



Importance of Organizational Effectiveness (OE) in Cooperative Enterprises

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Cooperatives are Important!

- Member-owned organizations, such as cooperatives, play an integral role in the production and distribution of goods and services around the world.
- In the U.S., agricultural co-ops play critical economic role (USDA, 2018):
 - 1,871 agricultural cooperatives (down); almost equally divided among marketing, supply, and service co-ops
 - gross revenue \$197.1 billion or 1% of the GDP (up)
 - 1,890,057 voting members (down)
 - 138,635 full-time (up) and over 50,000 part-time (down) employees
 - Top agric. co-ops: CHS, DFA, Land O'Lakes

Cooperatives are Important in Greece too!

- Greece has a long history – over a century - of cooperatives in agric. and non-agric. sectors
- Contribution of agric. co-ops in Greece: (Coop. Europe, 2016):
 - Out of 933 total cooperative enterprises, 916 were in the agric. sector
 - Reported combined annual sales of € 711 million (or 0.4% of Greece GDP)
- However, agricultural co-ops in Greece (Patronis, 2004):
 - Were not organic → top down approach
 - Were politicized → made them state dependent → lack of autonomy
 - Lost trust → the word “cooperative” carried (carries?) a bad connotation
 - Were subject to frequent modifications of laws governing co-ops → instability

What is OE?

- OE is a concept about how effectively an organization achieves its goals.
- It is a matter of interest in all types of organizations.
- Any organization is considered effective when
 - it achieves its desired goals (e.g., profitability, employee satisfaction, high graduation rates, higher production rate, etc.) with minimum waste of resources (e.g., time, money, human resources, etc.).
- The meaning of OE may vary from organization to organization.

Importance of OE

- Regardless of how OE is defined or measured, organizational effectiveness in cooperatives is critical to ensure the longevity and success of these businesses.
- Despite their widespread participation in the economy, little is known about the organizational effectiveness of cooperative.
- Given the importance of OE in managing an organization, it is surprising that the issue of OE is ignored or overlooked in both management literature and co-op literature.

Challenges Faced by Cooperatives

- Present-day cooperatives face a myriad of challenges to succeed (Kenkel, 2020; Bhuyan, 2018):
 - Governance issues
 - External issues
 - Need for strategic planning
 - Challenges facing the board
 - Personnel issues
 - Managing finance
 - Communication issues
- Being organizationally effective would allow cooperatives to face these challenges with confidence.

Measuring OE in Co-op Enterprises - Theory

- There are five main approaches to view or measure OE (Schermerhorn, et al., 2004):

Organizational Effectiveness Theory (seminal papers)	Defined Effectiveness	Effectiveness Criteria
Internal Process (Chelladurai 1987)	Harmonious workplace environment	Happiness, morale, trust
System Resource (Yuchtman and Seashore 1967)	Ability to gather scarce resources from environment	Resource acquisition
Goal Attainment (Price 1968)	Goal achievement	Productivity, efficiency
Strategic Constituency (Connolly, Conlon, and Deutsch 1980)	Satisfaction of all constituencies, both internally and externally	Constituents' satisfaction
Competing Values (Quinn and Rohrbaugh 1983)	Integration of all of the above definitions of effectiveness	Incorporation of all the above criteria

Measuring OE in Co-op Enterprises - Practice

- Bhuyan (2018) addresses the current gap in the literature by empirically analyzing OE in ag./non-ag. cooperatives in the northeast United States.
- A regional sample frame of 1,055 cooperatives included consumer co-ops, producer co-ops, purchasing co-ops, and worker co-ops.
- Primary data was collected in spring 2016 from cooperative board members using online survey.
- Although response rate was low (slightly over 10% or N=109), respondents represented all sectors.

Conclusions

- **Lessons from Bhuyan (2018):** co-ops with high OE scores had the following characteristics:
 - provided an environment where member-owners can trust each other and their leadership,
 - created a culture that encouraged members to participate in governance,
 - had strategic plans that had foresight on market volatility and competition and allowed for the cooperative management to acquire new skills,
 - paid attention to keeping their financial health sound, including their ability to garner the needed funds to operate and expand.
- **Lessons for Greek cooperatives:** in addition to those above,
 - Cooperatives are business organizations
 - Integrate measurement of OE as a company policy
 - Use OE assessment outcomes to make better management decisions



Thank you!

Q&A