

Cooperative Management

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Gert van Dijk · Panagiota Sergaki ·
George Baourakis

The Cooperative Enterprise

Practical Evidence for a Theory
of Cooperative Entrepreneurship

In Association with Roef van Dijk and Hanniëlle
Teixeira (Kucheza) and with Leo Klep
and Lee Egerstrøm

 Springer

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Foreword

The authors of “The Cooperative Enterprise” have succeeded in collecting and developing the most relevant and modern knowledge of the sector to the interested reader. The text provides a good academic analysis of the relevant theories, but importantly it celebrates the rich practical experiences of the cooperative world. We are well treated with a wide range of illustrations of the recent cooperative business evolutions with a professional insight and analysis of the decision-making. A virgin mind would enjoy a rare view of the cooperative business management, while more experienced individuals could be shown the cooperative logic behind the scene.

The authors celebrate cooperative market orientation, individual commitment and responsibility as well as a dynamic approach to the future development of the sector. Hopefully, this would enable us to bring in those young, talented and professional people that we so much need in the farming sector. Furthermore, developing a training simulation game for farming businesses underlines the importance of this new approach in communicating our cooperative ideas. Involving the African farming community gives us Europeans a new perspective to issues where we have been too complacent.

A word of warning: “The Cooperative Enterprise” will make you think in a cooperative way. And it is fun to read!

Brussels, Belgium

Pekka Pesonen
Secretary General
Cogeca—European Agri-cooperatives

Preface and Acknowledgements

On the one hand, a cooperative is an enterprise that has a strong position in the market and can compete in the market on its own terms. On the other hand, a cooperative is an association of entrepreneurs, each one wanting to have a strong position in the market.

At the core, the cooperative has two goals: the entrepreneurial success of both the group business (the cooperative enterprise) and the member business, whereby the business goals of the member are the prime consideration. This is actually exactly the same as in a democracy, where the interests of the citizen prevail above those of the country. Therefore, cooperatives are similar to both society and business at the same time.

In entrepreneurial terms, a distinctive feature of cooperatives is that they have dual or even multiple goals. This is not simply the goal of the cooperative firm itself, but specifically the goal of the entrepreneurs who brought the cooperative enterprise into being. This creates a two-layered enterprise that has to perform an additional function. It is a corporate vehicle that serves the interests of its members, whether they are suppliers or buyers. To put it more simply, it is all about profit—profit for the members, irrespective of how those members define such “profit.”

From the perspective of behavioral theory, the firm is postulated as a coalition of participants. The members of the cooperative are both investors/owners and suppliers or buyers. Cooperative management theory is based on how inducements and contributions between the members and the cooperative firm in the different roles are aligned, and on answering the question of what this means for managing the cooperative as a firm as well as a group. Collective decision-making by the group means the development of democratic policy geared to instrumental interests, both monetary and non-monetary. Therefore, the cooperative development is very important for the democratic well-being of a society as a whole.

In this book, we start from the position that under certain circumstances cooperation creates value. Cooperation by businessmen, for instance farmers, however, is not an easy option. Certain conditions must be fulfilled. The first condition is that from the very start cooperators calculate immediate economic advantages. The most common advantage is lowering costs, from economies of scale for example. The

second condition is that the members of a cooperative experience a sense of ownership of the cooperative business. As regards the feeling that a member's opinion matters, it is important that a member experiences himself or herself to be at an equal distance to where decisions for the cooperative enterprise are made, compared to other colleagues. This is not only a requirement for the general meeting, but also for the eligibility in representative bodies of the cooperative such as the member council. Thirdly, a cooperative is based on solidarity and loyalty. However, there should be room for choice and exit. Free association and cooperative membership definitely should not in any respect be felt as obligatory. Fourthly, the business cooperatives as dealt with in this book generally imply integration of two or more sectors in the supply or value chain. Therefore, cooperatives and their members can only survive if both are eager to be market-oriented. Cooperatives intensify competition, and they should be at the frontiers of efficiency and should stick to soberness in management.

This book is an extension and update of “Als ‘de markt’ faalt—Inleiding to cooperatie” (When markets fail—introduction to cooperation) by Gert van Dijk and Leo Klep, which was first published in 2005. Shortly after this publication, an English version was made with the help of Lee Egerstrøm (Minnesota), which, however, was not officially published. Since then, the translation in English has been made available to many generations of M.Sc. students in Economics and Management at the Mediterranean Agronomic Institute of Chania (CIHEAM-MAICh), Crete. Teaching experience and the many research projects by students from various countries led us to the conclusion that the study of cooperatives as a two-layer entrepreneurial model requires practicing that goes beyond lecturing and textbook analytics. It may not be too difficult to explain the business model of a cooperative; likewise, the legal structure is rather straightforward. Yet cooperatives are difficult to understand when it comes to the multifaceted relationship between the members and the cooperative. Many scholarly efforts have been accomplished to compare cooperatives with investor-owned firms with regard to their economic and technical efficiency. The fundamental difference in the financial mechanism of co-ops and the fact that the members have both a transaction and a financial relationship makes it impossible to make such comparisons meaningful. As a matter of fact, the ownership of members of the cooperative is hard to understand for members—this is also true in countries where cooperatives have been successful since a century.

For this reason, it was felt that the cooperative business models need another approach of teaching and instructing. The opportunity to bring this idea in practice arose when Roef van Dijk, son of the first author, decided to start a social venture to train youth in new business opportunities by getting them to understand differences between cultures and technical practices and how to take advantage of those by letting them play and exchange practices and new ideas. So, the idea was born to add the cooperative as a next level of training entrepreneurs. Together with Mrs. Hannielle Teixeira, a colleague attorney of Roef in their law firm, a computerized training simulation game was developed. Chapter 8 is based on the first and most promising experiences of training all members of a cooperative on real-life data. As all financial data of members and the co-op are integrated, the model appears most

instructive and user-friendly. The members of cooperatives are trained on how to manage their business and the cooperative business at the same time. Farmers in various cultures have shown to be able to understand and act in two-level entrepreneurship.

The simulation game approach was also tested on M.Sc. students at CIHEAM-MAICh. In teaching at this level, the main test was whether students were able to link the game situations to the literature. The first results were most promising as students appreciated the gaming approach as a very stimulating method to learn about cooperative entrepreneurship.

In the final stages of this book, we greatly benefitted from the contribution of Mrs. Maria Verivaki at CIHEAM-MAICh who did the English proofreading with great dedication. Also, we acknowledge the assistance of Dr. Giorgios Apostolakis for contributing by searching recent research on the topics of this book.

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