

Does a Sense of Ownership Impact Participation in Governance?

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In last week's newsletter I discussed the value that member's placed on allocated equity. The comments were based on the results of a recent national survey which was conducted with help from various state cooperative councils and support organizations. Another important question is whether owning stock in a cooperative impacts members' involvement in governance.

Members have multiple roles in a cooperative. Those include a user or customer role and an owner role. In their customer role members would be expected to be concerned about prices and cash patronage (which impacts the net price). Most governance decisions such as voting in board elections or choosing to run for the board, do not impact current prices. We would expect members who perceive an investment stake in the cooperative to be more involved in those activities. Previous research has suggested that participation in governance is the single most important predictor of continued use of the cooperative and member satisfaction. Involved members are active members and involved members are happy members!

The survey question asked to what extent the ownership of allocated equity impacted a member's decision to participate in governance. Eleven percent of the respondents indicated that it had very little influence, 27% reported that it had some influence and the remaining 62% selected categories of moderate, strong or very strong influence. The results imply that distributing profits in the form of allocated equity, as opposed to unallocated equity, increases the likelihood that members will become involve in governance. By extension, if previous research is to be believed, it will also increase the probability of future patronage and member satisfaction.

Regardless of their ratio of allocated to unallocated equity, cooperatives are member owned. Higher levels of allocated equity appear to increase the chance that they are member run. In my next newsletter I'll discuss the relationship between unallocated equity and cooperative liquidation.

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