farmers, while cooperative entrepreneurs' ability needs to be developed presently. However, the ability of some cooperative entrepreneurs is innate, while some cooperative entrepreneurs' ability is formed later. For governments, they should increase rural professional education training and strengthen the training of farmers' professional skills and occupational level; it is necessary to develop rural basic education and enhance farmers' knowledge level; it is necessary to improve rural basic economic system and promote rational flow of rural human resources. Cooperatives should strengthen the training of cooperative entrepreneurs. Firstly, cooperatives should organize specialized training of operation and management. The competition of product marketing increasingly aggravates, and cooperative entrepreneurs should enhance their operation and management level to make up the weakness of agricultural industry. Secondly, it is necessary to strengthen the education and training of cooperative rules and regulations. Though most cooperative entrepreneurs understand cooperative rules and regulations on the whole, they should strengthen continuing education to master the foundation and operation purpose of cooperatives.

**4.3 Providing soil for the growth of cooperative entrepreneurs** It is necessary to publicize the significance and value of cooperatives in society widely and affirm the work of cooperative entrepreneurs. Meanwhile, it is necessary to strengthen the financial support of cooperatives, support technical innovation and in-

dustrial innovation of cooperatives and change the situation of weak industry of cooperatives, which can motivate the performance of talents of cooperative entrepreneurs. Governments should face their relation to cooperatives and change previous attachment relationship, provide preferential policies and development space for the development of cooperatives, and motivate the passion of farmers as elites and technical backbone to found and develop cooperatives. However, cooperative entrepreneurs have great right, and additional supervision and management mechanisms are needed, which should be improved in practice.

## References

[1] LIU ZH, YU Y. The research on the influence factors of the productive efficiency of the new type of farmer cooperatives——Based on the dual attributes of corporate profitability and the public nature of the club [J]. *Journal of Commercial Economics*, 2015(16): 126–128. (in Chinese).

[2] HUANG ZH, WU B, XU XC. The "ideal type" of cooperatives and their practical logic [J]. *Problems of Agricultural Economy*, 2014, 35(10):8–16. (in Chinese).

[3] DENG HS, WANG WL. The essence of farmers' specialized cooperatives and an empirical test – Are there real farmers' specialized cooperatives in China [J]. *Chinese Rural Economy*, 2014(7): 22–24. (in Chinese).

[4] HUANG ZH, FU YZ, XU XC. The analysis of the efficiency of farmer cooperatives and its influencing factors [J]. *Chinese Rural Economy*, 2011(7):4–13. (in Chinese).

[5] HUANG ZH, XU XC, FENG GS. Analysis on the influence factors of the development of professional cooperative organizations of farmers——A discussion on the development status of professional cooperative organizations of farmers in Zhejiang Province [J]. *Chinese Rural Economy*, 2002 (3): 13–21. (in Chinese).

[6] XU XC. Analysis on the system of professional cooperative economic organizations of Chinese peasants [M]. Beijing: Economic Science Press, 2005; 82–153. (in Chinese).

[7] SUN YF. Analysis the interest mechanism of peasants' professional cooperative economic organization [M]. Beijing: Social Sciences Academic Press (China), 2009;294–297. (in Chinese).

[8] HARMS B. Cooperative entrepreneurship as an expression of cooperative identity [J]. *Seminar Monograph*, 2009; 3–8.

[9] ESTRIN S. Competition and corporate governance in transition [J]. *Journal of Economic Perspectives*, 2002,16(1):101–124.

[10] GUO LL. Institutional economics analysis of cooperative system and professional association practice [J]. *China Rural Survey*, 2001(4):36–48. (in Chinese).

[11] HE CJ. On the cultivation of entrepreneurs of agricultural cooperative economic organizations [J]. *World Agriculture*, 2005 (11):52–55. (in Chinese).

[12] PENG YY. Study on the research summary of cooperative entrepreneurs and factors of growing [J]. *Chinese Agricultural Science Bulletin*, 2010, 26(17):439–442. (in Chinese).

[13] WANG XY. The influence of the growth of cooperative entrepreneurs on the performance of cooperatives [J]. *Agriculture & Technology*, 2016, 36(24):169–169. (in Chinese).

[14] HU PB. Canonical correlation analysis of the cooperatives performance and its entrepreneurial ability——Based on the survey of Jiangxi Province [J]. *East China Economic Management*, 2013, 27(9):38–43. (in Chinese).

[15] PITER F · DRUCKER. *Innovation and entrepreneurship: master of management* [ M ]. Haikou: Hainan Publishing House, 2000. (in Chinese).

[16] CHANDLER GN, JANSEN E. The founder's self-assessed competence and venture performance [J]. *Journal of Business Venturing*, 1992, 7 (3):223–236.

[17] HE XG, LI XC. Entrepreneur ability and enterprise growth: The empirical research based on Chinese experience [J]. *Economic Research Journal*, 2005(10):101–111. (in Chinese).

[18] LIAO Q, LIAO J. Analysis on the quality model of the leaders of farmers' professional cooperatives [J]. *Rural Economy and Science-Technology*, 2009, 20(10):57–59. (in Chinese).

[19] CHENG B. The capability of our entrepreneurs and small and medium-sized enterprises to invest in the relationship between behavior and empirical analysis [J]. *Science of Science and Management of S. & T.*, 2010, 31(2):167–172. (in Chinese).

[20] ZHANG XS, YUAN P. Cooperative economic theory and practice of Chinese farmers' cooperative [M]. Beijing: Capital University of Economics and Business Press, 2009;4–12. (in Chinese).

[21] YUAN F, LIU WF, HAN Z. On the creation condition and restricting factors of the new agricultural cooperative organization [J]. *Agricultural Economy*, 2005(4):15–16. (in Chinese).

[22] JIN WL. The discussion of the relationship between professional cooperatives and government in China——Based on the analysis of non-profit organization theory [J]. *China Collective Economy*, 2009 (27):46–47. (in Chinese).

[23] CARLBERG JG, WARD CE, HOLCOMB RB. Success factors for new generation cooperatives [J]. *International Food & Agribusiness Management Review*, 2004, 9(1): 11–13.

[24] BERNNADETT C, ESZTER K, IMRE K, et al. Encouraging collective farmers marketing initiatives (COFAMI) – The hungarian report [M]. Political Science Institute of the Hungarian Academy of Sciences, 2008: 34–44.

[25] HE XY, SUN J. On rural entrepreneurs incubation in new village construction [J]. *Economy and Management*, 2008, 22(8):70–74. (in Chinese).

[26] YUAN P. On the nature of cooperatives and the basic conditions for the development of Chinese farmers' professional cooperative economic organizations [J]. *Management and Administration on Rural Cooperative*, 2006(8): 16–21. (in Chinese).

[27] XU ML. Discussion on the mechanism of entrepreneurs' growth in the cooperation of farmers in Taiwan [J]. *Forward Position in Economics*, 2003(7):18–21. (in Chinese).

[28] CHEN Y, LI QG. The conditions and mechanism of the growth of rural collective economic entrepreneurs [J]. *China Business*, 2008(B05):48–49. (in Chinese).

[29] ALCHIA AA, DEMSETZ H. Production, information costs, and economic organization [J]. *IEEE Engineering Management Review*, 2007, 3(2):21–41.

[30] ZHOU WG. Study on the stimulation mechanism of farmer-specialized cooperation based in the scope of enterprise [J]. *Journal of Central University of Finance & Economics*, 2007(7):47–51. (in Chinese).

[31] SPEARS LARRY C. Practicing servant-leadership [J]. *Leader to Leader*, 2004(34):7–11.

[32] SUN JM, WANG BY. Servant leadership: scale development and construct clarification [J]. *Business Economics and Administration*, 2010, 1(5):24–30. (in Chinese).