

How Do We Define Success in a Cooperative?

Phil Kenkel

Bill Fitzwater Cooperative Chair

Every cooperative board and CEO strives to make their cooperative successful. Every decision from strategy to operations is driven by that goal. That raises an interesting question: How do we define success in a cooperative? I asked that question as part of one my homework assignments for my cooperative class. Some students responded that success is measured by cash patronage. I pointed out the need for the cooperative to also retain funds to replace infrastructure and retire previously issued equity. Defining success in terms of cash patronage ignores both the importance of the cooperative's stability and the eventual value of equity retirement. Other students defined success only in terms of price and service. That measure of success focuses solely on the customer transaction and ignores all of the dimensions of patronage, equity ownership and voting. Some students defined success as keeping patronage as high as possible while maintaining the cooperative's cash flow. That measure gets closer to what I would view as a successful cooperative but still doesn't capture all of the dimensions. The CEO and board could protect cash flow by not investing in infrastructure. Cash flow is intertwined with other decisions including updating the cooperative to serve the next generation.

In my mind, the ultimate measure of success in a cooperative is that the farmer members are better off through their participation in the cooperative relative to their position if the cooperative did not exist. The cooperative value package is multi-dimensional. Members benefit from cash patronage, present value of their future equity redemption, access to products and services and opportunities to influence the direction of the organization. The answer key to the homework described success as providing the best combination of cash and retained patronage while maintaining an adequate cash flow and positioning the cooperative to serve future members. (Remember that for the final exam!) Of course that measure doesn't reflect the value of democratic control so I still haven't captured the entire value package.

The next time you talk to a member about the success of your cooperative, take a moment to think about what you mean by success and how the member might define that term.

4-8-2016