Wearing Two Hats – the Conflict Between Being an Agricultural Business Customer and Shareholder

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This study examines farmers' perceptions with regard to what they feel the goals of a converted agricultural business (from co-operative to investor-oriented firms) should be versus what the goals currently are. Given that co-operatives and IOFs have widely convergent primary goals, the farmers are (in the majority of cases) wearing different hats (that of the customer and the shareholder) and might be conflicted on where management efforts should be focused. The study focuses on farmer-centred goals (co-operative goals) and corporate-oriented goals (investor-oriented goals) and a total of 345 farmers from Central South Africa took part in the survey. The results indicated that the respondents feel that the goals of the agricultural business (according to them) are corporate-centred, while they feel that the goals should rather be farmer-centred, as it was in the past. This result contributes to the body of literature in examining the conflict that exists in agricultural businesses due to the customers also being the shareholders.

Introduction

For decades, the South African agricultural landscape was synonymous with the co-operative business form. From as early as 1922, co-operatives have played an essential role in the evolution of South African agriculture (Competition Commission 2007). Currently, the agricultural industry employs roughly 7.2% of the population in South Africa (Statistics South Africa, 2011). The past shows a prevalence of agricultural co-operatives, but due to post-apartheid political and financial changes in South Africa, the majority of the major agricultural co-operatives have converted to investor-oriented firms (IOFs) in an effort to survive and remain competitive (Ortmann and King, 2007b).

Predominantly, co-operatives are not motivated by profit, but rather to serve members' needs and exist for the benefit of the members (National Cooperative Business Association, 2008). In contrast to co-operatives, a company or investor-oriented firm (IOF) has the primary goal of increasing the wealth of the shareholder, measured by the company's share price (Megginson, Smart and Lucey, 2008). These two goals contradict each other in the sense that co-operatives are focused on the customer, while an IOF focuses on the profit motive and the shareholder (Helmberger and Hoos, 1962).

Satisfaction of the customer/shareholder is of utmost importance in an agricultural business, as it is in any other business. However, satisfaction towards a co-operative begins with the profitability the member experiences on the farm, which leads to commitment as well as satisfaction (Österberg and Nilsson, 2009), while in a "pure" IOF the shareholder will be satisfied if he or she receives an adequate return on their investment. Nilsson, Kihlèn and Norell (2009) argues that in large and complex co-operatives, members can feel that they have no control and this can lead to dissatisfaction, low involvement and mistrust in the co-operative leadership. These behavioural characteristics can cause farmers to feel alienated from the agribusiness. However, converted agricultural businesses are not pure IOFs; therefore the co-operative concepts should still apply.

Current literature on agriculture focuses strongly on the differences between agricultural co-operatives and investor-oriented firms – in terms of management as well as performance (Hardesty and Salgia 2004; Jussila and Tuominen, 2010; Ortmann and King, 2007a; Parker, 2011). However, there seems to be a lack of research that focuses on the conflict that exists from the viewpoint of the farmer on wearing two hats - that of both the customer and the

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shareholder. In the majority of agricultural businesses the owner of the co-operative or IOF is also the customer (Katz and Boland, 2002). Also, considering that a co-operative and investor-oriented firm are grounded in widely convergent primary goals (Parker, 2011), it is necessary to determine the farmer's opinion on what the goals should be and what the goals currently are, especially in the case of agricultural businesses that were founded as co-operatives, but had to convert to IOFs due to external market forces.

Therefore, it is the purpose of this research article to outline the difference between farmer-oriented goals (co-operative goals) and corporate-oriented goals (investor-oriented goals) and establish the farmer's viewpoint as to where the agricultural business should focus its management efforts. Past and current South African legislature that lead to the conversion from co-operative to investor-oriented firm will be examined, as well as the prominent differences between the two business forms. A total of 345 farmers from Central South Africa took part in the survey during 2009. A structured questionnaire was distributed to the respondents with questions related to the respective goals of a co-operative and an investor-oriented firm in order to gauge their perceptions with regard to this research issue.

Agriculture Legislation

With the deregulation of the financial sector, subsidies to agricultural co-operatives were abolished in the 1990s (Ortmann and King, 2007a). After the first democratic election of 1994, policy initiatives such as trade liberalisation, land reform, institutional restructuring in the public sector, the promulgation of the Marketing of Agricultural Products Act and the Water Act, and trade policy and labour market reforms were instigated with the purpose of correcting past injustices and creating a reduction in capital-intensive growth, while enhancing the international competitiveness of the agricultural sector (Sandrey and Vink, 2007). The Marketing of Agricultural Products Act 47 of 1996 ended government control of agricultural products and lead to the marketing boards being terminated, in order to promote a free market in agricultural products. Co-operatives lost their monopoly powers because of the demise of the marketing boards and could no longer acquire government subsidies (Ortmann and King, 2007a). The transition of the South African agricultural sector to a market economy was supported by the new policy reforms and this had a significant impact on co-operatives in South Africa (Piesse et al, 2004). Due to all the policy reforms and subsequent loss of monopoly and subsidies, many co-operatives decided to convert to investor-oriented firms (Ortmann and King, 2007a).

Co-operatives no longer receive subsidies and the prices of agricultural products are determined by market forces, not the government. Agricultural co-operatives are, therefore, not as protected as they were from 1900 to the 1990s, with the result that co-operatives had to adapt to ensure survival and competitiveness. The major agricultural co-operatives had mounting pressure to become more efficient and therefore adjusted to post-apartheid legislation by converting to companies (Ortmann and King, 2007b). These agricultural businesses (companies) now have to survive and grow in a perfectly competitive market, where prices of products are determined by supply and demand, just like any other company in any other industry.

The conversion of co-operatives already started in the United States of America post-1985, when co-operatives struggled financially. In an effort to compete more successfully in the market, co-operatives were converted into companies that focus on providing investors an adequate return on their investments (Cook, 1997).

Agricultural Co-operatives versus Investor-Oriented Firms (IOFs)

Agricultural businesses have to compete with domestic and international forces, and grow and survive in a highly unstable industry with very demanding customers (Agricultural Business Chamber, 2010). Before 1996, legislation related to South African co-operatives granted (amongst others) subsidised loans to commercial farmers; established and controlled marketing channels for the products provided by the farmers; and guaranteed co-operative debt. Because of these benefits afforded to them, farmers were obliged to be part of a co-operative to gain financial benefit. After 1996, government legislation effectively ended government assistance to co-operatives.

It is, essential to note that although major agricultural co-operatives have converted to IOFs; they still consign themselves to exist with the primary goal of serving the farmer (Hind, 1999). There are uncertainties in the agricultural community as to whether an agricultural co-operative or an IOF will better serve the needs and interests of farmers. A co-operative will be managed by a management structure that is under the control of the farmers or members themselves, while an IOF is managed by a management structure and owned and controlled by the shareholders. An IOF has the benefit of attracting top quality management, easier access to capital, entrepreneurial flair and supports both shareholder and customer interests. A co-operative, on the other hand, can reduce costs, enhance income, and can contribute towards lessening poverty, creating jobs and ensuring empowerment (Ortmann and King, 2007a). According to Chaddad and Cook (2004) the two organisational forms are polar opposites.

The special nature of co-operatives lies in the notion that everything revolves around the member and everything that is done is to the benefit of the member, as the member can control the co-operative as an owner, as well as a customer. Herein lay the competitive advantage of a co-operative that is a special relationship between the member and the co-operative that is not as palpable as in other organisational forms (Hart and Moore, 1996). In contrast however, a problem with co-operatives is that co-operative members might struggle with the member/shareholder conflict. They may receive good service, but the return on their investment could be significantly less than what a shareholder in a company would receive (Ortmann and King, 2007a). The agricultural industry makes the contradictory goals more complex in that members or shareholders that do not trade with the company would require profit maximisation and a large dividend payout, while those farmers doing business with the agricultural business would prefer lower prices from the business (Hind, 1999). The general accounting performance measure known as ROI (return on investment) would therefore not be an optimal measure for productivity and efficiency, as it is for IOFs (Cook, 1994). The reason being that suppliers (farmers) are paid the best possible price for their products and customers (farmers) are charged the lowest possible price for products and services provided by the agricultural co-operative (Kyriakopoulos, Meulenberg and Nilsson, 2004). These goals could be labelled as member-centred goals, which are difficult to quantify (Hind, 1999). This approach is also referred to as business-at-cost (Ortmann and King, 2007a).

One of the main differences between an agricultural co-operative and an IOF is that the various stakeholders, such as the owners, suppliers, customers and investors are, more often than not, one and the same person. All of these stakeholders may have diverse and contradictory goals depending on the specific “hat” they are wearing (Hind, 1999). Because agricultural businesses serve the farmers, they are focused on a niche market and the nature of their relationship towards the farmers differs from other industries. Irrespective of whether the agricultural business is a co-operative or IOF, the agricultural business has to procure the product from the farmer. In the case of an IOF, the main goal is to obtain the maximum surplus from both the customer and the producer (farmer). While, in the case of a co-operative, the goal is to increase the farmers’ return on his operations with the co-operative, as well as the farmers’ share of the profits generated by the co-operative (Bontems and Fulton, 2009). It is, thus, clear that these two organisational forms require widely divergent management behaviour, as managers of co-operatives need to take into account a broader set of priorities than that of managers of an IOF (Staatz, 1987; Axworthy, 1990).

Table 1 below lists the various interest groups within a business and their specific needs and wants and how they measure performance. It is important to note the opposing differences between the performance indicators of owners (shareholders) and that of customers.

Table 1. Interest groups and performance indicators

Interest groups	Performance indicators
Owners	Profitability, growth, dividends, security, share price.
Directors	Growth, market share, profitability, security.
Managers	Growth, cash flow, discretionary expenditure.
Employees	Earning levels and growth, employment levels, security.
Suppliers	Prices, growth, variation and security of orders, payment period.
Customers	Prices, quality, after-sales service, efficiency of distribution channels, new product development, credit terms.
Investors	Share price, dividends, asset composition and growth, financing of assets, return on capital.

(Hind, 1999)

The following table provides various corporate goals (generally for an IOF) and various goals of the farmer-customer or farmer-supplier. Corporate-centred goals are more focused on profit, financial security, industry-image and growth, while farmers seek a more farmer-centred approach - which includes best deals, maximum dividends, bonuses on trades and the opportunity (for the farmer) to participate in decision-making. This highlights the complicated dualistic issue of having customers and owners being the same individuals in an agricultural business (Hind, 1999). It is, thus, clear that there is a distinct difference between farmer-centred goals (which focus more on service and lower prices) and corporate-centred goals (which focus more on profit-maximisation).

Table 2. The objectives of various stakeholders within a business

Goals	Stakeholder-centred
A business which maximises profit.	Corporate-centred
A business which is financially secure.	Corporate-centred
A business which gives the best deal to farmers.	Farmer-centred
A business which pays maximum dividends to farmers.	Farmer-centred
A business with a positive image in the industry.	Corporate-centred
A business which pays a maximum bonus on trade.	Farmer-centred
A business which goes for growth.	Corporate-centred
A business in which the farmer can participate in decision making.	Farmer-centred

(Hind, 1999)

The description of co-operatives state that the business is user-owned, user-controlled and user-benefitted. Also, the owners (members) are the major users (customers and suppliers) of the co-operative (Cook, 1997). The major difference between a 'pure' IOF and a co-operative lies in the fact that the users (customers) of an IOF can be differentiated from the investors (owners), while with a co-operative the owner and user (customer) is interlinked. Also, an important point is made by Cook (1994), namely that the farmers of an agricultural business act as customers of the business almost on a daily basis, but act as owners (members/ shareholders) only a few times a year. This disparity in decision-making roles could lead to the farmers focusing more on their own bottom-line (a relative short-term outlook) than that of the agricultural business's bottom-line.

The shareholders in the agribusiness under consideration in this study are also the major users (customers) of the business. Therefore, it can be assumed that although the business has converted from a co-operative to an IOF, the major customers and the members/shareholders are still intact, as the conversion occurred fairly recently. The implication of this is that the customers/shareholders could be accustomed to the way a co-operative is managed (with the focus on service and better deals for the farmer), but due to the fact that an investor-owned firm is focused on profitability and the maximisation of the share price, this could have a negative influence on how the customer/shareholder perceives the business (Van Dijk, 1997). The majority of the agricultural co-operatives that converted to IOFs in Central South Africa converted to limited companies. According to law, all members of an agricultural co-operative become shareholders of the new agricultural business (Republic of South Africa, 2005). When conversion took place, shareholding was allocated according to members' interest in the co-operative. Dividends are paid to the shareholders, as well as patronage refunds. The board of directors are appointed by the shareholders (all of which are bona fide farmers). Directors from outside the company can be asked to join the board, only to provide some form of expertise. Voting power depends on the amount of shares owned by a shareholder. Farmers that became part of the agricultural business after the conversion had to buy shares in the company. The converted agricultural businesses, therefore, function to a great extent, the same way as it did before conversion.

Method

In the section below the survey design and data collection, as well as the data analysis will be discussed.

Survey design and data collection

The research technique employed in this study is of a quantitative nature, making use of questionnaires to collect the data required. The aim of the study is to determine the perceptions of farmers of an agricultural business regarding what they feel the current goals of the agricultural business are and what they feel the goals should be through the use of fully structured questionnaires and by obtaining relevant information from all of the customers of a major agricultural business. A 9-point Likert scale was used by the respondents to indicate their perceived level of importance attached to six major goals of an agricultural business. The 9 points were divided into three main levels, namely *not important* (1–3), *average* (4–6) and *very important* (7–9). The six main goals of an agricultural business were listed in a table that provided the respondents with nine options on how important they perceive the specific goal to be *currently*. Then, an exact same table was provided where respondents had to indicate the how important they feel the goal *should be*.

The target population comprised all active customers of a major agricultural business in Central South Africa that provide R100,000 or more volume of business to the agricultural business during 2009. In order to make provision for non-response, it was decided to use the whole population. This decision eliminated the use of a population sample and is therefore considered to be a census. Given that all individuals in the population had a non-zero probability of selection, each member of the population had an equal probability of being selected. When populations are relatively small and easily accessible, accuracy will be increased by using a census rather than sampling (Cooper and Schindler, 2006). The customers making use of the business units are also businesses (farms), therefore this could be regarded as a business-to-business research study. The total response was 345 customers (businesses/farms).

The agricultural business were involved in the process of collecting the data and provided a list of all of the active customers of the business. Questionnaires were mailed to the respondents to complete at their own time. A cover letter from the CEO was included to explain the importance of the research, as well as a return envelope in order to increase the response rate. The various directors of the agricultural business were tasked to remind the respondents to complete the questionnaire and send it back.

Data analysis

The process of analysing the data was done by way of calculating frequencies and percentages of the demographics (type of customer, the size of the contributions of the customer, number of years' experience and the age of the customer). The descriptive part of the analysis focused on providing averages (means) in order to determine the midpoint level for each specific goal. Each goal was then also ranked according to relative importance to the respondents. Lastly, the significance between what the respondents feel the goals currently are and what they should be (in their opinion) were tested by making use of a paired sample t-test, which measures the means of two groups.

Results

A description of the respondents will be given, after which the perception of agricultural business goals will be discussed, as well as the significance between current goals and what the respondents feel the goals should be.

Description of respondents

The questionnaires were distributed to all of the active customers of an agricultural business that provide R100,000 and more volume of business. These customers were also categorised according to the size of their contributions into small, medium or large customers. Small customers are those customers that contribute between R100,000 and R250,000 worth of business, while medium customers are those that contribute between R250,001 and R600,000 in business. Large customers contribute more than R600,001 in business to the agricultural business. The three groups were roughly equally distributed with small customers being the biggest group (38.8%), while 33.3% were medium customer respondents and 27.8% large customer respondents.

The respondents were asked to indicate the farming activity they are mainly involved in, the total years' of farming experience they have, as well as their age. Table 3 provides an overview of the representation of farming activities:

Table 3. Various types of farmers

Type of farmer	Number	Percentage
Mainly grain	154	45.0%
Even split between grain and livestock	82	24.0%
Mainly livestock	106	31.0%
TOTAL	**342**	**100.0%**

Note: Three respondents did not answer this specific question

The overall majority of the respondents were *mainly grain* farmers (45.0%), while a lesser percentage (31.0%) were *mainly livestock* farmers and the remaining 24.0% an even split between the two.

Table 4: Years' experience

Years' experience	Number	Percentage
0–5 years	9	2.6%
6–10 years	24	7.0%
11–15 years	28	8.1%
16–20 years	39	11.3%
21–25 years	34	9.9%
26–30 years	66	19.1%
31–35 years	38	11.0%
36–40 years	34	9.9%
41 years and longer	73	21.2%
TOTAL	**345**	**100.0%**

Respondents were also asked to indicate the number of years that they have been farming to give an indication of their experience. The largest group (21.2%) had more than 41 years' experience, while a minority of 2.6% had less than 5 years' experience. It was found that the average years' experience is 29.4 years, which falls within the 26–30 years category. It could therefore be assumed that the respondents have adequate knowledge with regard to agricultural businesses.

Table 4: Age

Age	Number	Percentage
21–25 years	2	0.6%
26–30 years	4	1.2%
31–35 years	13	3.8%
36–40 years	27	7.9%
41–45 years	26	7.6%
46–50 years	51	15.0%
51–55 years	66	19.4%
56–60 years	48	14.1%
61–65 years	50	14.7%
66 years and older	54	15.8%
TOTAL	**341***	**100.0%**

* Four respondents did not answer this specific question.

The majority (79%) of the respondents were above the age of 46. The average age of the respondents was established to be 53.6 years. It is worth noting that less than 2% of the respondents were 30 and younger. This could be an indication that younger people might be avoiding farming as a career choice or that the younger customers are not yet large enough to contribute R100,000 and more volume of business to the agricultural business.

The following section provides descriptive data with regard to the perceptions the farmers had about the current goals of the business and what they felt the goals should be.

The perception of agricultural business goals

The questionnaire aimed to establish how the respondents perceive the goals of the agricultural business. Corporate-centred goals versus farmer-centred goals were examined and the unique situation highlighted that in traditional agricultural businesses, the shareholder and the customer is the same person. This could create a conflict of goals, as the company's main goal is to create wealth for the shareholder in the form of dividends and an increased share price (corporate-centred approach), while the farmer might want to obtain goods and services at lower prices, as was the agricultural co-operative objective (farmer-centred objective).

Six goals were provided to the respondents, of which some were goals of a co-operative and some were goals of an investor-oriented firm. The respondents had to indicate on a 9-point Likert scale their perception of the current importance of the different goals to the agricultural business, as well as what they felt should be the priorities of the agricultural business. The purpose of these questions were to determine which of the goals they perceive to be a current priority of the agricultural business, as opposed to which of the goals they feel should rather be a priority of the agricultural business.

Table 4. The perception of current goals of an agricultural business

Current goals	Not important	Average	Very important	Mean	Rank
1. Sustainable return on the share price	3.1%	40.2%	56.7%	6.6687	2
2. To provide competitive services to the farmer (quality and price)	9.5%	44.2%	46.3%	6.2165	4
3. To maximise profit	3.1%	26.8%	70.2%	7.1538	1
4. To improve the profitability of the farmer on the farm	16.6%	41.1%	42.3%	5.9663	5
5. To provide affordable and quality products	8.3%	38.8%	52.9%	6.4585	3
6. Involvement in the community	14.1%	45.6%	40.3%	5.8656	6

Table 4 provides information with regard to what the respondents perceive to be the current goals of the agricultural business. The mean values for each objective were calculated and according to the mean values a rank was awarded to each. It is clear that more than 70% of the respondents feel that, currently, the number one goal of the agricultural business is to maximise profits. The mean of this specific objective is also very high compared to the other goals. The second-highest rated goal is a sustainable return on the share price, while to provide affordable and quality products is third. The goals to improve the profitability of the farmer on the farm and involvement in the community were rated the lowest. As discussed in the literature, agricultural co-operatives were established in order to provide competitive services to the farmer; to improve the profitability of the farmer on the farm; as well as to provide affordable and quality products (goals 2, 4 and 5 respectively). These co-operatives were converted into investor-oriented firms (IOFs) and the primary goals of these two types of business forms differ greatly. IOFs should provide a sustainable return on the share price and maximise profit (goals 1 and 3 respectively). It is thus clear that (according to the farmers), the main goals of the agricultural business are corporate-centred.

Table 5 presents the perceptions of the respondents in terms of what they thought the goals of the agricultural business should be.

Table 5. The perception of what the respondents feel should be the goals of an agricultural business

What should be the goals	Not important	Average	Very important	Mean	Rank
1. Sustainable return on the share price	5.8%	39.1%	55.1%	6.5846	4
2. To provide competitive services to the farmer (quality and price)	0.6%	6.6%	92.8%	8.2239	2
3. To maximise profit	10.9%	48.0%	41.0%	5.9574	6
4. To improve the profitability of the farmer on the farm	1.2%	7.8%	91.0%	8.1916	3
5. To provide affordable and quality products	0.6%	5.4%	94.0%	8.2553	1
6. Involvement in the community	9.6%	33.1%	57.2%	6.5030	5

According to Table 5, the results are almost exactly the opposite of what was provided in Table 4. The three most important goals according to the respondents are to provide affordable and quality products; to provide competitive services to the farmer; and to improve the profitability of the farmer (goals 5, 2 and 4 respectively). These are the goals associated with an agricultural co-operative. The goals that are perceived to be the two most important current goals of the agricultural business, namely to provide a sustainable return on the share price and to maximise profit, are perceived to be not as important (ranked fourth and sixth respectively). It is also interesting to note that for goals 2, 4 and 5, more than 91% of the respondents indicated that they perceive these goals to be very important, compared to only 55.1% (sustainable return on the share price) and 41.0% (to maximise profit). It is, therefore, clear that although the business form has changed from an agricultural co-operative to an IOF, the respondents still expect the IOF to be managed and run as an agricultural co-operative.

The significance between perceptions of current goals and perceptions of what goals should be

Table 6 shows the mean of what respondents perceived to be the current goals of the business, while the column next to it shows the mean of what the respondents felt should be the goals of the agricultural business. The fourth column provides the difference between the two means (currently and should be). A negative difference means that currently the goal is more important than it should be (according to the respondents) and a positive difference indicates that the goal should be more important than it currently is in the business (according to the respondents). The last column indicates whether the relationship between the variables is statistically significant (p 0.05).

Table 6. Testing the significance between the perceptions of what the respondents feel the current goals are versus what the goals of an agricultural business should be (paired sample t-test)

Goals	Currently mean	Should be mean	Mean difference	Sig
1. Sustainable return on the share price	6.6635	6.5429	-0.12063	0.292
2. To provide competitive services to the farmer (quality and price)	6.2202	8.2171	1.99694	0.000
3. To maximise profit	7.1661	5.9467	-1.21944	0.000
4. To improve the profitability of the farmer on the farm	5.9537	8.1852	2.23148	0.000
5. To provide affordable and quality products	6.4596	8.2547	1.79503	0.000
6. Involvement in the community	5.8931	6.5472	0.65409	0.000

All of the goals were found to be statistically significant, except for the corporate-centred goal of achieving a sustainable return on the share price.

Discussion

According to the farmers, the main goals of the agricultural business are corporate-centred. This is to be expected as the agricultural business is an IOF and not a co-operative. However, when the farmers were asked to indicate what they thought should be the goals of an agricultural business, they rated farmer-centred goals as very important. The results indicate that although the business form has changed from an agricultural co-operative to an IOF, the respondents still expect the IOF to be managed and run as an agricultural co-operative.

When the significance between the means of what the respondents feel the current goals are and what it should be was tested, all of the goals were found to be statistically significant, except for the corporate-centred goal of achieving a sustainable return on the share price. There was no significant difference between how important the goal currently is and what it should be. The results point out that management should place more emphasis on goals 2, 4, 5 and 6 than they currently do (according to the farmers). Therefore, to provide competitive prices to the farmer; to improve the profitability of the farmer on the farm; to provide affordable and quality prices; and to be involved in the community are perceived to be more important to the respondents than is currently the case within the agricultural business. All of these goals (2, 4, 5 and 6) can be consigned to be farmer-centred goals (co-operative goals). The only significant goal that provides a negative answer is goal 3, to maximise profit. The answer indicates that the respondents perceive this goal to be currently more important in the business than it should be. The results therefore indicate that the respondents feel that the business should still be run as a co-operative and not as an IOF, which in reality it is.

More than 70% of the respondents felt that currently the number one goal of the agricultural business is to maximise profits. The second-highest rated objective is a sustainable return on the share price, while to provide affordable and quality products is third. The results of calculating the means of what the goals should be is almost exactly the opposite of what it currently is according to the respondents. The three most important goals according to the respondents are to provide affordable and quality products; to provide competitive services to the farmer; and to improve the profitability of the farmer. These are the goals associated with an agricultural co-operative.

The respondents indicated that what they feel should be the goals of the agricultural business are exactly the opposite of what they feel the goals currently are. The respondents pointed out that the goals of the agricultural business (according to them) are corporate-centred, while they feel that the goals should rather be farmer-centred, as it was in the past (when the agricultural business was still a co-operative). This result, therefore, contributes — to the body of literature in examining the conflict that exists in agricultural businesses due to the customers also being the shareholders.

The results, therefore, suggest that in agricultural businesses that have converted from co-operatives to IOFs, farmers still feel that the goals should be mainly that of a co-operative (farmer-centred), which places the management of agricultural businesses in a very complex and difficult situation. The management of an agricultural business has to ensure that the business remains competitive and therefore corporate-centred goals are important to ensure the survival of agricultural businesses. However, the fact that the customers are also the shareholders of the agricultural business complicates the matter. A recommendation for agricultural businesses, therefore, is educating customers and communicating decisions to them and encouraging them to participate in decision-making at all levels. It is important that management and the board of directors become more transparent in their management of the agricultural business. The customers need to know the most important actions and figures proposed, as well as the reasons behind decisions. Farmer-centred goals should receive more attention in order to ensure customer satisfaction.

There is, thus, a very thin line between keeping the customers satisfied through farmer-centred goals, while still remaining competitive and thriving in the industry (corporate-centred goals). It might be necessary to appoint a representative from each area to represent that specific area as part of the board of directors. This might provide a better communication channel between the farmers and the business and specific information related to the area could be communicated directly via this channel. The business can then get closer to the customers at grassroots level and determine if there is a problem and/or change in the perception of customers. This will also simplify information as each area will only receive information specifically related to their farming activities and not those of other areas (as different areas have different farming activities).
In the previous dispensation (agricultural co-operatives), the board of directors represented the various areas and the farmers selected these directors themselves. A similar principle in companies could increase communication and understanding between the farmers and the overall business.

Conclusion

The purpose of this article was to determine the farmers' perceptions of a converted agricultural business on what the goals of the business currently is versus what they feel it should be. This was done in an effort to determine whether there would be a conflict in these goals as agricultural businesses are unique in the sense that it is user or customer controlled. The customers/members of agricultural co-operatives struggle notoriously with decision-making conflict with regard to their bottom-line and that of the co-operative. IOFs have the relatively straightforward goal of increasing the wealth of the shareholders by focusing primarily on the bottom-line of the business. However, when these two business models conform to abide by the rules of an IOF, while trying to still maintain the principles of a co-operative, it seems that there is an even bigger disparity between the goals of the agricultural business and that of the farmers. This inevitably lead to conflict as confirmed by this study where what the farmers perceive to be the goals of the agricultural business is exactly the opposite of what they feel it should be. This problem could have a negative influence on the customer satisfaction of farmers and therefore should be a major focus point of the management of agricultural businesses. The reason why the farmers feel this way is evident from the fact that they would rather have a short-term perspective and impact positively on their own bottom-line than they would want to see the agricultural business make a profit via their business.

However, seeing that farmers still want co-operative principles and goals and that the co-operative business form is not as effective in South Africa for major businesses as it used to be, what is the solution to this problem? Should the agricultural businesses change in respect of the management of their business or should the change come from the farmers' side in changing their perceptions and expectations of the agricultural business? It seems logical to expect that a business would be more effective if all of the stakeholders were in sync with important issues, specifically the goals of the business; therefore, change — one way or the other is needed.

Given the specifics of the South African agricultural environment, this situation might not be as relevant to other economies, but it would be of great value to see similar types of research studies being done in other countries. There is a pool of research required in order to answer these questions that are directly related to the effectiveness of agricultural businesses and that impacts directly on the agricultural industry and the livelihood of many.

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