

Myth Buster: Cooperative Leaders are only Looking Out for Themselves

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Monday morning quarterbacks are not unique to the cooperative business form. Virtually any decision made by a cooperative board of directors or manager will be questioned by at least one member. Actually, patronizing a cooperative or even being a member is not a prerequisite for having an opinion on decisions, large or small. The local coffee shop was the traditional location for such critiques. Blog posts now provide an opportunity to share comments (thoughtful or not) on a larger scale. Democratic member control is a fundamental cooperative principle, so I never grumble about grumbling. Sometimes, opinions end with the statement “...those cooperative leaders are only looking out for themselves!” That statement creates a teachable moment concerning the cooperative business model.

In agricultural cooperatives most board members receive only nominal compensation. They don't get stock options in the cooperative and their stock, like the stock of any other member does not appreciate. A board member's benefit stream from the cooperative is identical to that of any other member. They receive cash patronage in proportion to use and receive equity redemption payments when their equity meets the redemption criteria. There is simply no vehicle in the cooperative business model for a board member to differentially benefit from a decision.

Like board members, cooperative managers do not receive stock options. I would also note that they don't have access to sporting event skyboxes, golden parachutes or any of the other “CEO excesses” that are highlighted in Fortune 500 companies. Cooperative managers receive a salary and in the better cooperative may have a small portion of performance based compensation. That component is generally based on the profitability of the cooperative. A cooperative manager looking out for himself or herself would want to ensure that the cooperative is stable, profitable and efficient. Again, there is simple no vehicle in the cooperative model for the CEO to benefit at the expense of the members.

Did a cooperative leader make the right decision? I guess that will always be a matter of personal opinion. Were the board and CEO only looking out for themselves? That myth is busted!