

Multiple Stakeholder Relationships

A Research Perspective



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UNIVERSITY OF
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CENTER FOR
COOPERATIVES

^{LW}
Extension



Stakeholder

Definition:

1. One who holds the bets in a game or contest.
2. One who has a share or an interest, as in an enterprise.

The American Heritage Dictionary, Fourth Edition



Co-op Stakeholders

Internal

- Members
 - General membership
 - Board of directors
- Employees
 - General employees
 - Management



Co-op Stakeholders

External

- Community
 - General community population
 - Local government
- Public
 - State and federal government
 - Other cooperatives
 - General public



Internal Stakeholders

- Cooperative goal:

“Individual commitment to a group effort—that is what makes a team work, a company work, a society work, a civilization work.”

-- Vince Lombardi



Challenges

- Hypothesis: Cooperatives are challenged by membership diversity.
 - More difficult to make decisions (govern) with many different opinions
 - Slow
 - Potential to make wrong decisions
 - Conflicting objectives can decrease the efficiency of the firm
 - Decreases commitment to co-op



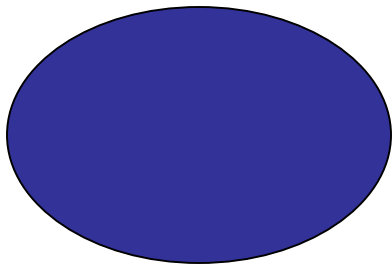
Research Questions

1. Does a diverse membership slow cooperative decision making?
2. Is a slower decision making process *inherently* bad?
3. Can multi-objective firms be more optimal from member perspective than single objective firm? (Are there better measures than efficiency?)

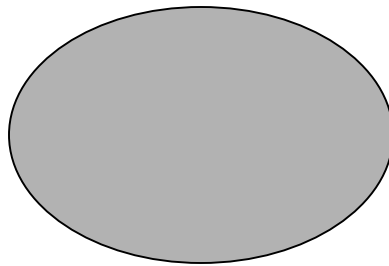


RQ 1--Insights

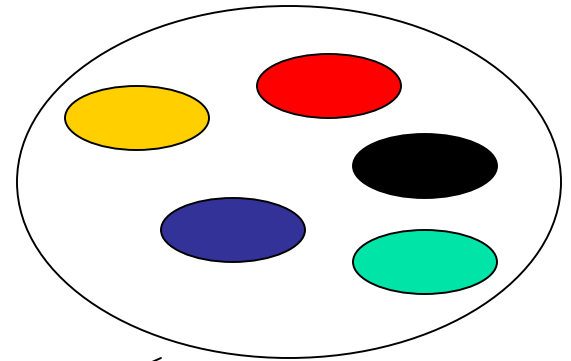
- Political science (democracy) research on governing diverse groups.
- Different types of diversity:



Each member = ●



Each member = ●●●●





Insights

- With complete, individualistic diversity—*perception* is that nobody is completely happy.
- A type of equilibrium is achieved.
- Cooperative cases (diversity of use):
 - Consumer cooperatives (individuality is prized)
 - Credit unions (diverse portfolio of clients)



Insights

- With more dichotomous diversity, some *groups* seem better off than others.
- “An imbalance between rich and poor is the oldest and most fatal ailment of all republics.” *–Plato*
- Cooperative cases (diversity of use):
 - Large agricultural cooperatives (small vs large farmers)



Insights

- Agriculture is becoming more dichotomous
- Perhaps early farm cooperatives had less homogeneous memberships, rather more complete diversity
- Ocean Spray Case



Insights

- Partial answer may be to explain diversity of membership on different levels.
 - Size of farm (or volume delivered)
 - Location
 - Demographics of members
 - Length of membership



Research Questions

2. Is a slower decision making process *inherently* bad?



RQ 2--insights

- Brett Fairbairn's study of federated structure in Canada: slower is better
- Innovation literature: first to adopt captures more of the rents (hence patents)
- Reconciliation: some business decisions are not as time sensitive as others (different from innovation decisions)



Research Questions

3. Can multi-objective firms be more optimal from member perspective than single objective firm? (Are there better measures than efficiency?)



RQ 3--insights

- Business perspective:
 - focus on one objective, measurable goal—shareholder value (\$).
 - Every member, manager, and employee benefit when this goal is obtained.
 - Members share the benefits *equitably*.



Insights

- Co-op perspective:
 - Members are rewarded for use
 - What if maximizing shareholder value means limited use of members' product?
 - This is only a conflict in cooperatives.
 - Balance of short versus long-term rewards
 - Some members may not be able to afford short-term losses.



Insights

- Multiple objectives may not mean lower financial performance
 - Research on “sustainable” firms (DJSGI)
- Lower financial performance may be acceptable trade-off for members
 - Very difficult to find this balance (firm still has to be viable or no members are served)



Insights

- A key step in new cooperative development is to ask whether the cooperative fulfills a need for potential members.
- Member needs drive creation of the co-op
- Do they drive the continued existence of the co-op?
- Co-ops have started to ask, do we need our members?



Membership value

- We generally tell co-ops they need to educate their members on benefits
- Do members (or their advocates) need to educate co-op leadership on their value?



Workshop Questions

- Who are the stakeholders in the co-op?
 - Who is most valued?
- What is the level/type of diversity?
- Who will be impacted by the decisions and how?
 - Short-term and long-term implications
- Put yourself in role as board member



Thanks!

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