HARNESSING THE COOPERATIVE ADVANTAGE

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What is Cooperation?

• A verb, a noun, business model, a way of life, a living organism, a movement, an ideology, etc.?
For This Meeting…

- A cooperative is an organization of patrons whose primary objective is to produce a member related collective good.
A Cooperative

• What advantage would this type of organization have when compared to other forms of organization?
The Advantage

• The organization is owned and controlled by patron benefited members

• It satisfies a member’s multiple set of objectives in achieving a higher quality of life.
Advantage?

• However, this advantage leads to a set of organizational challenges more complex than those of other types of organizations.
The Challenge

• How do we harness this advantage while ameliorating the challenges?
IT DEPENDS
ON...?
It Depends On…

- The stage of socio-economic development
- The stage of institutional development
- The cultural uniqueness of the environment
- The group needs…
It Depends On…

• The phase of the cooperative life cycle
• The sector
• The industry
• The output (s)
• The preferences of the members
• Etc.
Too Complex?

• This is too complex, so we decided to seek the advice of leaders of the successful cooperatives in 30 countries as to how they harnessed the advantages of being a cooperative.
A SIMPLE LEARNING STORY
Query

• We started with a one year set of interviews (1000 – 2 hours) and identified successful cooperative commonalities.

• We bypassed the normal economic reasons of market failure, scale economies, and coordination advantages.
Five Intra Commonalities—1992

• Emphasized singleness of purpose

• Ex ante agreement on control of supply/purchase

• Aligned investment with use

• Formalized commitment

• Developed a sense of belonging
20 Year Study

- After 20 years, 2000 interviews, tests, surveys, each lasting four days, this is what we are learning about

harnessing the cooperative advantage
Harnessing the Cooperative Advantage

• Cooperative leaders have come to recognize that each group has “cooperative genius”—but, it must be extracted

• “Singleness of purpose” matters
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• “Courage” is the most important Board characteristic

• Growing heterogeneity leads to more sophisticated segmentation
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• “Sense of belonging” is more important as the world globalizes

• Self monitoring leads to collective integrity
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• Successful cooperatives concentrate on “informed members”

• Graduated sanctions made transparent, increase trust
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• Strong Boards, enlightened management and engaged members are not enough for a successful cooperative movement
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- An informed set of stakeholders supported by an enthusiastic and knowledge driven cooperative support group (NGOs, trade groups, research, extension) is key to long run success.
WHAT DID WE LEARN FROM THOSE WHO TAUGHT US THESE METHODS OF HARNESSING THE COOPERATIVE ADVANTAGE?
Lessons

• We are learning that the most important factors are:

  • A Conceptual Framework

  • A co-learning environment
    • Sector Organization
    • Function Level in hierarchy

  • Importance of Story Telling
Phase 1 = Economic Justification
Phase 2 = Organization Design
Phase 3 = Growth–Glory–Heterogeneity
Phase 4 = Recognition and Introspection
Phase 5 = Choice
Impossible?

• Even though this sounds impossible…

• …It is not
We Are Observing

- Increase in organizational innovation:
  - Legal—statutory
  - Governance
  - Organizational
  - Strategic
We Are Observing

- Increase in cooperative support for:
  - Research
  - Outreach
  - Framework development
  - Executive education
We Are Observing

- Increase in cooperative market shares in most geographic areas.
The cooperative advantage can be harnessed! And when it is, we will see a vibrant, enthusiastic set of cooperative leaders believing in themselves and the advantage of controlling their own destinies through cooperation.
THANK YOU

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