



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

Harnessing the Cooperative Advantage

- “Courage” is the most important Board characteristic
- Growing heterogeneity leads to more sophisticated segmentation



Harnessing the Cooperative Advantage

- “Sense of belonging” is more important as the world globalizes
- Self monitoring leads to collective integrity

Harnessing the Cooperative Advantage

- Successful cooperatives concentrate on “informed members”
- Graduated sanctions made transparent, increase trust

Harnessing the Cooperative Advantage

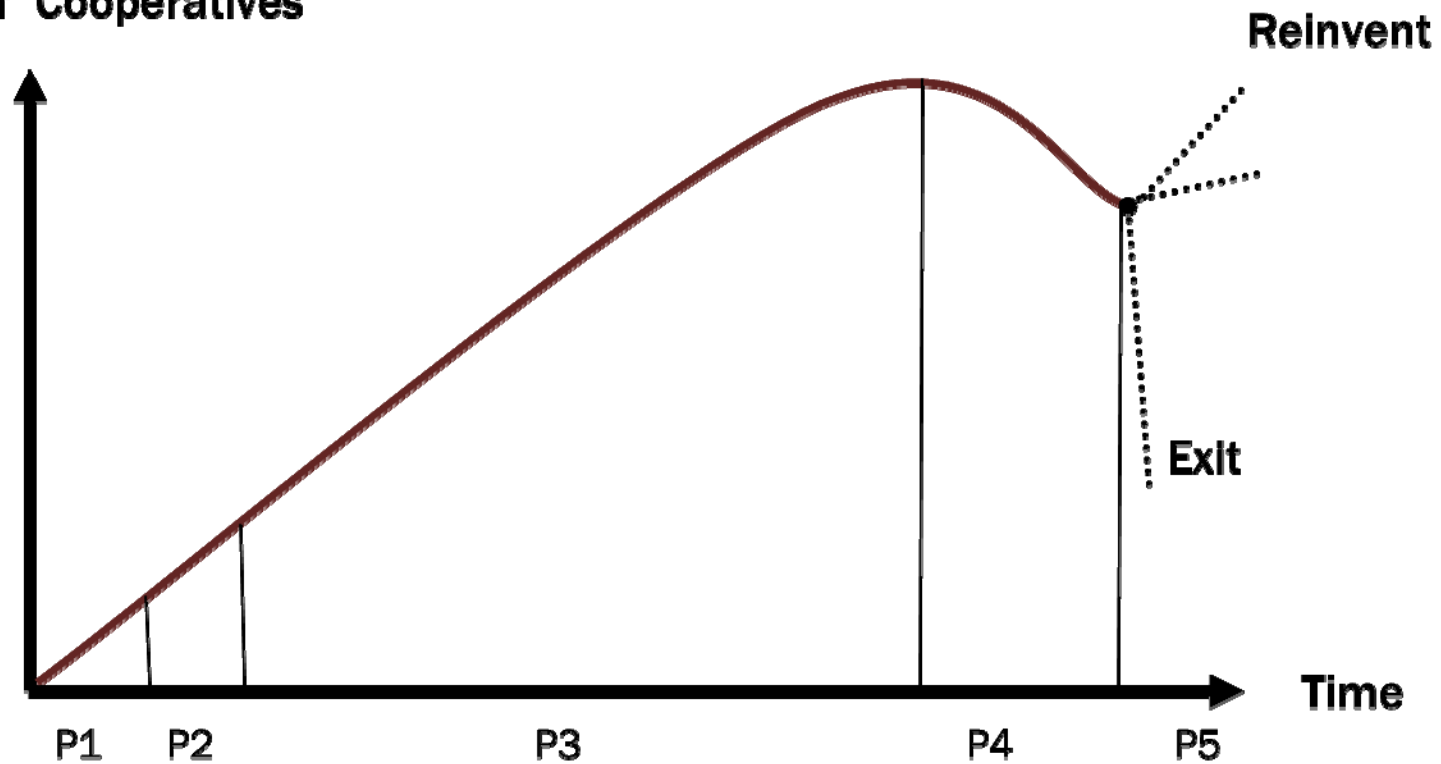
- Strong Boards, enlightened management and engaged members are not enough for a successful cooperative movement

Harnessing the Cooperative Advantage

- 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?**

Health of Cooperatives



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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