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Does cooperation create value? A residual income approach application on Czech agricultural data

Research paper

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Content

- Motivation
- Paper objectives
- Material and methods
- Research results
- Conclusion

Motivation

- Global business environment revealed the need for cooperating to maintain viable
- Number of cooperating entities is rising
- In EU agricultural sector the coops constitutes more than 50% of market share

Objectives

- Does joining a group in agricultural sector influence the individual company value?
- Are the motives of cooperation fulfilled?

Material and methods

- Alliance of winemakers vs. Agricultural producers' group
- Residual income approach:
 - individual member-company value measured before and after joining the cooperative

Research results I

Economic motives of cooperation	
V8 - winemakers	Litozel – agricultural producers' group
<p>Coordination of marketing activities in the Czech Republic and in foreign markets</p> <p>Know-how sharing</p> <p>Common sales policy in foreign markets</p>	<p>Smoother sale of production</p> <p>Quality improvement</p> <p>Concentrated marketing of agricultural products, incl. distribution channels, warehouses, price policy</p>

→ the motives of joining and participation in the group are completely in accordance with the literature review

Research results II

		Value creation after accession to grouping		
		Created	Not created	Total
Value creation before accession to grouping	Created	3	1	4
	Not created	1	1	2
	Total	4	2	6

Research results III

Value improvement after the grouping accession



Research results IV

Company	Value before accession (th CZK)	Value after accession (th CZK)
A	30 919	43 163
B	56 226	57 590
C	66 762	67 262
D	-5 262	-14
E	5 808	-11 464
F	-1 576	33 033

Conclusions

- The APGs results clearly confirmed that the company value increased after each enterprise entered the group
- The winemaking enterprises' results are not as clear and indicate increase as well as decrease of company value after joining the group
- There are differences in different determinants of company value influencing members of both entities

Thank you for your attention

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