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Looking at Cooperative Performance with a wider lens: Importance of Organizational Effectiveness (OE) in Assessing Cooperatives

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Abstract : (max. 300 words)

Member-owned organizations, such as cooperatives, play an integral role in the production and distribution of goods and services around the world. In principle, cooperatives are member-owned, member-used, and member-operated (managed) under democratic principles although there are variations across various sectors and nations. To be successful in the marketplace, cooperatives must be competitive and perform, and any discussion on the “performance” of cooperatives generally leads to business indicators, such as sales growth, profitability, cost, etc., or financial indicators, such as Return on Investment (ROI), Return on Equity (ROE), Debt/Asset ratios, or earnings before interest, taxes, depreciation, and amortization (EBITDA), etc. (Porter and Scully, 1987; Benos et al., 2018; Arcas et al., 2011). Researchers in economics and finance have been using the economic and financial metrics to measure the performance of cooperatives like any other businesses (Arcas et al., 2011; USDA, 2007, 2006; etc.).

It is that with these commonly accepted economic or financial measures, we measure whether a cooperative in question has or was able to reach certain economic or financial benchmarks set by the financial sector or the industry. However, these measures do not represent how the cooperative organization worked internally and externally to "perform." Instead, the measures look just at the results and not the process to achieve those results. Thus, the economic and financial measures of performance are limited and ignore the non-economic or non-financial aspects of the cooperative organization, such as employee commitment or member participation, which are equally important for the organization's success.

Expanding the concept of performance measurements of cooperatives beyond the usual economic and financial performance measures bring us to the concept of organizational effectiveness (OE), defined as "the efficiency with which an association

can meet its objectives." (Pedraza, 2014, p.1). Organizational effectiveness is an efficiency measure at its core because it involves achieving the best outcome with minimum resources. Cooperative efficiency is a well-researched concept, and there exist various extensive reviews (Porter & Scully, 1987; Sexton & Iskow, 1993; Soboh et al., 2009; Grashuis & Ye, 2019; Skevas & Grashuis, 2020). Others also seek to extend cooperative performance beyond financial indicators (Franken & Cook, 2015). However, a comprehensive concept of cooperative performance is still missing.

We propose to look beyond the traditional economic and financial indices to measure cooperative performance using a broader perspective - organizational effectiveness. The novelty of organizational effectiveness is expanding the "outcome" to include economic or financial indicators as well as a comprehensive set of cooperative objectives, including member satisfaction. Although organizational effectiveness is arguably a very ambitious measure, it has been used in the business literature, while its use in cooperative organizations is still lacking. We plan to discuss that the measurement of organizational effectiveness takes a holistic approach to evaluate a cooperative's performance. Thus, the main goal of this paper is to present the concept of organizational effectiveness and its application to cooperative organizations.

References: will be available in the completed paper.

Keywords: organizational effectiveness, cooperative performance, holistic approach