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# Intangible Investments in wine co-ops: catalyzers between governance and financial performance

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## Introduction / Context



Cooperatives: owner-members enterprises coming from poverty, crisis and reaction against market disaster, especially in agricultural sector



French wine co-ops are major operators in the wine sector – LR ones are the most numerous, and also frequently the smallest ones



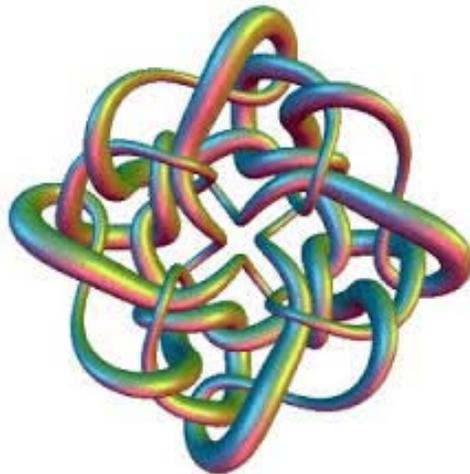
Ways of cooperative governance: in transition because of increasing collaborative and knowledge based-economy

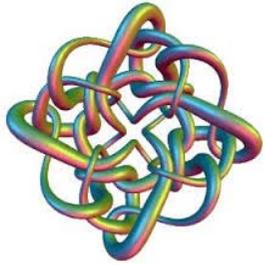


We aim to analyse the determinants of their competitiveness. We also study to what extent intangible investments interact with co-op governance and performance

2

# Theoretical framework





# Governance dimensions



Cooperatives governance: different faces and multi-paradigmatic conceptual framework (Cornforth, 2004)

Three main levels: disciplinary, partnership and cognitive dimensions (Saïssset, 2016) –  
*But partnership and cognitive ones appear as the most influent on cooperative performance (Saïssset et al., 2016)*

## Partnership level Stakeholders Theory

Freeman (1984)  
Desroche Quadrangle (1976)  
Charreaux and Desbrières (1998)



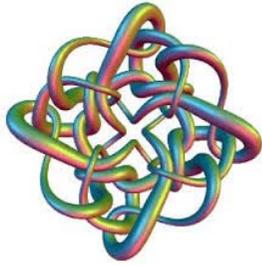
Quality level of farmers' governance influences agricultural cooperatives performance (Filippi, 2013)

## Cognitive level « Cognitive » Theory

Charreaux (2002)  
Wirtz (2006, 2011)



Positive influence on agricultural cooperatives performance – Impact of processes (Huse et al., 2005)



## Role of intangible

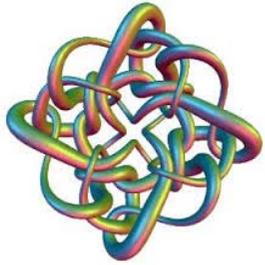


*Demotes-Mainard (2003)*: intangible = « Invisible man » □ difficult to define  
Investor vision = human capital, organisationnal capital, customers and network capital

Dynamics and cumulative effects of previous intangible investments  
(*Arrighetti et al., 2014*) ⇒ path dependency consequences

Impact of intangible on corporate performance:

- Democratic wine co-ops lead to less innovation and cooperative performance because of cognitions problems (*Couret, 2006*)
- open governance in agrifood industry ⇒ innovation and financial performance increase (*Couderc and Stephany, 2006*)
- High level of intangible investments ⇒ average profit increase (complex effects on coops performance)



# Performance measurement



Complexity of performance measurement in cooperative firms (*Soboh et al., 2009*) ⇒ great diversity of approaches and visions

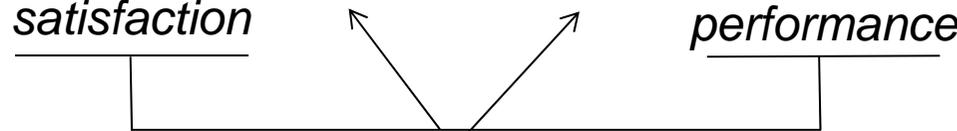
So multi-dimensional measurement is an evidence, including « patron service » (*Franken and Cook, 2015*)



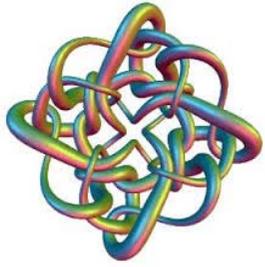
Agricultural cooperatives performance results from a fragile balance (*Staatz, 1989*)

*Members' satisfaction*

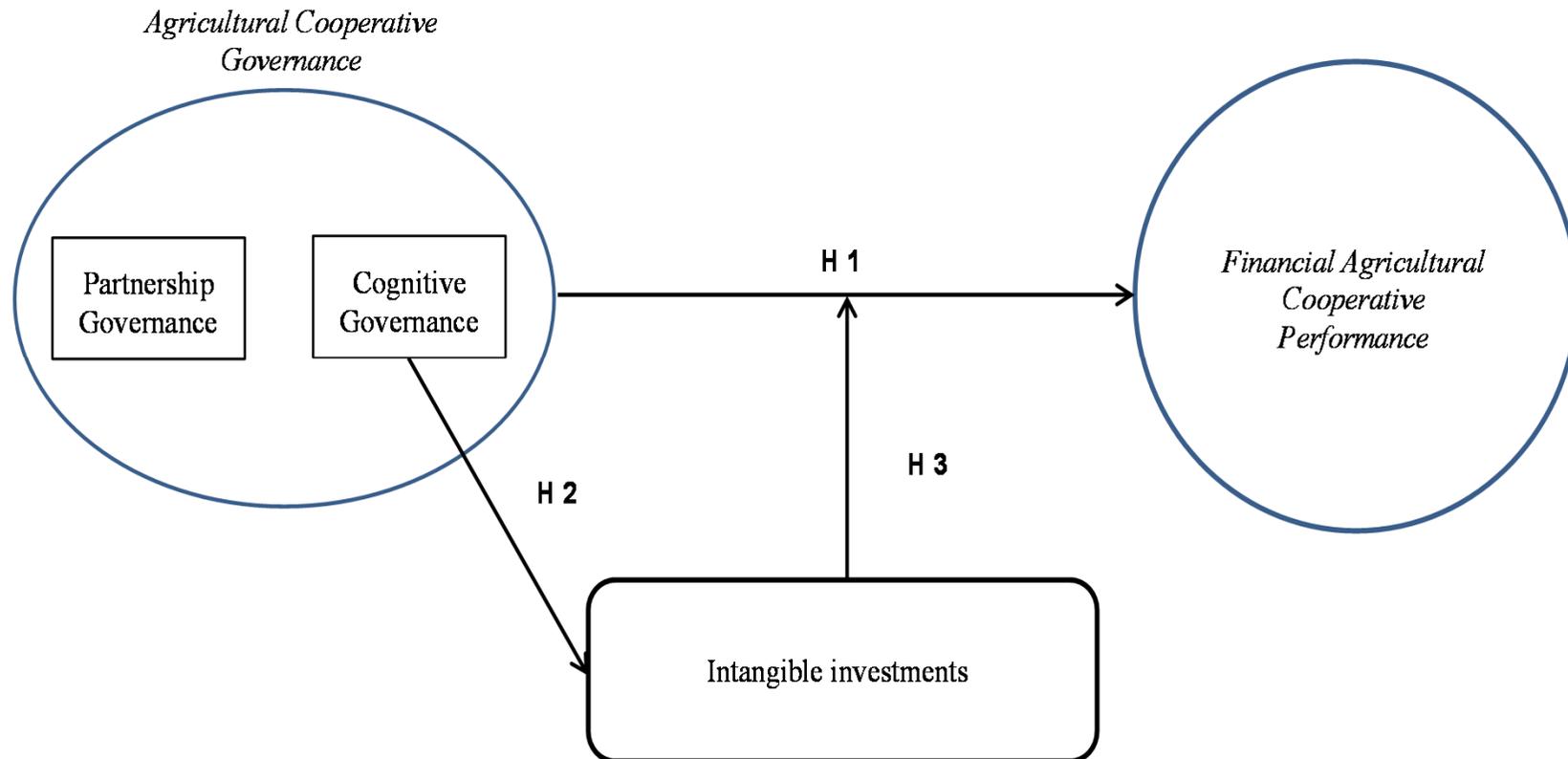
*Firm's performance*



**Cooperative dilemma** (*Saïssset and Rivière-Giodano, 2015*)



# Theoretical model of agricultural cooperatives governance, intangible investments and performance



# Methodology



## Sample surveyed size related to whole population of wine co-ops in LR (2010)



Criteria	Sample surveyed	Whole population	%
Number of cooperatives	87	211	41.2%
Acreages (ha)	72,592	154,965	46.8%
Output (hl)	4,225,777	8,666,254	48.8%
Turnover (€)	411,261,666	900,000,000	45.7%

*COOPERFIC® data base = collective intelligence decision aid tool*

# Choice of indicators and statistical analysis



## □ Choice and building up of indicators

☞ *Governance*: two distinct governance dimensions made up of several variables (Saïssset, 2014) related to process

☞ *Intangible*: diversity and intensity of specific investments

☞ *Performance*

-selection of indicators based on the specific agricultural cooperatives' characteristics (Soboh et al., 2009; Saïssset and Rivière Giordano, 2015)

-mixed of short/long run financial indicators

## □ Partial Least Square Structural Equation Modeling

☞ *Three main concepts made of reflective variables*

☞ *Exception for governance (reflective-formative model)*

☞ *Evaluation and signification of the model*

# Results and discussion



# Model global fitting

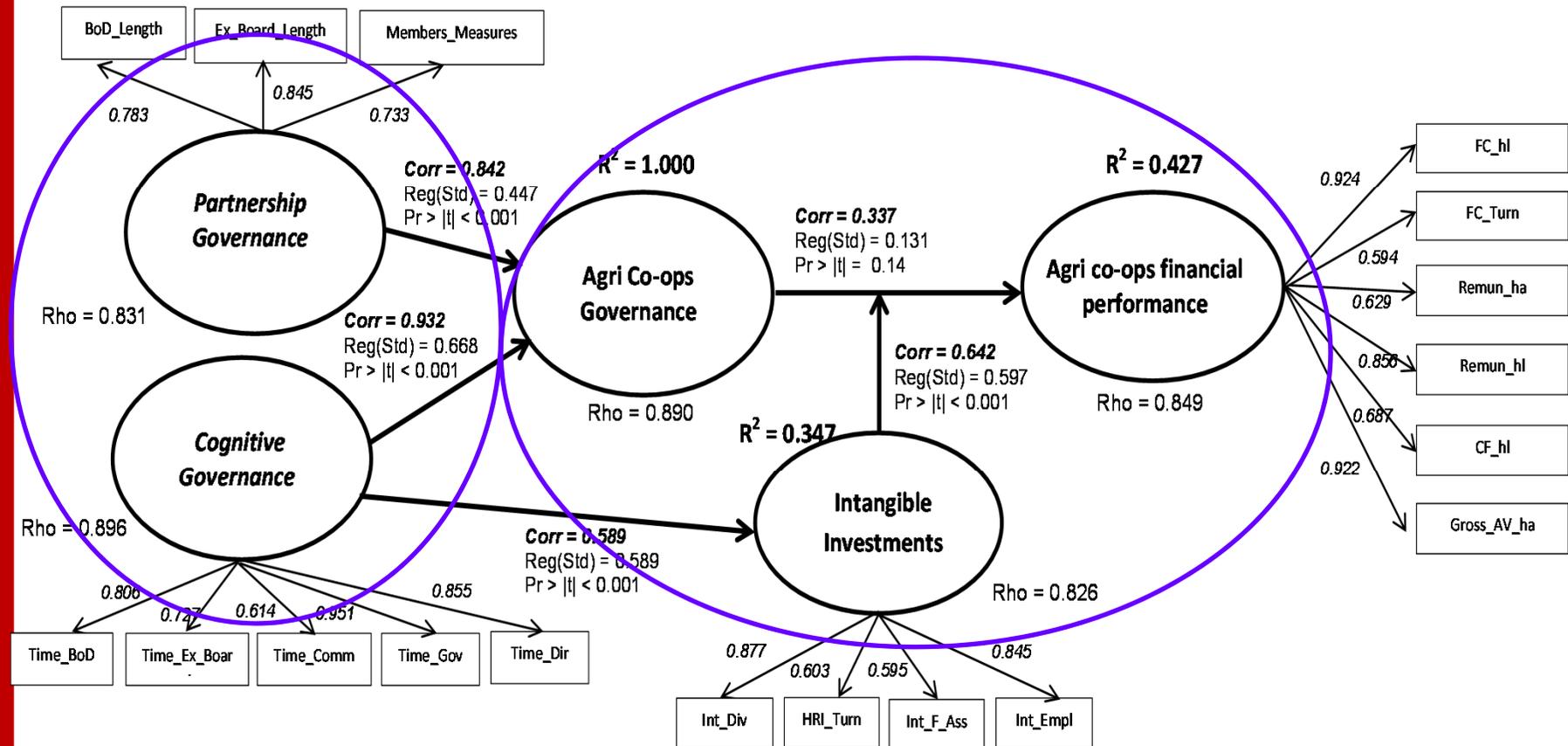


	GoF	} <b>Good validity</b>
Absolute	<b>0.497</b>	
Relative	0.841	
External Model	0.981	
Internal Model	0.857	

Good cross loadings  $\Rightarrow$  appropriate indicators for latent variables  $\Rightarrow$  **good discriminant validity**

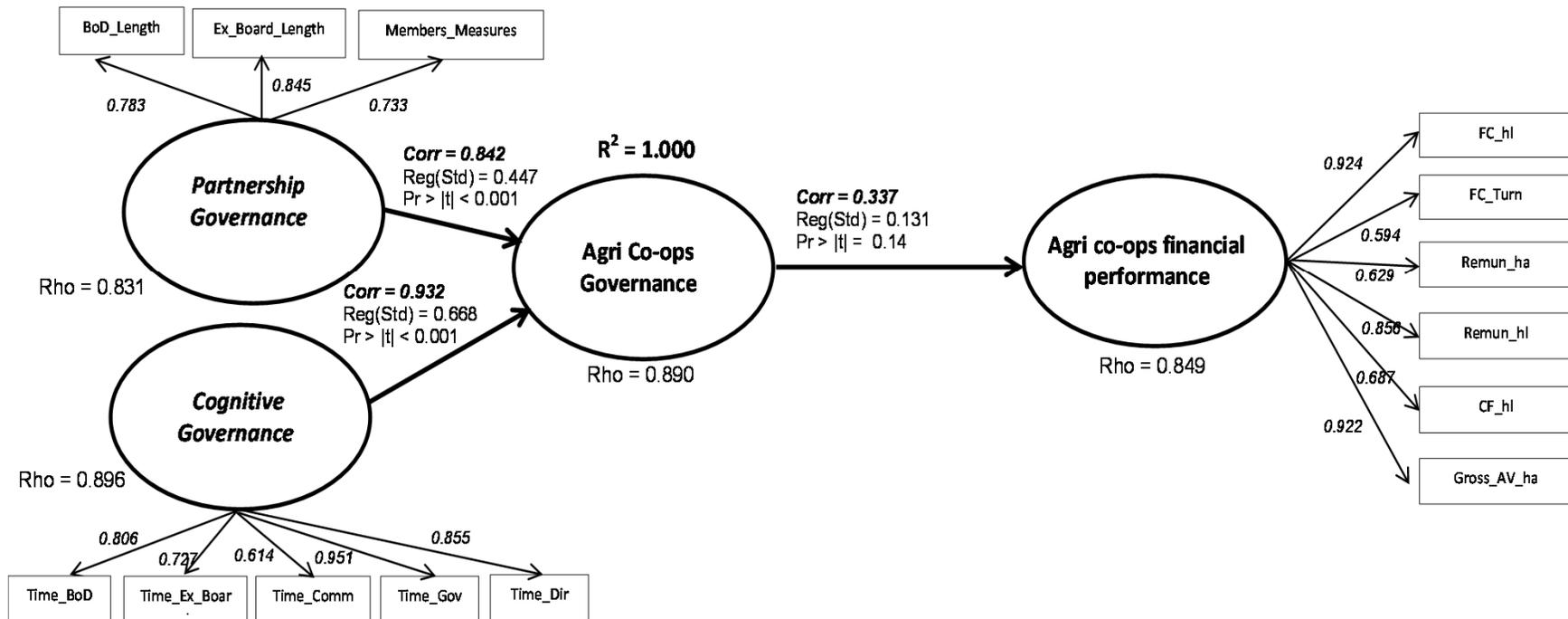
Latent Variable	Path Coeff	Stand Error	t	Pr >  t	f <sup>2</sup>
Governance	0.131	0,088	1.488	0,140	0.026
<b>Governance*Intangible</b>	<b>0.597</b>	0,088	6.786	0,000	<b>0.548</b>

# PLS SEM results



# Test of H1 :

## Level of governance influences level of financial performance

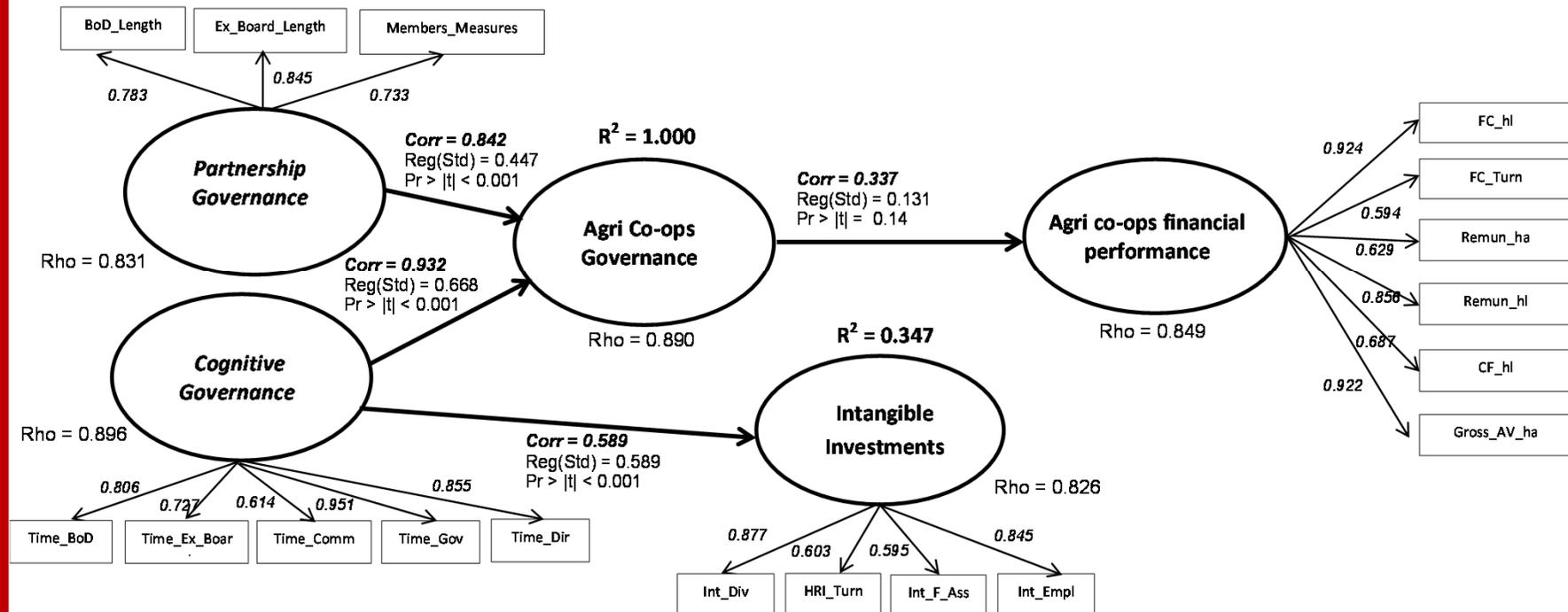


**H1 is not validated,**  
**but governance concept is coherent**  
Governance mechanisms only  
do not explain wine co-ops performance

# Test of H2 :



## Level of cognitive governance influences level of intangible investments



**H2 is validated**

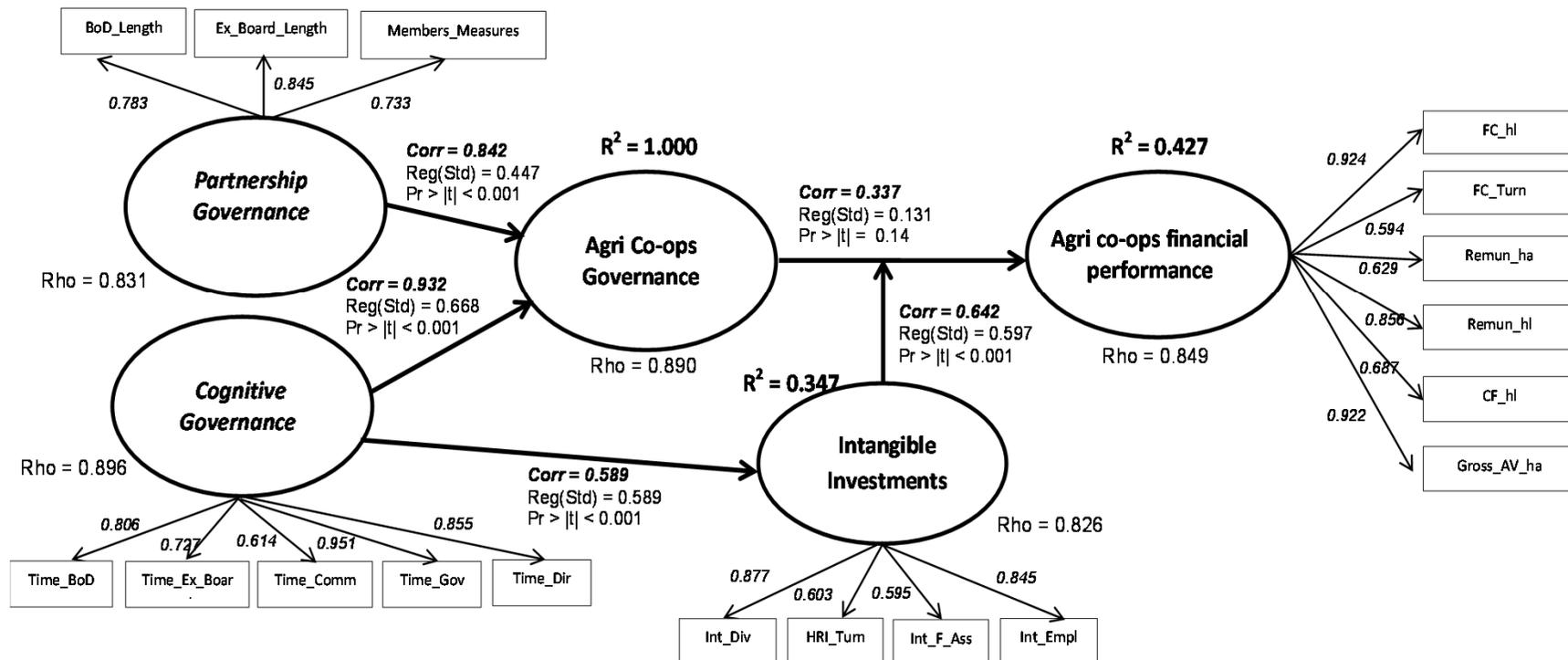


**Cognitive governance has a significant influence on intangible investments** ⇒ knowledge sharing is crucial for going ahead and invest in marketing



# Test of H3 :

## Intangible investments has a mediator effect on the link between governance and performance



**H3 is validated** – Moderator effect of II si real and important  
Cognition is crucial, impulsing intangible and financial performance

# Conclusion

- ➔ Results confirm the major part of our hypothesis
- ➔ Results underline the interest in combining the four main categories of intangible investments:
  - skills (education as well as human capital)
  - brands,
  - normalizations and certifications,
  - subsidiaries, including financial participations.
- ➔ Informal bodies, cognition and partnerships aspects allow dis-embeddeness.
- ➔ Intangible investments are powerful tools used in order to establish collective commitments. They enable to reduce asymmetric information, asymmetric knowledge, and to improve collective action.
- ➔ In fact, intangible investments act as a “catalyzer” for triggering governance effects on financial performance ⇒ it paves the way for future researches.

**Thank you for your attention**

**Questions welcome !**

