

Governance of Agricultural Cooperatives

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What is an agricultural cooperative?

An agricultural cooperative is a farmer business:

- **User-owned**
- **User-controlled**
- **User-benefitted**

Why does governance matter?

Because ownership matters.

And why does ownership matter?

Basics of Ownership

Ownership Right	Key Decisions	Corresponding Model
Residual income rights	<ul style="list-style-type: none">• Financing• Patronage• Benefits	Ownership model
Residual control rights	<ul style="list-style-type: none">• Purpose• Main strategy and policies• Major organizational decisions	Governance model

Efficient ownership?

Organizational Design (1)

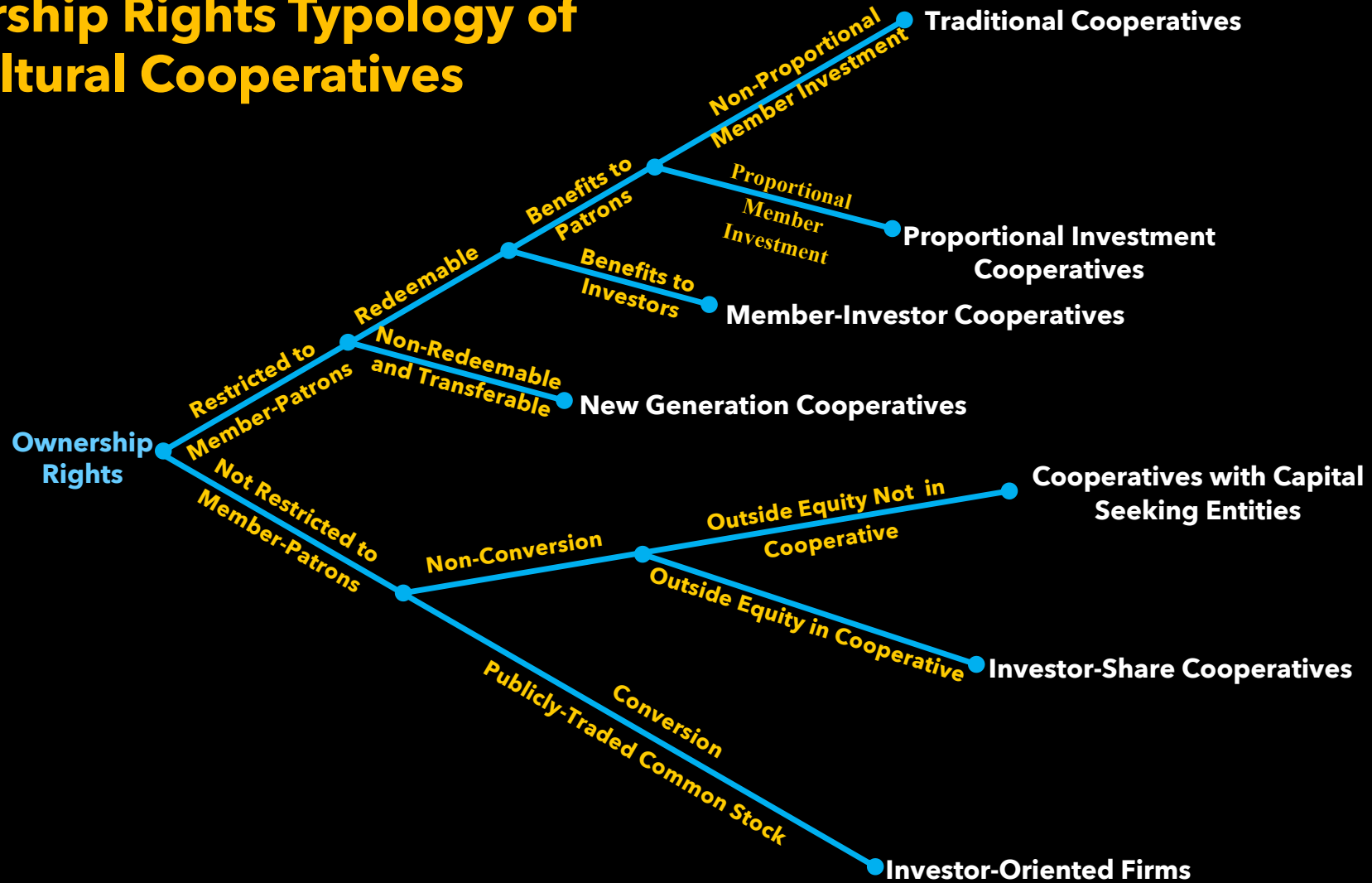
- Who owns?
- Who controls?
- Who benefits?

Organizational Design (2)

- Ownership model
- Governance model
- Measurement of performance
- Organizational culture

Ownership Models in Agricultural Cooperatives

Ownership Rights Typology of Agricultural Cooperatives



Source: Chaddad & Cook (2004)

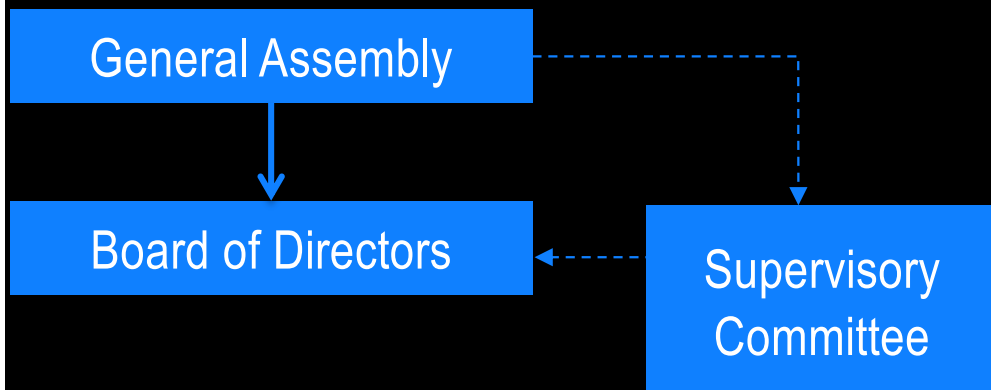
Choice of Ownership Model

Examples of Tradeoffs:

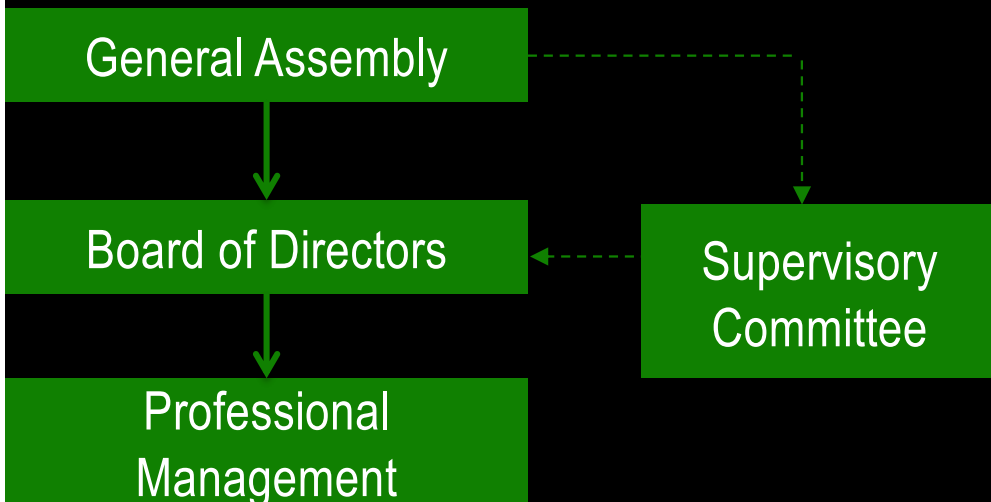
- Members as investors – Members as patrons
- Risk capital contribution – Member ownership

Governance Models in Agricultural Cooperatives

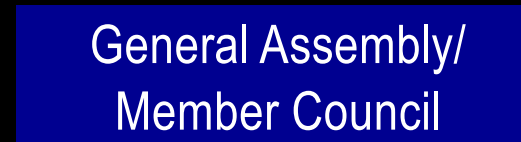
Traditional Model



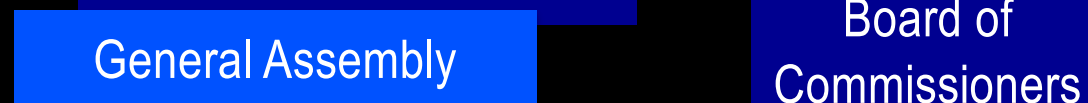
Extended Traditional Model



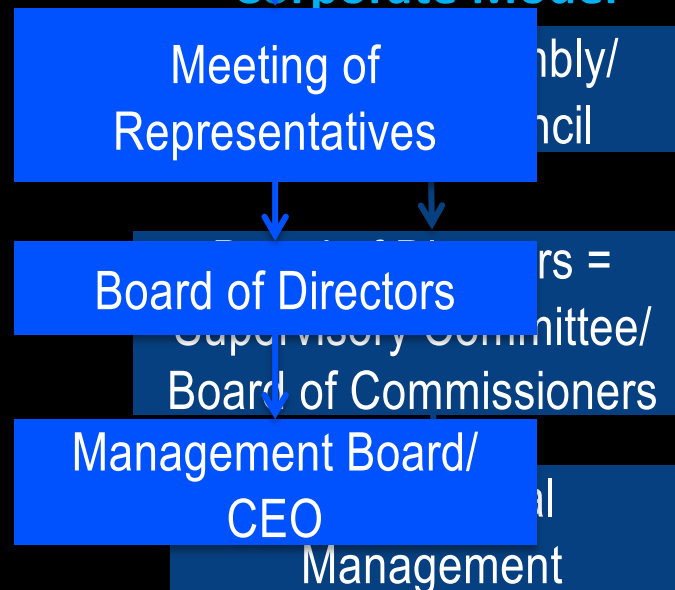
Managerial Model



Extended Traditional Model with Representatives, Estonian Co-op



Corporate Model



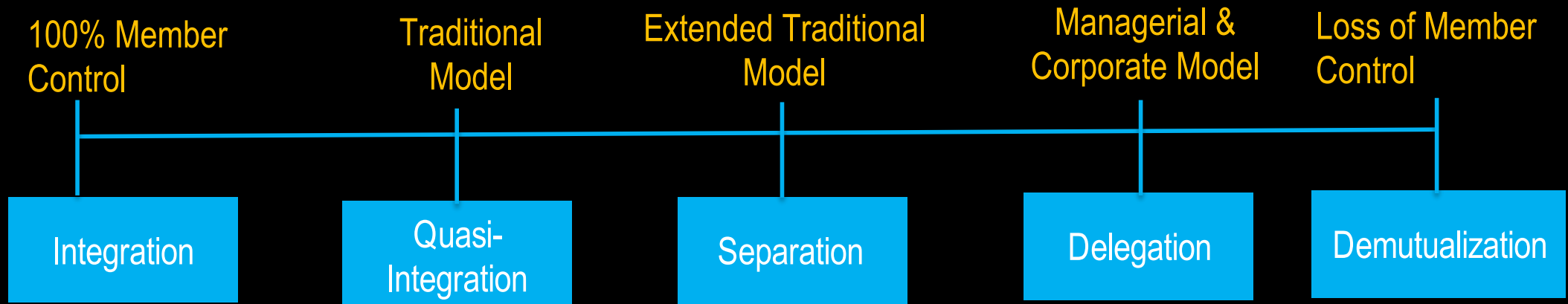
TASK

How do agricultural co-operatives choose governance model?

Examples of Trade-offs:

- Monitoring costs – Collective decision-making costs
- Organizational complexity – Formal/Real authority

Member Control Along the Governance Structure Continuum



Let's get inside cooperative
governance...

Decision Rights

Decision management

Initiation and implementation of decisions

Decision control

Ratification and monitoring of decisions

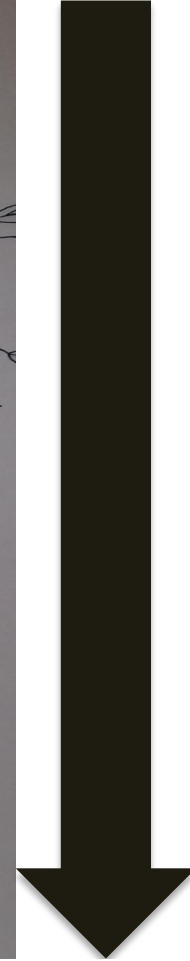
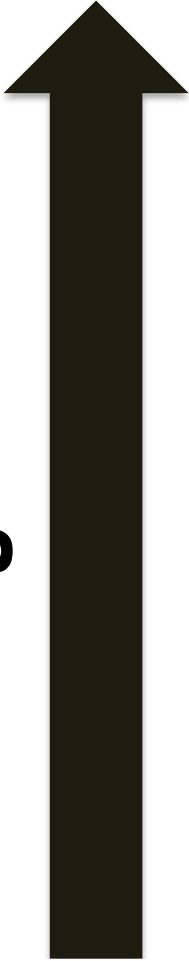
Basic Economic Principle

If decision makers do not bear the major wealth effects of their decisions, decision management and decision control will be held by separate decision makers.

The Tree of Governance

Decision

Management



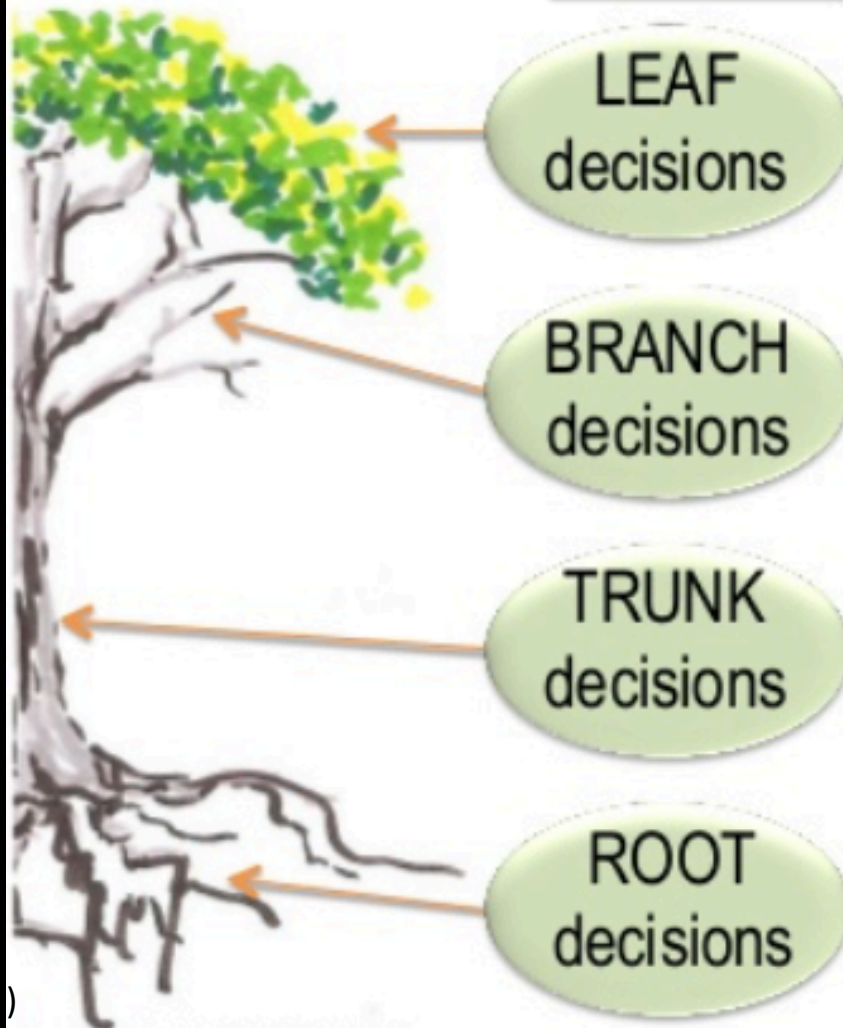
Decision
Control

Which decisions to delegate?



The Decision Tree*

Delegation Guidelines



Make the decision. Act on it.
Do not report the action you took.

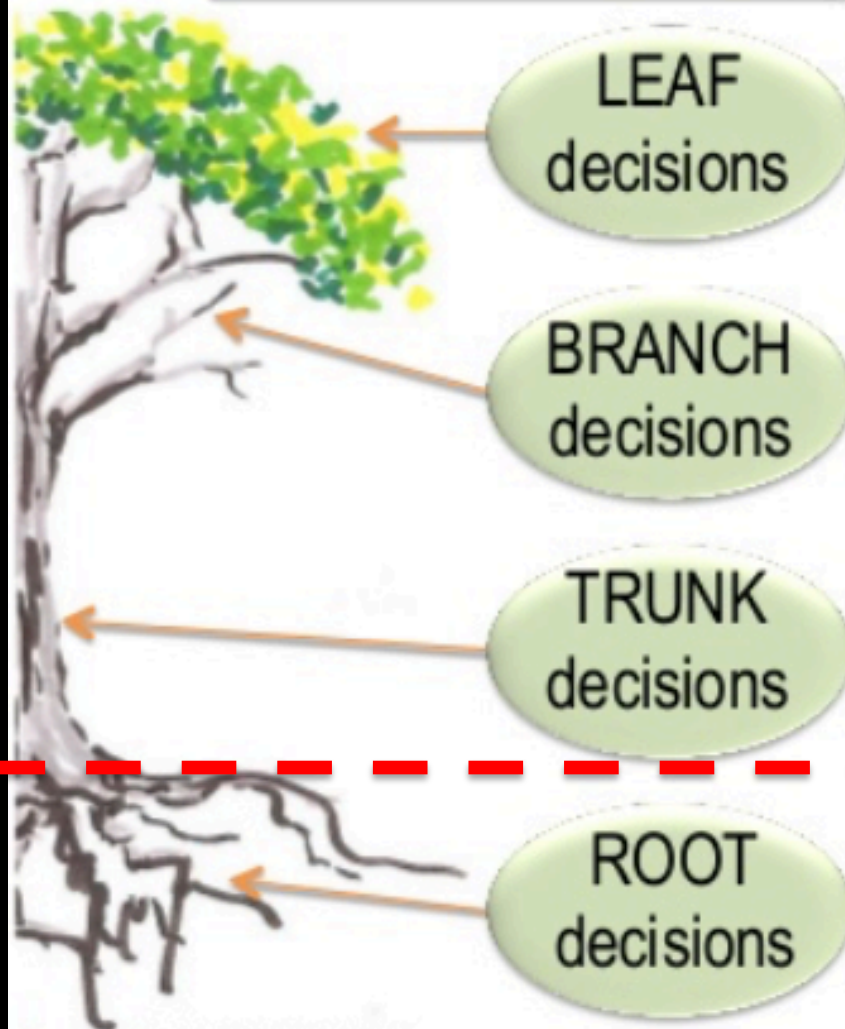
Make the decision. Act on it.
Regularly report your actions.

Make the decision. Report your
decision BEFORE you act.

Confer with others to make the
decision. These decisions pose great
risk.

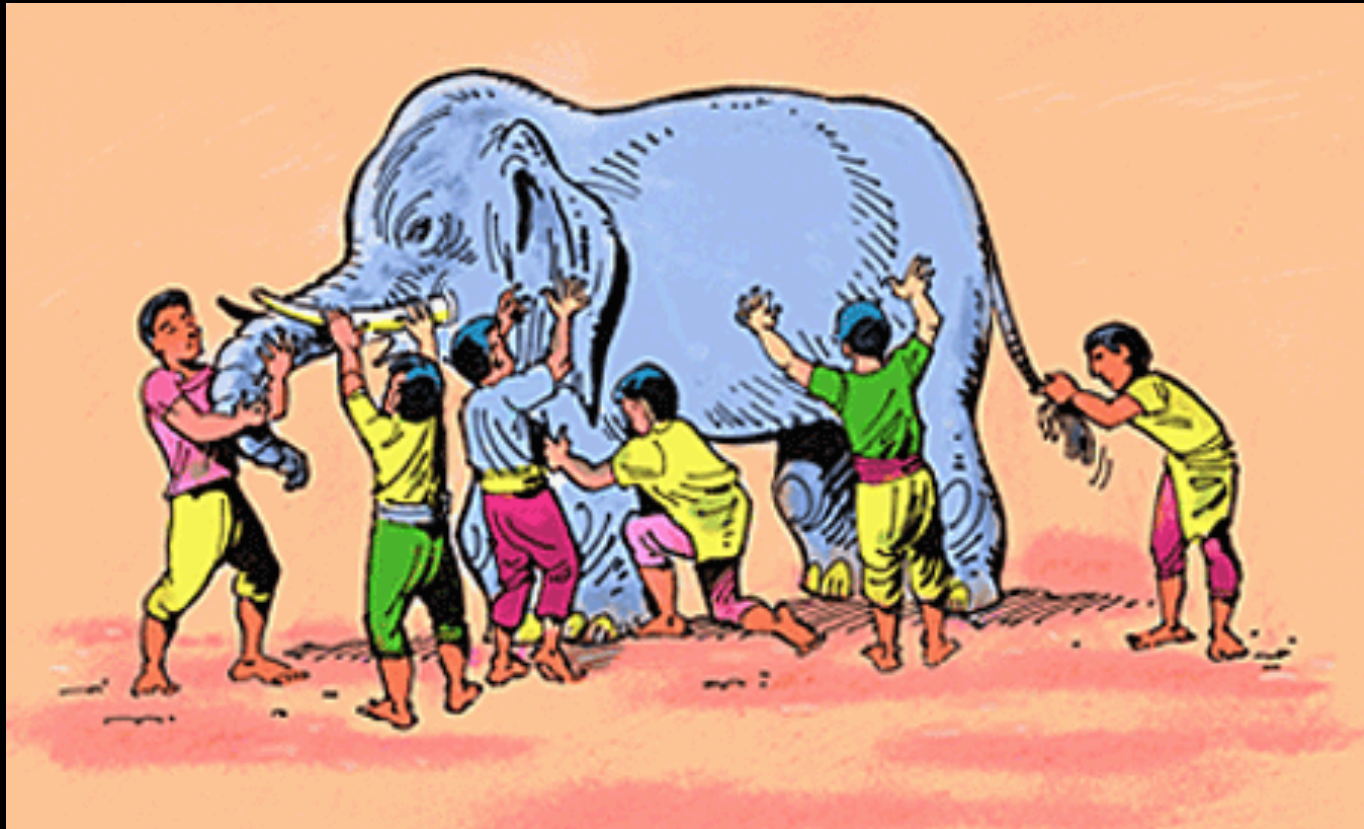
THE GOVERNANCE TREE

Delegation Guidelines



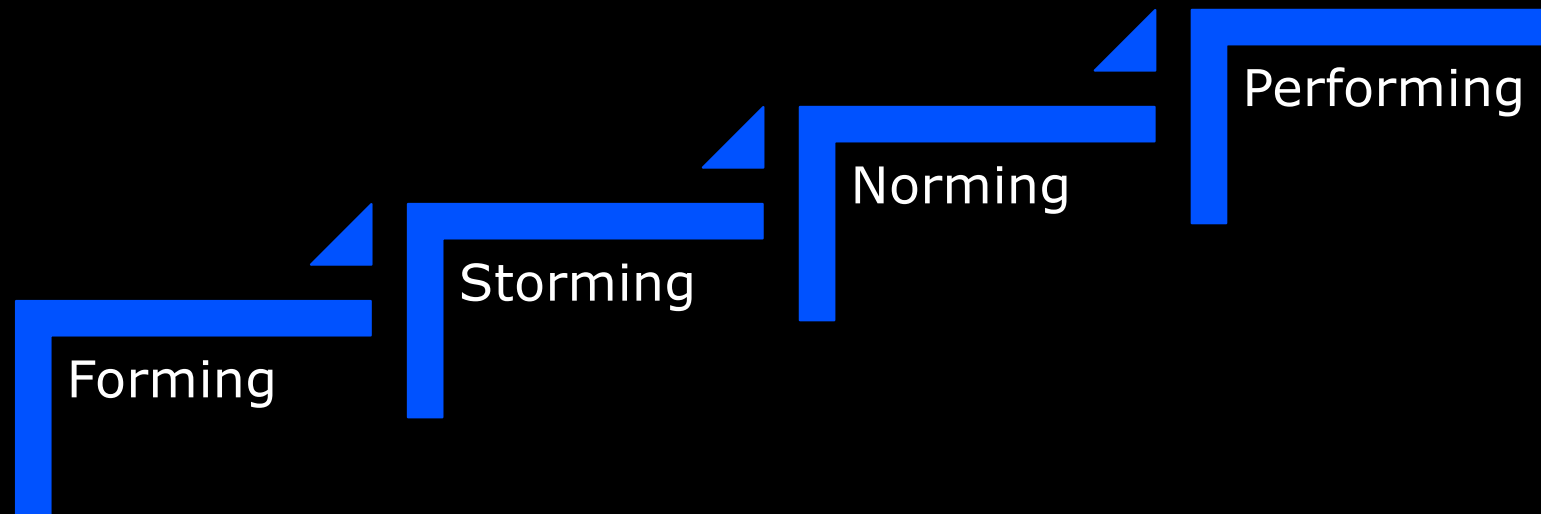
COOPERATIVE
MEMBERS SHOULD
NEVER DELEGATE TO
NON-MEMBERS THEIR
COOPERATIVE'S
ROOT DECISIONS

Cooperative Ownership & Governance: Seeing the Whole Picture...



**Cooperatives are also about
successful team work**

Stages of Team Development



Self-disclosure & feedback → → → → Comfort with Interdependence

The 5 basics of successful teams



Governance of Agricultural Cooperatives:

Takeaways...

1. If not cooperative members, then who?

- Really own your co-op...
- Really control your co-op...
- Ensure your co-op's longevity...
- Become the solution, not the problem

2. The Costs of Inaction and Apathy



3. Outlearning the Wolves...



4. Governance is also about Emergence...



5. Governance: Co-Design the Emerging Future



6. Solution Focus

~~Problems~~
Solutions

Thank You!

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