

What New Generation Cooperative Officials Should Know About Members and Their Concerns

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Northern Plains agricultural producers formed several new value-adding contract cooperatives in the 1990s (hereafter called new generation cooperatives or NGCs). NGCs share many characteristics with traditional cooperatives (both types are member-owned, member-controlled, and member-benefitting). However, one distinguishing characteristic of NGCs in the north central U.S. is that delivery rights of commodities are based on the producer's level of investment. These cooperatives have been formed primarily to increase farm income by processing and marketing their members' commodities. However, other motivations, like community and economic development and a desire to work together toward a common goal, also were reasons for their formation.

Although farmers are familiar with cooperatives and their procedures, NGCs are unique to the way many farmers think about cooperatives. This raises questions about the concerns and satisfaction levels that NGC members have with the organizational part of their cooperatives. In general, an organization's structure has been found to affect job satisfaction and performance, anxiety and stress, attitudes, interaction patterns, power and influence, rigid thinking, and role conflict¹. But what about agricultural cooperatives, and particularly the new generation cooperatives? This report addresses questions about (1) NGC members' satisfaction with the organizational dimensions of their cooperatives and (2) the characteristics of NGC members who are satisfied and those who are less satisfied with their cooperatives.

¹ For more information, see Cummings, L.L. and C.J. Berger. "Organizational structure: how does it influence attitudes and performance?" *Organizational Dynamics* (1976): 34-49; Ivancevich, J.M. and J.H. Donnelly, Jr. "Relation of organizational structure to job satisfaction, anxiety-stress, and performance." *Administrative Science Quarterly* (1975): 272-280; and Pugh, D.S. and D.J. Hickson. *Organizational Structure in Its Context: The Aston Programme I*. Westmead, UK: Saxon House and Lexington, MA: Lexington Books, 1976.

Dimensions of Organizational Structure

Organizations may be described along many dimensions. One useful set of dimensions was developed by Derek Pugh and modified by Richard Daft² as a way to analyze or "diagnose" organizations. They examined both organizational structure and context. Organizational structure included the following concepts: *Specialization* is the division of labor or the degree to which tasks are subdivided into separate jobs. *Standardization* is the extent to which similar work activities are performed in a uniform manner. *Formalization* includes the written documentation in the organization. *Centralization* determines which hierarchical levels have authority to make decisions. *Hierarchy of authority* involves the span of control an organization's members have over other members. *Complexity or personnel configuration* is the number of activities or subsystems within an organization, such as the deployment of people to various functions and departments. *Professionalization* is the amount of formal training and education that employees must have. And *communication* includes verbal and written modes of communication, its frequency, and the context of communication (for example, meetings or memos).

² See Daft, R.L. *Organizational Theory and Design*, 2nd ed. St. Paul, MN: West Publishing Co., 1986; and Pugh, D.S. and D.J. Hickson. *Organizational Structure in Its Context: The Aston Programme I*. Westmead, UK: Saxon House and Lexington, MA: Lexington Books, 1976.

Organizations' contextual dimensions included the following. *Size* pertains to the total number of employees, amount of assets, and dollars in sales. *Technology* involves the nature of the tasks in the production subsystems and the actions, knowledge, and techniques used to change inputs to outputs. The *environment* includes elements outside the organization that affect the organization. *Goals* are those unique purposes that set one organization apart from another and include the scope of operations and desired relationship with members and clients. Because of its broad, comprehensive nature, various aspects of Pugh's and Daft's framework of organizational dimensions will be used in this report to explore NGC members' satisfaction with their cooperatives. This report is unique in that it applies an organizational theory framework, designed to examine employees' concerns, to cooperatives' shareholder concerns.

Research Methods

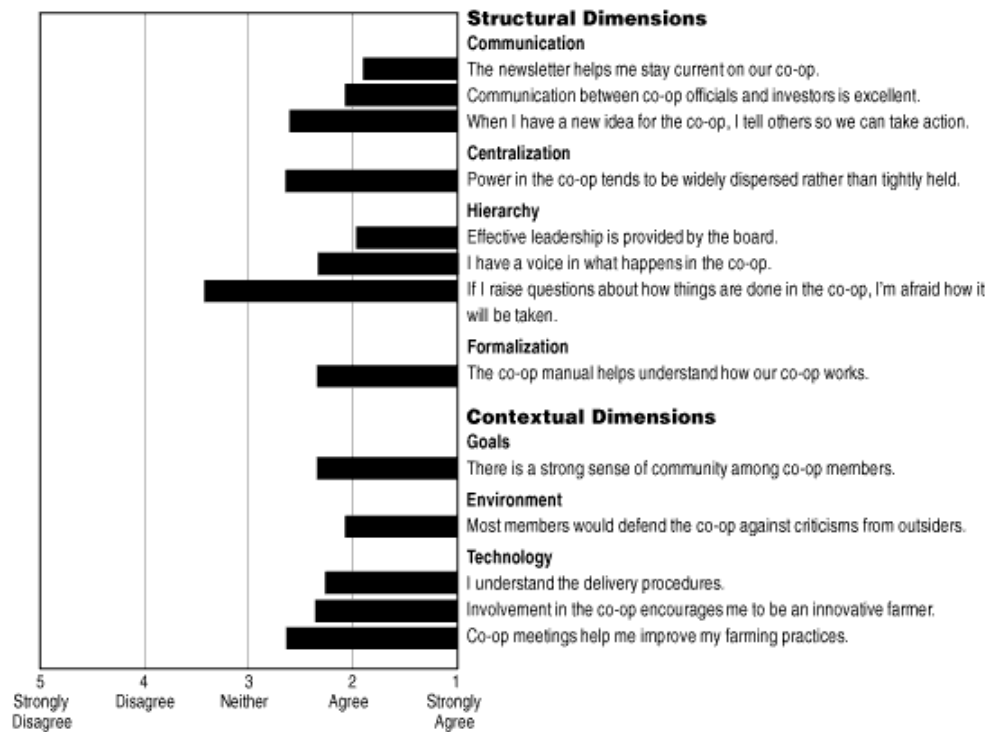
A survey (telephone interview with mail-out/mail-back follow-up questionnaire) was conducted with North Dakota members of four NGCs in spring 1996. Of the 575 farmers in the sample, 321 completed the telephone interview and 191 completed the questionnaire. All four of the NGCs were started within the previous five years and had built or were building value-adding processing facilities. Two were large, crop-related cooperatives and two were small, livestock-related cooperatives.

Satisfaction with the Cooperative Organization

Satisfaction with the cooperative organization was measured by asking members the degree to which they agreed or disagreed with 13 five-point scale items (ranging from 1= "strongly agree" to 5="strongly disagree") about their level of satisfaction with their cooperatives' structure and context. Items were used to examine the structural dimensions of communication, centralization, hierarchy, and formalization and the contextual dimensions of goals, environment, and technology.

The members' level of satisfaction with their cooperatives was positive (Figure 1). On average, they "strongly agreed" or "agreed" with each item; none of the average scores were above 3.0 ("neither agree nor disagree"). Respondents were particularly satisfied with the newsletter, communication between cooperative officials and members, board leadership effectiveness, and members' willingness to defend the cooperative against outside criticism.

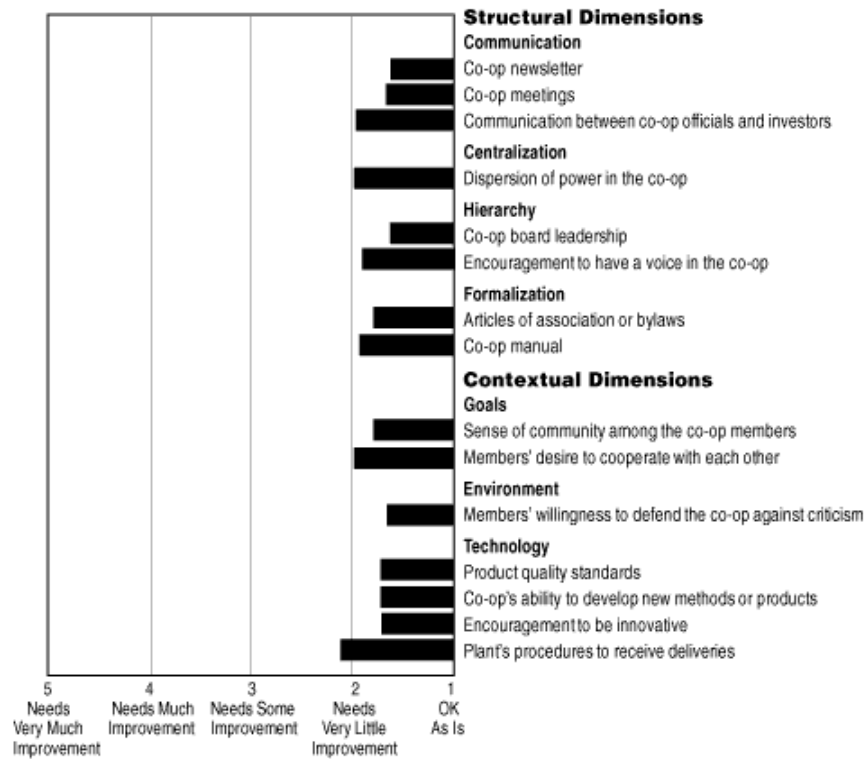
Figure 1. Members' level of agreement on co-ops' structural and contextual dimension items.



Items with the lowest average satisfaction levels included "co-op meetings help me improve my farming practices," "power in the co-op tends to be widely dispersed rather than tightly held," and "when I have a new idea for the co-op, I tell others so we can take action." Nevertheless, even these items ranged between "agree" and "neither agree nor disagree."

The members also were given 15 five-point scale items (ranging from 1= "OK as is" to 5="needs very much improvement") to measure the degree to which their cooperative's structure and context needed to be improved. On average, the members believed that nearly *all* of these aspects were "OK as is" or "needed very little improvement" (Figure 2). The only score that fell between "needs very little improvement" and "needs some improvement" pertained to their plant's procedures to receive deliveries.

Figure 2. Members' recommendations for co-ops' structural and contextual improvements.



Characteristics of Members Who Are "Most Satisfied" and "Less Satisfied" with the Cooperative Organization

Organizational leaders recognize that there is a range in the satisfaction levels of their members — some are pleased with the organization and others are less pleased with the organization, or with some aspect of it. Leaders frequently find that more of their member relations time is spent with individuals at either end of the satisfaction continuum than with those in the middle of it. A comparison was made between the characteristics of NGC members who were very satisfied with their cooperatives and those who are less satisfied with them.

The 13 organizational satisfaction items were summed to form an overall satisfaction scale (ranging from 13 as the highest level of satisfaction to 65 as the lowest level of satisfaction). The actual scores of the respondents ranged from 13 to 50 with an average of 28. The "most satisfied" group (top 10%) was compared with the "less satisfied" group (bottom 10%). Three sets of variables were studied: farm and financial structure, cooperative investment and participation, and reasons for cooperative investment.

No significant differences in farm or financial structure were found between the "most satisfied" group and the "less satisfied" group. Although the "most satisfied" group had more acres in their operations and had larger assets and liabilities, the "less satisfied" group had larger gross incomes. Nevertheless, the amount of variation among the members within the two groups was so large when compared to the amount of variation between the groups that the mean differences must be viewed as nonsignificant (Table 1).

Table 1. Comparison of Farm and Financial Structure, Co-op Investment and Participation, and Reasons for Co-op Investment, by "Most Satisfied" and "Less Satisfied" Groups, North Dakota, 1996.

Selected variables	"Most Satisfied" Group	"Less Satisfied" Group	Mean Difference	p ¹
Farm/Financial Structure				

Total acres in operation	2,561	2,064	497	
Gross farm income	\$208,390	\$257,815	-49,425	
Value of farm assets	\$996,978	\$898,657	98,321	
Value of farm liabilities	\$230,700	\$223,167	7,533	
Co-op Investment/Participation				
% in small co-op vs	82.4	17.6	-	***
% in large co-op	30.2	69.8		
Co-op investment at offering	\$29,558	\$40,134	-10,576	
Total co-op distributions	\$14,329	\$18,386	-4,057	
Reasons for Co-op Investment²				
Additional income	1.3	1.6	-.3	*
Eliminate middleman	1.3	1.6	-.3	
Produce high quality food	1.3	2.0	-.7	***
Secure future for next generation	1.4	2.0	-.6	***
Reduce marketing risks	1.7	2.2	-.5	**
Improve community	1.9	2.5	-.6	***
Enjoy working with others	1.9	2.6	-.7	***
Diversify investment portfolio	2.0	2.2	-.2	
N =	30	40		

¹ Level of statistical significance: * p LE .05** p LE .01*** p LE .001

² Based on five-point scale where 1 = "strongly agree"; 2 = "agree"; 3 = "neutral"; 4 = "disagree"; and 5 = "strongly disagree."

Only one significant difference in cooperative investment and participation was found between the two groups. Of those who were in the smaller cooperatives, 82% were in the "most satisfied" group; of those who were in the larger cooperatives, 30% were in the "most satisfied" group. Those in the "less satisfied" group had invested more money during the initial drive and had larger total co-op distributions; however, these differences were nonsignificant.

Several significant differences were found between the two groups regarding their reasons for investing in their cooperative. The members were given a list of eight reasons to invest in a cooperative, and asked to rate each on a five-point scale (1= "strongly agree" and 5= "strongly disagree"). Both the "most satisfied" and "less satisfied" groups had average scores less than 3.0 for each of the reasons to join an NGC, which indicates that there were many reasons to join the NGC. Except for two reasons to join an NGC ("diversify investment portfolio" and "eliminate middleman"), the "most satisfied" group had lower scores (indicating stronger agreement) than did the "less satisfied" group. Items displaying the greatest mean difference between the two groups were "enjoy working with others" and "produce high quality food."

Statistical analysis³ was used to differentiate the "more satisfied" group from the "less satisfied" group using the three sets of variables. None of the Farm/Financial Structure variables (total acres in the operation, gross farm income, value of farm assets, and value of farm liabilities) were able to differentiate members of the two groups. Of the Cooperative Investment/Participation variables (co-op size, co-op investment at offering, and total co-op distributions), only co-op size differentiated the two groups significantly. Of the Reasons for Co-op Investment variables, "additional income" and "enjoy working with others" were able to differentiate the two groups. "Produce high quality food" played a moderate (although not statistically significant) role in differentiating the groups.

³ For a discussion of the multivariate logistic regression procedure used in this study, see Goreham, G.G. and T.F. Kibbe. "Organizational concerns of members of contract agricultural cooperatives." Paper presented at the Rural Sociological Society annual meeting, Toronto, ON, August, 1997.

Next, the three significant variables were analyzed individually. Co-op size and "enjoy working with others" correctly classified 93% and 85%, respectively, of the "less satisfied" group, but only 47% and 31%, respectively, of the "more satisfied" group. On the other hand, "additional income" correctly classified about half (58%) of the "less satisfied" group, but correctly classified 70% of the "more satisfied" group. Thus, those who were in larger cooperatives and who had invested because they enjoyed working with others were somewhat less satisfied with their cooperative. And those who were in smaller cooperatives and invested for additional income were more satisfied with their cooperative.

Implications

At least four implications can be derived from this study. First, members are overall pleased with the structural and contextual dimensions of their cooperatives in that they provide farmers with a degree of mutual control over processing and marketing of their commodities. Organizational control appears to be related to organizational satisfaction. Higher levels of satisfaction likely relate to higher levels of commitment and participation on the part of the member and thus greater productivity, effectiveness, and profitability. Cooperative boards of directors and managers should be encouraged to take steps to foster a greater sense of control among members and thus greater member satisfaction.

Second, cooperatives should monitor members' concerns regarding delivery procedures. Delivery procedures can be a source of confusion for some NGC members. Steps taken to clarify members' confusion about delivery procedures may not add to their satisfaction, but may reduce their dissatisfaction.

Third, consistent with other organizational research, we found that the smaller the size of the cooperative, the greater the level of satisfaction with many of its dimensions. Members of larger cooperatives who invested because they enjoyed working with others were typically in the "less satisfied" group. Larger organizations may yield lower levels of control, less individual participation, and fewer opportunities to work with others than those in smaller organizations. In the case of larger organizations, not being able to work with others can lead to dissatisfaction. Members of smaller cooperatives who invested for additional income were more satisfied with their cooperative. Their desire to increase income and also work with others were likely being met.

Cooperative boards of directors and executives may wish to examine their organizational design, that is, management decisions and actions that shape their organization's structure. They are undoubtedly taking steps to increase net income, thus meeting one of the members' expectations or reasons to join the cooperative. But they also may need to take steps to meet the other reasons why members joined their cooperative, such as opportunities to work with others and to improve their communities.

Fourth, satisfaction levels appear to be unrelated to size of the members' farming operations, whether measured by acres or dollars. NGCs have been criticized as being only for larger farmers. The findings of this study suggests that farmers of all sizes may not only benefit from these cooperative, but enjoy them as well.

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