

## A Study of Factors Effecting Social Capital Management and its Impact on Success of Production Cooperatives

<sup>1</sup>Hossein Agahi and <sup>2</sup>Shohreh Karami

<sup>1</sup>Department of Agricultural Extension and Education, Faculty of Agriculture, Razi University, Iran

<sup>2</sup>Agricultural Extension and Education, Faculty of Agriculture, Razi University, Iran

**Abstract:** The purpose of this research, which conducted by descriptive-correlation methodology with members of production cooperatives of out of season products at Kermanshah province of Iran, is to study the role of social capital management on success and development of production cooperatives. The statistical samples consider 220 persons; who have been selected on random sampling basis and studied by questionnaire. The validity of questionnaire conducted by panel of experts and its reliability calculated by Cronbach's alpha coefficient and resulted 0.83. Data were analyzed by SPSS software. The results showed that the rate of the following factors effect success of production cooperatives: individual motivation 97%, members active participation 96.4%, cooperation spirit among members 93.6%, goodwill among cooperative members 92.4%, willingness for upgrading occupational know-how 91%, attention for upgrading quality of products 90.2%, relation with other cooperative societies 89.6%, using experiences of other cooperative societies 88.4%, disposal of own experiences to other cooperative societies 87.8%, awareness about global markets 87%, attention for development new products 86.8%, concern for community and interaction with society 86.2%, mutual trust among cooperative members 85%, common image of future among members 84.4%. Therefore, it is recommended that enhancement of effective factors of social capital management should be taken in to account for the purpose of increase in success and development of cooperatives more than ever.

**Key words:** Factors Effecting • Social capital management • Success • Production cooperatives

### INTRODUCTION

Social capital is a collection of informal norms or values in social systems that underpin cooperation of community members [1]. Furthermore, social capital is a source of bilateral expectations, which shapes with broader networks, trust and joint values and it stands higher than individuals [2]. Coleman [3] believes that social capital is created by changes in the relations among persons that facilitate action [3]. Putnam (2000) also believes that Social capital represents the relational resources attainable by individual actors through networks of social relationships [4]. Burt (1992) stated, that social capital describes the social context that facilitates or constrains individual actors' selection of exchange of partners [5]. Thus social capital is a powerful concept for understanding the emergence, growth and functioning of network linkages. Social capital was rooted

in the history, culture and context of the Iranian society for many centuries [6]. Before the modernization era, the traditional structure of Iranian societies was functional and networks of relationships was strong and primarily informal, face-to-face associations [7] of people in villages and small communities. After the land reform (1962-71), the rural regions have gone under serious changes. The political power of the tribal chiefs and large land-lords was largely dismantled. Although the power was not shifted to the farmers, but the culture of feudalism continued to be diminished within ten years of land reform. At the same time, the connection between the land lords and the farmers disrupted and feud between them escalated, resulting in the lack of cooperation and trust between these two long-lasting social classes which had dominated the traditional structure of agriculture for centuries. After the land reform, the sense of cooperation and trust still existed among the lower-strata of the rural

communities and it was functional at the level of the lineage segmentary sections. The networks of kinship, norms, values and social obligations facilitated cooperation and support in their daily agricultural activities and other spheres of social lives, otherwise the process of rural-urban migration which was on an unprecedented scale would cause the vacation of the villages completely. This fast growing process was mainly due to the policy of modernization and urbanization and the neglect of the village life after the land reform. [8] book "The Neglected Garden" refers to the negligence of agricultural industry by the state and its negative affects on the socio-economic and political life of the Iranian farmers. The Islamic government of 1979 criticized the policy of the previous regime for neglecting the lower classes of society in favor of the upper and middle classes. The marginalized and neglected people mainly lived in rural and nomadic areas. One of the main policies of the government was to develop the participation of different social classes, especially the poor and marginalized people in rural regions through improvement of agriculture. The authorities therefore attached high priority to expand cooperatives at the local and national levels [9, 10] side by side the private and public sectors of economies, regarding it as the third sector of national economy. The idea was to organize the poor strata of the society working collectively to contribute to the local and national economy. The government believed that before the hasty and highly uneven modernization era in Iran [11] the traditional values such as collective consciousness, empathy, sympathy and solidarity were functional in daily activities bringing security and sustainability to the rural regions [12]. Social capital in Iran is embedded and dormant in different regional zones; this highly important concept in development can be recognized and revitalized in agricultural cooperatives through connecting with influential people (there are still cooperation between some of the rich and the poor in share-cropping and raising animals). In addition, the authority should encourage the sense of cooperation and trust at the individual, group, organization and community levels. This process can be a valuable step towards inclusion of democratic institutions to improve the performance of agricultural cooperatives.

Management of cooperative social capital is a system that aims at enhancement of added value inside and outside cooperative. The goal of such activity is to facilitate added value in cooperative social activities, in favor of members and their society. This argument cited

on the book of human resources management in cooperatives, theory, process and extension education; translated by Ministry of Cooperatives, Deputy of Research, Education and Extension of the Islamic Republic of Iran (2006 b).

**Literature Review:** Social capital is a product of phenomena such as mutual trust, mutual social interaction, group and collective sense of identity and a joint image of future and team work that boosts individuals' ability through membership in social structure. The trust network is comprises of a group of individuals who take advantage of similar norms and values in their communications and relations, based on mutual trust. These networks enable people to access information, thoughts, economic opportunities, power and mental supports of one another, which decreases management and transaction costs and create novel values [13]. Social capital can be defined simply as a set of informal values or norms shared among members of a group that permits them to cooperate with one another [1]. Social capital was defined by its function- 'it is not a single entity, but a variety of different entities, having two characteristics in common: they all consist of some aspect of a social structure and they facilitate certain actions of individuals who are within the structure [14]. Social capital refers to connections among individuals – social networks and the norms of reciprocity and trustworthiness that arise from them. In that sense social capital is closely related to what some have called "civic virtue". The difference is that social capital calls attention to the fact that civic virtue is most powerful where embedded in a sense of network of reciprocal social relations. A society of many virtuous but isolated individuals is not necessarily rich in social capital [4].

According to Knack and Keefer (1997) all concepts have an idea, that trust and norms of civic cooperation are essential to well functioning and economic progress of those societies [15].

Fukuyama (1999) argued that economists had grossly underestimated the importance of social capital in general and trusts in particular [16]. According to Granovetter (1985), even in the new ad hoc institutional economies there is a failure to recognize the importance of concrete personal relations and network of relations [17]. What he called "embedded ness" – in generating trust, in establishing expectations and in creating and enforcing norms.

Coleman discerns the value of connections for all actors, individual and collective, privileged and disadvantaged. In other words, Coleman's definition of social capital can encompass macro-level cultural norms. Economists such as Knack (1999) have criticized the above social capital and argued that it is unlikely to develop trust between strangers [18, 19] argued that Coleman's view is naively optimistic, as a public good, social capital is almost beginning in its functions, providing for a set of norms and sanctions that allow individuals to cooperate for a mutual advantage and with little or no "dark side".

According to Halpern (2005), Hanifan probably the first to use the term social capital, seemed to have in mind every day habits of friendship and common civility – the informal social norms for every day life [20]. Bourdieu (1984), like Fukuyama emphasized on social capital and trust. But he shifted the emphasis onto the material benefits to individuals of their social networks [21]. Putnam initially included both norms and networks, though in later work he tended to favor a slightly narrower definition focused more on social capital.

Extensive and varied networks are an asset in all situations where we need help, advice, support, information, encouragement, or care. Such social contacts need not be strong or deep on the personal level. As Granovetter has asserted, there is also strength in organizations and societies distinguished by extensive weak ties [17].

Bougarel (2002) refers the term social relations instead of social networks [22]. He attempts to identify the quality of interpersonal relations, trust, forms of cooperation and conflict management among individuals and groups. Similarly the reports of the World Bank: "Voices of the Poor" (1999) contains extensive useful data showing that most effective, trusting and supporting institutions are the informal networks in various forms: connections, patronage, kinship and friendship, neighborhood and workplace relations.

Social capital generated through relationships with others, links with influential groups. Allport (1954) influentially proposed the "contact hypothesis", that prejudice may be reduced by equal status contact between majority and minority group in the pursuit of common goals [23].

Similarly, as Putnam argued social capital lies in cultural and political practices stretching back nearly a thousand years [20]. Putnam (2007) argues that distrust between the ethnic groups will rise with diversity [24].

But not within a group and distrust will decline as members of different groups get to know and interact with each other.

Due to involvement of the varieties of individuals, groups, organizations and communities in cooperatives, this research proposes the establishment of new forms of organization, mobilization, combination of traditional and modern forms of institutions and use of distribution of resources. In other words, new strategies for enabling minority groups to move into the social and economic mainstreams requires the provision of vibrant and new forms of social capital building. This duty is largely on the shoulders of the dominant majority groups to prevent the further collapse in civic, social, associational and political life of the communities involved in agricultural cooperatives. The researcher's experiences of the Kermanshah rural regions as diverse social and cultural minorities, believe such diversities as a source of exchange, innovation and creativity as a common heritage for humanity that should be recognized and affirmed for the benefit of present and future generations.

Management of rational interaction among cooperative informal networks in social capital management results in further participation. It is a continuum process that involves members in all stages from planning, decision making, execution, supervision, to evaluation and sharing interests [25]. Participation is a mental and emotional involvement of people in group situations, which motivate them to help one another and to share responsibilities in order to achieve group objectives [26]. From three main elements of cooperation; physical cooperation, financial cooperation and mental cooperation; partnership is a mental cooperation element or an individual's creativity that could be synergized and take in to account [27]. Participation is the basis of economic democracy, sense of responsibility towards one's own affairs, development of self and mutual help in facing social and economic issues and causes cooperatives success [28]. Members' participation will help more solidarity among cooperatives member [29]. Therefore, management requires interaction of cooperatives with social capital management, in order to be able to involve personnel in participation (Ministry of Cooperatives, Deputy of Research, Education and Extension, Education Dept, 2005). Thus encouraging participation and cooperation's spirit [30], enhancement of democratic, open and volunteer participation and improving level of social responsibility of cooperative members, will strongly affect their success [10].

Social networks in various levels of human society have been shown to serve as an important form of social capital, providing network members with social gains [31]. Prell *et al.* also believes (2007) that social networks influence individuals and groups [32]. Strength of ties between actors shows how strong versus weak ties relate to different kinds of outcomes. Strong ties are ones where actors communicate frequently with one another. Actors sharing a strong tie tend to: a) influence one another more than those sharing a weak tie; b) share similar views; c) offer one another emotional support and help in times of emergency; d) communicate effectively regarding complex information; e) be more likely to trust one another.

In the process of sound interaction of management in cooperative, in social capital management, the availability of information and counseling services in production could be important for a successful result [33]. In a research carried out in Kiamo cooperatives of Kenya, James showed that members' counseling and proper and timely dissemination of information are considered as cooperative success factors [34]. Robertson also believes that lack of consultation services and absence of awareness and required skills resulted in the failure of start-ups and entrepreneurial businesses [35]. Existence of counseling services and proper and timely dissemination of information could considerably help commercial strategy of production cooperatives.

In order to manage the rational interaction among cooperative formal networks of social capital management, sound communications are needed. Useful communication skills of members are essential for success of production cooperatives. Ever-changing business environment and growth of cooperatives has doubled the need of members for information, therefore, establishment of relations with new members, future members, public centers and people has always been and will be a big challenge for cooperatives [36]. According to Coleman (1988) the networks of relationships between the residents living within any given geographical community constitute a large stock of material, cultural and human resources that can be potentially be mobilized for public purposes [3]. Andrews and Gene (2011) believes that cultural and human resources effectively constitute the social capital of a community [37]. Maintaining high quality relation of members, customers, suppliers and community is the key result for all staff that assists their cooperative; furthermore, it will be a basis for staff to establish positive working relations in cooperatives [38]. Tsai (1998) showed that collaborating with new partners and creating new relationships are necessary for acquiring critical resources and getting external support [39].

In such a context practical and proper training of cooperative members and managers could be an affecting factor and be able to boost cooperative efficiency [40]. Spender (1996) believes that strategy and entrepreneurship researchers share an interest in resource acquisition, sharing and exploitation for the purpose of value creation [41]. Of the various resources available to the firm, knowledge is arguably the most important. Cooperative staff should be self-motivated and self-reliant communicators understand others' (members, personnel and customers) understand what would meet their satisfaction and excellence in serving others [42]. Shabanali Fami *et al* (2006) Point out communicative abilities as cooperative success elements [43]. Amini and Ramezani (2007) give a great importance to members' participation in cooperative executive affairs and inter personal relation management skills [44]. In Kiamos cooperative research from Kenya, poor or lack of relation among members and farmers has been named as a failure factor [34].

Following the second process, management and development of cooperatives' human capital; to reach the goal of quality improvement, service development and increase of value added resources, cooperative managers should be willing to participate in training workshops as a part of their profession for upgrading skills, self-efficacy and enhancement of occupational knowledge [45]. On the other hand, cooperative personnel should be willing to improve their personal knowledge in order to be able to succeed [46]. Factors such as acquiring necessary training in relation to job are important for enhancement of cooperatives' added-value [47]. The more required job related training has been conducted, the more successful has been the cooperative [44]. Yli-Renko *et al.* (2001) believes that aspects of social capital (social interaction, relationship quality and network ties) embedded in relationships of young technology with key customers, which increase the young firms' knowledge acquisition from these relationships and that knowledge acquisition may then be exploited for competitive advantage through new product creation, enhanced technological distinctiveness and reduced sales costs [48].

Social capital management has been broached as a significant new road to Success and development of Production Cooperatives. In this paper, we focus on factors effecting Success of Production Cooperatives. We show that social capital management will enhance Success, by enhancing intellectual capital, enhancing relations among personnel, enhancing knowledge and facilitating learning on individual-level, group-level, organisational-level and community-level. The proposed model is shown in Figure 1.

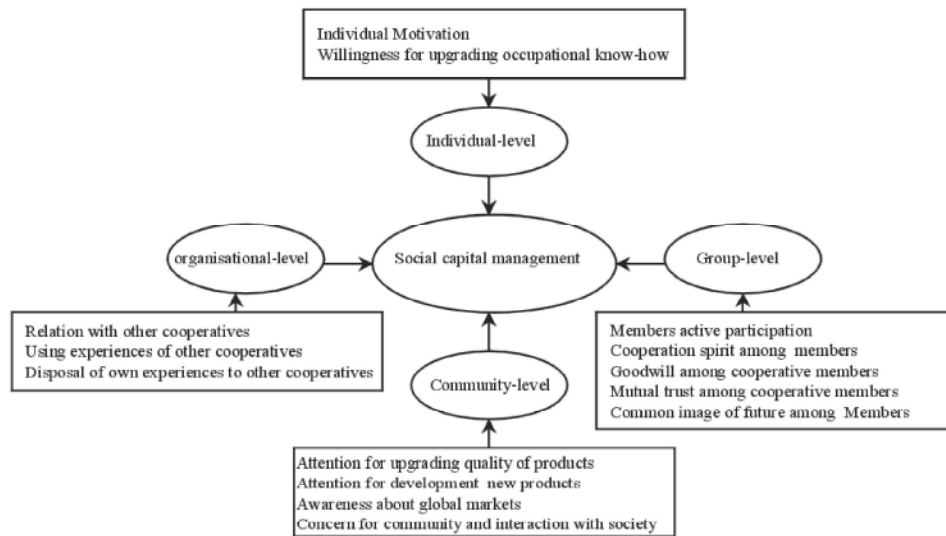


Fig. 1: Factors Effecting Social Capital Management on Success of Production Cooperatives; Factors are represented by ovals and variables are represented by rectangles

### The Structure and Management of Iranian Cooperatives:

Agricultural producer cooperatives came into existence about five decades ago through the Land Reform (1962) in Iran. The land was distributed among the poor farmers and those who had worked one year prior to the land reform. The farmers had to register as members of cooperatives while preserving their ownership rights. The idea was that to integrate the farmers into the mainstream social and economic sphere. The government established Rural Producers Cooperatives (RPC) in 1970. RPC established about 8000 agricultural cooperatives which later merged into 3000 units. RPC provided machineries and modern tools to the cooperatives in order to expand arable land and optimum use of water and soil resources. The idea was to boost their economy through improvement of production yields per unit area.

Agricultural cooperatives structure is similar to other Asian countries, but they are established and managed indirectly by the government. This is due to the lack of voluntary institutions and initiatives among the farmers. Jamali's (2004) research in Ilam, the neighboring province of Kermanshah indicates the success of the small scale cooperatives (less than 9 members) [49]. This kind of micro-level cooperation shows the trust between the close family network rather than trust at the community level in a multi-cultural society. Zarafshani *et al.* (2010) research in Kermanshah province indicates the success and failure of agricultural cooperatives [50]. Allahdadadi (2011) noted that the level of sense of community by rural cooperative members is low in Marvedashat (south of Iran) [51]. Fukuyama (1999) refers to sense of community to the

quality of human relationship that makes it possible for people to live together in a healthy and sustainable way [16]. This concept is close to the concept of social capital. This is the duty of the government and the rural leaders and community at large to reassess the position of the agricultural cooperatives through linkage between culture, development and dialogue and to create a platform for local and national cooperation, including the creation of a national fund for cultural diversity.

**Methodology:** The research design employed in this study was descriptive correlation and therefore, did not permit manipulation of variables or prediction of outcomes. A survey is a powerful, scientific research tool used to gather accurate and useful information as long as the samples have been drawn randomly from large population [52]. The target population for this study was members of cooperatives of out-of-season products in Kermanshah province. A sample of 220 of cooperative members was randomly selected.

Questionnaire was used for data collection. Data were collected using face-to-face interviews. The survey instrument elicited two categories of information from the participants: (a) demographic information, (b) assessment of effective factors on social capital management and its impact on success of production cooperatives. (c) Assessment of factors on Success of Production Cooperatives A five point Likert Type Scale (ranging from 1= strongly disagree, 2= disagree, 3= neither agree nor disagree, 4= agree; 5= strongly agree), were used to assess the perception of respondents on social capital

Table 1: Respondents Frequency Distribution in terms of demographic information (n =220)

Age	Frequency	Percent	Cumulative percent
20 years old and younger	14	6.4	6.4
21 to 25 years old	37	16.8	23.3
26 to 30 years old	44	20	43.4
31 to 35 years old	37	16.8	60.3
36 to 40 years old	43	19.5	79.9
41 to 45 years old	32	14.5	94.5
45 years old and older	13	6	100
Total	220	100	
Education level	Frequency	Percent	Cumulative percent
Illiterate	11	5	5
Primary	39	17.2	22.2
Lower secondary	48	22.3	44.5
Upper secondary	70	31.8	76.3
Higher than diploma	52	23.7	100
Total	220	100	
Marital Status	Frequency	Percent	Cumulative percent
Married	45	20.5	20.5
Single	175	79.5	100
Total	220	100	

Source: Research findings

Table 2: Frequency Distribution and correlation of Effective Factors on Social Capital Management and its Impact on success of Production Cooperatives (n=220)

Priority	Variables	Mean	SD	r
1	Individual Motivation	4.85	0.447	0.78**
2	Members' active participation	4.82	0.455	0.72**
3	Cooperation spirit among members	4.68	0.478	0.69**
4	Goodwill among cooperative members	4.62	0.485	0.67**
5	Willingness for upgrading occupational know-how	4.55	0.498	0.65**
6	Attention for upgrading quality of products	4.51	0.5	0.64**
7	Relation with other cooperatives	4.48	0.505	0.63**
8	Using experiences of other cooperatives	4.42	0.512	0.61**
9	Sharing of own experiences to other cooperatives	4.39	0.525	0.60**
10	Awareness about global markets	4.35	0.531	0.58**
11	Attention for development of new products	4.34	0.531	0.57**
12	Attention for community and interaction with society	4.31	0.533	0.55**
13	Mutual trust among cooperative members	4.25	0.539	0.54**
14	Common image of future among Members	4.22	0.545	0.53**

Source: Research findings

Likert Type Scale (1= strongly disagree, 2= disagree, 3= neither agree nor disagree, 4= agree; 5= strongly agree)

\*p < 0.05; \*\*p< 0.01

management. Content and face validity of the instrument were established by a panel of experts consisting of faculty in the department of Agricultural Extension and Education at Razi University and officers of the cooperative organization. Instrument reliability was estimated by calculating Cronbach's alpha coefficient. Reliability of the instrument for assessment of effective factors on social capital management and assessment of factors on Success of Production Cooperatives was 0.83 for respondents. Data were analyzed using the statistical package for social sciences (SPSS). Statistical analysis included means, frequency, percentage, standard deviation, spearman correlation coefficient and Mann-Whitney U test.

## Results and Report the Main Findings:

Findings of the research show certain results as follows:

- In the frequency distribution Table 1, demographic information of respondents is illustrated based on age, educational level and marital status respectively.
- In the frequency distribution Table 2, the frequency distribution of data relevant to effective factors on social capital management and their impacts on success of production cooperatives are presented based on priority of the highest mean and lowest standard deviation.

As illustrated in Table 2, factors affecting social capital management are prioritized. The first priority is individual motivation, with the highest mean of 4.85 that based on respondents' opinion, accounts for 97% and correlation coefficient 0.78 in terms of efficacy on management of social capital and increasing success of production cooperatives.

The second priority is active participation of members, with a high mean of 4.82 that based on respondents' opinion and accounts for 96.4% and correlation coefficient 0.72 in terms of efficacy on management of social capital and increasing success of production cooperatives.

The third priority is about creation of cooperation spirit among members with a high mean of 4.68 that accounts for 93.6% and correlation coefficient 0.69 efficacies on social capital management and growth of cooperative success based on respondents' opinion.

The fourth priority shows good will among cooperatives members with a high mean of 4.62 and accounts for 92.4% and correlation coefficient 0.67 effectiveness on social capital management and success of production cooperatives.

The Fifth priority show tendency toward upgrading business know-how with a high mean of 4.55 and accounts for 91% and correlation coefficient 0.65 efficacy on social capital management and increasing success of production cooperatives.

The Sixth priority is attention for upgrading quality of products, with a high mean of 4.51 that based on respondents' opinion and accounts for 90.2% and correlation coefficient 0.64 in terms of efficacy on management of social capital and increasing success of production cooperatives.

The Seventh priority is about relation with other cooperatives with a mean of 4.48 and accounts for 89.6% and correlation coefficient 0.63 of effectiveness on social capital management and increasing cooperatives success, based on respondents, opinion.

The Eight priorities relates to using other cooperatives experiences with a mean of 4.42 based on respondents view and accounts for 88.4%

and correlation coefficient 0.61 effectiveness on social capital management and production cooperatives success.

The ninth priority is sharing of own experiences to other cooperatives with a mean 4.39 that based on respondents opinion and accounts for 87.8% and correlation coefficient 0.60 of efficacy on social capital management and increasing production cooperatives success.

The tenth priority deals with awareness about global markets with an average of 4.35 that based on respondents' view and affects up to 87% and correlation coefficient 0.58 on social capital management and increase of production cooperatives success.

The eleventh priority is attention for development new products, with a high mean of 4.34 that based on respondents' opinion and accounts for 86.8% and correlation coefficient 0.57 in terms of efficacy on management of social capital and increasing success of production cooperatives.

The twelfth priority is attention for community's view and interaction with community, with a mean of 4.31 that based on respondents opinion and accounts for 86.2% and correlation coefficient 0.55 efficacy of social capital management and increase of cooperatives success.

The thirteenth priority deals with mutual trust among cooperative members with a high average of 4.25 that based on respondents view and accounts for 85% and correlation coefficient 0.54 efficacy on social capital management and increase of cooperatives success.

And the last priority is given to a common image of future among members with an average of 4.22 that based on respondents opinion and accounts for 84.4% and correlation coefficient 0.53 efficacy of social capital management and increase for cooperatives success.

- In the frequency distribution Table 3, the frequency distribution of assessment of factors on Success of Production Cooperatives is presented on priority of the highest mean and lowest standard deviation.
- In Table 4, exploratory factor analysis showed that 12 of research variables used 3 factors.

Table 3: Frequency Distribution of Assessment of Factors on Success of Production Cooperatives (n=220)

Priority	Variables	Mean	SD
Priority	Variables	Mean	SD
1	Sustainable Employment	3.8	0.962
2	Production	3.4	0.848
3	Marketing and Sale	2.7	0.922
4	Income	2.7	0.901

Source: Research findings

Likert Type Scale (1=very low, 2=low, 3=moderate 4=much; 5=very much)

Table 4: Exploratory factor analysis with the eigenvalue, percentage variance and the cumulative percentage of variance

Variables	Factors	Eigenvalue	Pct of var	Cum Pct
Members active participation				
Cooperation spirit among members				
Goodwill among cooperative members				
Mutual trust among cooperative members				
Common image of future among Members	group factors	6.120	28.852	28.852
Relation with other cooperatives				
Using experiences of other cooperatives				
Sharing of own experiences to other cooperatives	organisational factors	5.052	24.014	52.866
Attention for upgrading quality of products				
Awareness about global markets				
Attention for development new products				
Attention for community and interaction with society	community factors	4.928	23.555	76.421
Individual Motivation				
Willingness for upgrading occupational know-how	individual factor	2.825	12.284	88.705

Source: Research finding

Variables members' active participation, Cooperation spirit among members, goodwill among members of cooperatives, mutual trust among members of the cooperative and common image of future among Members one member of the cooperative members under the first factor, called "group factors" name is mark. The eigenvalue of the 6.120 is that the overall factor 28.852% of the total variance of the variables is allocated to. Variables relation with other cooperatives, using experiences of other cooperatives and sharing of own experiences to other cooperatives under the second factor, called "organisational factors" name is mark. The eigenvalue of the 5.052 is that the overall factor 24.014% of the total variance of the variables is allocated to. Variables attention for upgrading quality of products, awareness about global markets, attention for development new products and attention for community and interaction with society under the third factor, called "community factors" name is mark. The eigenvalue of the 4.928 is that the overall factor 23.555% of the total variance of the variables is allocated to. Variables of individual motivation and willingness for upgrading occupational know-how; under the fourth factor, called the "individual factor" is the name of Mark. The eigenvalue 2.825 is that the overall factors 12.284% of the total variance of the variables are allocated to. Extracted four factors, 88.705% of the total variance variables to explain.

## DISCUSSION

We posited that social capital management may be relational extended and related to the amount of external knowledge acquired and impact on success production

cooperatives. Consistent with the relational view, we focused on knowledge exploitation for competitive advantage that might accrue to a production cooperatives via external knowledge acquired in different levels. We tested our ideas with survey data from 220 of cooperative members in Kermanshah province. Our results suggested, at the level of individual by positive correlation and significant at the 0.01 level, between motivation individual and on management of social capital and increasing success of production cooperatives. Consistent with [53, 54] motivation individual becomes a major driving force for creating a new internal and external linkage and relationships in cooperatives create opportunities for knowledge acquisition and exploitation. In addition, willingness for upgrading occupational know-how as second individual-level by positive correlation and significant at the 0.01 level, efficacy on management of social capital and increasing success of production cooperatives. In such a context Ministry of Cooperatives (2004) expressed that cooperative personnel should be willing to upgrade personal knowledge and being eager learning for success. Cohen and Levinthal (1990) have asserted that acquires external knowledge depends on intense interaction and willingness to enhance information [55]. Amodeo (2001) believes that willingness for enhancement of cooperative member's knowledge is the most important factors affecting cooperative success [56]. Rezazadeh Saber (2000) has also expressed that increasing occupational know-how and skills, are effective on progress and development of entrepreneurial business. Lane and Lubatkin (1998) believe that one of ways increasing its incentive to exchange and process information is interaction with key customers [57].



In group-level finding show, active participation of members as first variable by positive correlation and significant at the 0.01 level, effectiveness on social capital management and increasing success of production cooperatives. Taleb (2005) believes that, cooperative success depends on enhancement of democratic, open and volunteer participation of members and improvement of social accountability among members [10]. The second variable at the level of group is about cooperation spirit among members by positive correlation and significant at the 0.01 level, efficacy on social capital management and growth of cooperative success based on respondents' opinion. This finding is in line with NezamShahidi's (1999) view point, who believes that encouraging cooperation and boosting cooperatives spirit among members are of great importance for achieving goals [30]. At the level of group suggested, by positive correlation and significant at the 0.01 level, between good will among cooperatives members as third variable social capital management and success of production cooperatives. Yli-Renko and *et al.* (2001) have asserted that important point one of social capital in the relationship is development of goodwill trust and expectations of reciprocity [48]. Hakelius (1996) believes that good will loyalty of members and member influenced by vision and perceptions are effective on every business [58]. James and Isaac (2005) shown also in their study on cooperatives of Kenya that unfaithfulness and dishonesty of cooperative members and representatives are among failure factors [34]. The fourth variable at the level of group by positive correlation and significant at the 0.01 level, deals with mutual trust among cooperative members efficacy on social capital management and increase of cooperatives success. Tsai (2000) indicate that trustworthiness as social capital has a more positive effect on the rate of new linkage creation [53]. Bruynis *et al.* (2001) have believed that mutual trust among members is important for cooperatives success [59]. Also Tsai and Ghoshal (1998) have suggested that an actor's trustworthiness can be measured by its locational properties in a network of trusting relationships [39]. And the last variable in group-level is given to a common image of future among members by positive correlation and significant at the 0.01 level that based on respondents opinion efficacy of social capital management and increase for cooperatives success. Consistent with Rostami Shahrababki (2009) that has believed mutual trust and a common image of future will enhance people's capabilities in social structures [13].

Finding show at the level of organisational, the first variable is relation with other cooperatives by positive correlation and significant at the 0.01 level effectiveness on social capital management and production cooperatives success. Consistent with [48, 54] interaction and relation with others firms get access to external knowledge and combine it with existing knowledge, create opportunities for social capital management and success.

At the level of organisational second variable relates to using other cooperatives experiences by positive correlation and significant at the 0.01 level effectiveness on social capital management and production cooperatives success Yli-Renko and *et al.* (2001) have asserted Knowledge and experiences acquisition will mediate the relationships between social capital and knowledge exploitation [48].

In organisational-level third variable is sharing of own experiences to other cooperatives by positive correlation and significant at the 0.01 level efficacy on management of social capital and increasing production cooperatives success. As expressed by Yli-Renko and *et al.* (2001) because the ability of each member to absorb the communicated knowledge is enhanced through repeated community interaction, both parties have a relatively greater incentive more in knowledge-sharing [48]. Ministry of Cooperatives (2006 a) have asserted that useful communication skills are crucial members' characteristic for production cooperatives success [60]. Ministry of Cooperatives (2004) also has suggested that cooperative personnel should be self-motivated and self-reliant communicators understand others' needs and giving a presentation of experiences with one's cooperative to another cooperative [42].

Finding show at the level of community, the first variable is attention for upgrading quality of products by positive correlation and significant at the 0.01 level effectiveness on social capital management and production cooperatives success.

At the level of community second variable deals with awareness about global markets by positive correlation and significant at the 0.01 level effectiveness social capital management and increase of production cooperatives success. Consistent with findings Robertson (2003) that attributes failure of entrepreneurial businesses to lack of awareness [35].

At the level of community suggested by positive correlation and significant at the 0.01 level, between attention for development new products as third variable of social capital management and success of production cooperatives.

In community-level shows attention for community and interaction with society as Fourth variable by positive correlation and significant at the 0.01 level effectiveness efficacy on social capital management and increase of cooperatives success. Attention for community and interaction with society is one aspects of social capital effectiveness in external relationships. External relationships including customers and buyers. This finding is on line with McEvily and Zaheer (1990) have asserted that customers as partition of community are important social capital that facilitating learning. Consistent with Ring and Van de Ven (1994) in community interaction between a cooperative and its customer increase the knowledge the production cooperatives by enhancing cooperative member ability to recognize and evaluate customer need [61]. Yli-Renko and *et al.* (2001) also believe that knowledge acquisition from key customer relationship effectiveness on new product development, technological distinctiveness and sales cost [48]. Ministry of Cooperatives (2006 a) has suggested that the evolving business environment and cooperative growth has doubled members' need to information. Based on this, communication with people as customers and buyers has always been and will be a big challenge for cooperatives.

Moreover, the statistical analysis shows that the difference in average appropriation between the abundance and the scarcity treatments is significant (Mann-Whitney U test  $Z = -4.140$ ,  $p = 0.000$ ) and we can add that the difference in the average use of the resources for social capital is also significant, (Mann-Whitney U test,  $Z = -2.814$ ,  $p = 0.001$ ).

## CONCLUSION AND RECOMMENDATION

Overall, the findings of this paper support the idea that social capital management affects success of production cooperatives. The new linkages on social capital management cause modify the existing social structure and provide new opportunities for resource exchange and outcomes. The results of exploratory factor analysis and correlation shows that individual motivation and willingness for upgrading occupational know-how, as an individual factor; members active participation, cooperation spirit among members, goodwill among cooperative members, mutual trust among cooperative members and common image of future among members as group factor; relation with other cooperatives, using

experiences of other cooperatives and Sharing of own experiences to other cooperatives as organisational factor; attention for upgrading quality, awareness about global markets, attention for development new products and attention for community and interaction with society as community factor; relatedness significantly affect on success of production cooperatives.

By understanding of the valuable role of social capital management from different aspects, in the process of producers' cooperatives success, the present research shows the ever increasing importance of program planning. It stresses training and extension of required skills as a basic strategy in line with cooperatives members' empowerment and achievement of sustainable development goals.

To expand and reinforce such efficacy, some guidelines are recommended as follows:

- Increasing members' faith and conviction to cooperative philosophy in order to boost cooperation spirit and understanding participation, trust and good will by conducting training courses and sharing experiences and success stories as concrete examples of successful cooperatives.
- Increasing tendency towards interaction and sharing experiences with other cooperatives through conducting training courses of sound communication.
- Increasing tendency of cooperative members to upgrade working knowledge through conducting training classes, information on modern technology and innovations, educational forums and publication of self-training packages, journals, poster, etc.
- More attention to community's viewpoint and proper linkage between production and marketing through conducting training courses and workshops, aiming at increasing marketing skills of cooperative managers.
- Increased tendency towards human resource development in cooperatives, sound organization of members through conducting training courses and workshops for managers.

## ACKNOWLEDGMENT

I hereby appreciate the valuable insight that I received from Professor Emeritus of Razi University Dr. Shokrollah Hamd Haidari throughout this paper.

## REFERENCES

1. Fukuyama, F., 2000. Social capital and maintain appropriate. Translated by Gholamabbas Tavassoli. Tehran: Iranian Society.
2. Field, J., 2007. Social capital. Translated by Gholamreza Ghaffari and Hossein Ramezani. Tehran: Kavir Publications.
3. Coleman, J.S., 1988. Social capital in the creation of human capital. *American Journal of Sociology*, 94: 95-120.
4. Putman, R.D., 2000. Trends in Social Capital. New York: Routledge.
5. Burt, R.S., 1992. Structural Holes: The Social Structure of Competition. Harvard University. Press: Cambridge, Massachusetts.
6. Hamdhaidari, S., H. Agahi and A. Papzan, 2007. Teaching and Learning Participation in the College of Agriculture at the University of Razi, Iran. *Journal of Quality in Higher Education*, 13(2): 131-143.
7. Rose, N.S., 1999. Powers of Freedom: Refraining political thought. Cambridge University Press.
8. McLakhlan, K., 1988. The Neglected Garden: The politics and ecology of agriculture in Iran. London: I.B. Tauris & Co.Ltd.
9. Ansari, H., 1993. Principles of Cooperatives. Tehran: Payam-e-Noor Publications.
10. Taleb, M., 2005. Cooperative principles and ideas. Publications: Tehran University.
11. Hirst, P. and G. Thompson, 1996. Globalization in Question: The International economy and the possibilities of governance. Cambridge: Polity Press.
12. Popzan, A. and S. Hamdhaidari, 2008. Role of Agricultural Cooperatives in Raising Production and employment opportunities in Liam Province, Iran. *Pakistan Journal of Social Sciences*, 5(6): 570-575.
13. Rostami Shahrababaki, H., 2009. Cooperation and social capital. Tehran: Dehkhoda Lexicon.
14. Coleman, J.S., 1994. Foundations of Social Theory. Harvard University Press.
15. Knack, S. and P.H. Keefer, 1997. Does Social Capital Have an Economic Payoff ? A Cross-Country Investigation. *The Quarterly Journal of Economics*, 112(4): 1251-1288.
16. Fukuyama, F., 1999. The great Disruption: Human nature and the reconstitution of social order. London: Profile Books.
17. Granovetter, M., 1985. Economic Action and Social Structure: The Problem of embeddedness. *American Journal of Sociology*, 91(3): 481.
18. Knack, S., 1999. World Bank: Aid dependence and the quality of governance: A cross-cultural empirical analysis.
19. Field, J., 2003. Social Capital. London: Routledge.
20. Halpern, D., 2005. Social Capital. Cambridge: Polity Press.
21. Bourdieu, P., 1984. Distinction: A social critique of the judgment of taste. (Translation). Harvard University Press, pp: 466-484.
22. Bougarel, X., 2002. Bosnian Islam as European Islam: Limits and shifts of a concept. Cambridge University Press.
23. Allport, G.W., 1954. Handbook for Social Psychology: Theory and method. Boston: Addison-Wesley.
24. Putman, R.D., 2007. Education and Social Capital. *Eastern Economic Journal*. 33(1).
25. Sheikhi, M., 2003. Study of effective factors on participation of Agricultural cooperative members. *Taavon Economic, Social and Cultural Monthly*, 147: 43.
26. Alavitabar, E., 2000. Participation in Administration of Urban Areas, Study of Citizens participation Model in Administration of Cities (Experiences of World and Iran). Municipalities Organization Publications.
27. Ansari, H., 2001. Role of Cooperatives in Transition Livelihood Production to Commercial Production in Agricultural Sector. Tehran: Seminar on Iranian Agricultural and World Markets, pp: 165-153.
28. Mostaani, M.H., 1999. Members Satisfaction, Key to Cooperatives Success. *Taavon Monthly*. New Edition, 98: 4-5.
29. Silvar Ajo, R., 2005. Members Indifference and Effective Factors on Lack of Participation in Cooperative Activities. *Cooperative Monthly*, pp: 173.
30. Nezam Shahidi, M. and R. Alizadeh-Aghdam, 1999. Principles of Cooperatives Management. Tehran: Ladan Publications.
31. Lin, N., 2001. Social Capital: A Theory of Social Structure and Action. Cambridge University Press, New York.
32. Prell, C., K. Hubacek and M. Reed, 2007. Stakeholder Analysis and Social Network Analysis in Natural Resource Management. Sustainability Research Institute (SRI), School of Earth and Environment, the University of Leeds, Leeds, LS2 9JT, United Kingdom. August, 2007. No. 06.

33. Moradnejadi, H., H. Iravani, H. Shabanali Fami, M. Hosseini and M. Kaafi, 2008. An Analysis of Environmental Factors Effective on success of Entrepreneurship of Green House Production Units in Iran. Olum-e-Keshavarzi Iran Journal. First Edition.
34. James, K.N. and K. Isac, 2005. An Analysis of Success, Failure and Demand Factors of Agricultural Cooperatives in Kenya. Strategies and Analysis for Growth and Access.
35. Robertson, M., *et al.*, 2003. Barriers to start-up and their effect on aspirant entrepreneurs, Education & Training, 45(6): 308-316.
36. Ministry of Cooperatives, Deputy of Research, Education and Extension. 2006b. Human resources management in cooperatives, theory, process and Extension. Translated by Asghar Bayat. Tehran: Paygan Publications.
37. Andrews, R. and A.B. Gene, 2011. Social capital and public service performance: Does organizational strategy matter? Paper prepared for presentation at the Public Management Research Conference, Syracuse University, pp: 2-4.
38. Wandsworth, J., 2001. Keep the Co-ops Candle Burning, Effective Member Relation Essential to keep Co-op Spirit Olive & Kicking, Rural Cooperative.
39. Tsai, W. and S. Ghoshal, 1998 Social capital and value creation: the role of intra-firm networks. Academy of Management Journal, 41: 464-76.
40. Shirzadi, H., 2003. Study of Opinions by Academics Allameh Tabatabaee University on Tehran, Faculty of Social Sciences, Allameh Tabatabaee University.
41. Spender, J.C., 1996. Making knowledge the basis of a dynamic theory of the firm. Strategic Management Journal, Winter Special Issue, 17: 45-62.
42. Ministry of Cooperatives, Deputy of Research, Education and Extension, Education Dep., 2004. Cooperative Progress and Development. Translated by Asghar Bayat. Tehran: Paygan Publications.
43. Shabanali Fami, H., Choobchian, Sh. Choobchian, M. Rahim Zadeh and F. Rasooli, 2006. Identification and Analysis of success structures of women cooperative Societies in Iran. Women Studies Seasonal Journal. 4<sup>th</sup> Year, 2.
44. Amini, A.M. and M. Ramezani, 2007. Study Reasons and Extent of Poultry Cooperative Success of Tehran, Mazandaran and Golestan Province. Journal of Agricultural Sciences and Natural Resources, Year 13: 2.
45. Kelsey, K.D., 2008. Do Workshops Work for Building Evaluation Capacity Among Cooperative Extension Service Faculty? Journal of Extension, 46: 6. Article Number 6 RIB.
46. Ministry of Cooperatives, Deputy of Research, Education and Extension, Education Dep., 2003. Cooperatives Progress and Development. Translated by Asghar Bayat. Tehran: Paygan Publications.
47. Erdman, D. and Dennis E. Coates, 2005. The Genesis of Train-to-Ingrain. Interview (Audio). Retrieved from (<http://www.train-to-ingrain.com/resources/genesis.asp>).
48. Yli-Renko, H., E. Autio and H.J. Sapienza, 2001. Social capital, knowledge acquisition and knowledge exploitation in young technology-based firms, Strategic Management Journal, 22: 587-613.
49. Jamali, A., 2004. Role of Productive Cooperatives in creating production and job Opportunities in the Rural Regions of Ilam Province, Iran. Masters Thesis. Razi University. Iran.
50. Zarafshani, K., F. Rostamitabar, G.H. Hosseininia, M. Akbari and H. Azadi, 2010. Are Agricultural Production Cooperatives Successful? American-Eurasian J. Agric. & Environ. Sci., 8(4): 482-486.
51. Allahdadi, F., 2011. Building Social Capital for Poverty Reduction in Rural areas of Marvedasht, Iran. Journal of American Science, 7(6).
52. Salant, P. and D.A. Dillman, 1994. How to conduct your own survey, John Wiley & sons, Inc.: NewYork.
53. Tsai, W., 2000. Social Capital, Strategic Relatedness and the Formation of Intraorganizational Linkages. Strategic Management Journal, 21(9): 925-939.
54. Dyer, J.H. and H. Singh, 1998. The relational view: cooperative strategy and sources of interorganizational competitive advantage. Academy of Management Review, 23: 660-679.
55. Cohen, W.M. and D.A. Levinthal, 1990. Absorptive capacity: a new perspective on learning and innovation. Administrative Science Quarterly, 35: 128-152.
56. Amodeo, N.P., 2001. Be more cooperative to be more cooperative. J. Agricul. Cooperation, 29(2): 115-124.
57. Lane, P.J. and M. Lubatkin, 1998. Relative absorptive capacity and interorganizational learning. Strategic Management Journal, 19(5): 461-477.
58. Hakelius, K., 1996. Cooperative Values as perceived by farmers. Unpublished doctoral dissertation, Swedish University of Agricultural Sciences.

59. Bruynis, C., P.D. Goldsmith, D.E. Hahn and W.J. Taylor, 2001. Critical Success Factors for Emerging Agricultural Marketing Cooperatives. *Journal of Cooperatives*. National Council of Farmer Cooperatives, Washington, DC, 16: 14-24.
60. Ministry of Cooperatives, Deputy of Research, Education and Extension. 2006a. Cooperative Principles and Approaches in the twenty first century. Translated by Marjaneh Soltani. Tehran: Paygan Publication.
61. Ring, P.S. and A.H. Van de Ven, 1994. Developmental processes of cooperative interorganizational relationships. *Academy of Management Review*, 19: 90-118.