

Alignment Solutions from Multistakeholder Cooperatives

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Multi-stakeholder cooperatives have an interesting structure. Time will tell as to whether they are viewed as a major evolution of the cooperative business model or a niche structure. It is easy to see how there could be advantages in bringing more stakeholders in as member owners. Multi-stakeholder cooperatives also have inherent challenges in harmonizing and aligning the incentives and interest of multiple classes of members. Some of the strategies that multi-stakeholder cooperatives use to align interests might be useful for traditional cooperatives.

Some of the harmonization problems are addressed by informational practices. Multi-stakeholder cooperatives make more use of informational meetings to generate a high degree of transparency with regard to strategic issues, financial results and competitive position. In simple terms, they understand that all the stakeholder groups have to have a clear understanding of where the cooperative is and why decisions are being made. Many traditional cooperatives also have diverse memberships who access information differently. Those cooperatives may need to up their game in member communication. Part of that communication is active consultation and dialog. Multi-stakeholder cooperatives are very active in involving members and encouraging feedback on the strategic developments of the cooperative.

Multi-stakeholder cooperatives also appear to be more active in member education. When multiple groups are brought in as member owners it is easy to see that it would be important that those groups understand cooperative principles and their responsibilities. Multi-stakeholder cooperatives have to ensure that all types of members understand what it means to be an owner including the responsibility to participate in governance and contribute capital. The need for member education may be slightly less evident in traditional cooperatives but it is equally important.

Finally, multi-stakeholder cooperatives tend to have more complex governance structures. Some structure the board of directors with specific representation across groups. Some even have a two tier board of directors with sub-board for each membership category and an overall supervisory board. Most traditional cooperatives would probably not want to designate board seats across types of producers. They might still benefit from considering whether their mix of board members proportionally represents their membership segments. Underrepresented segments can be brought in through an associate board structure or through advisory groups.

Multi-stakeholder cooperatives have to work a little harder to keep their members aligned. I don't know if they will come up with any new tools that we haven't thought of. Might be good to keep an eye on them.