

Does Being a Cooperative Change the Mission?

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One of the discussion board topics for my on-line cooperative class is “How does being a cooperative influence a firm’s mission?” I was amazed at the thoughtful and thought provoking responses. As I ponder the question, I think there are four major factors. First, cooperatives have a long-term relationship with their customers. In an investor-owned firm, the customer relationship is transactional. Most dissatisfied customers simply do business elsewhere. In a cooperative, customers are owners and that ownership relationship lasts for years. A cooperative manager receives more information on customer needs relative to other businesses. That of course raises the challenge of balancing all of those needs.

The second impact of the cooperative business model on mission is capital. Cooperatives face capital limitations but the capital they acquire is patient capital. Cooperatives cannot simply float a stock offering and raise equity. They are forced to grow from internally generated funds, or generally, on a portion of internally generated funds since members expect some patronage. That capital scarcity forces the cooperative to prioritize all strategic options. On the other hand, the cooperative manager is not controlled by the next quarterly earnings statement. Cooperative members, or at least a portion of those members, expect the cooperative to be in the game for the long term.

A third difference is that a cooperative is an extension of the farm firm. Cooperatives can benefit members at the farm level through service and access as well as at the cooperative level through patronage. That broadens the mission from one of maximizing profits to maximizing the success of the members. Measuring and communicating that broader value is of course a challenge.

Finally, in a cooperative the goals of the shareholder and the customers are aligned. In an investor-owned business, there is always an inherent conflict. Benefiting the customer through favorable prices or extra service hinders the shareholder through reduced profits. That same balance is there in a cooperative but the shareholder and the customer are the same people. That is another way of saying that the cooperative board drives the firm like they own it.

How does being a cooperative change the mission? Perhaps it makes value more holistic and long term, capital more limited but more patient and stakeholders more aligned. Maybe it just makes the firm a business that lives by cooperative principles!

Send me your mission statement and I will share it with the class!