Performance in the Base Food and Fiber System: A Cooperative Study in Texas

Amy Hagerman and John L. Park

Cooperative literature has long held that performance is driven by the operational characteristics and best practices of a firm. However, the changing business environment and evolving culture of cooperatives in the U.S. create a need to re-evaluate the drivers of cooperative performance. Business literature has suggested that non-financial factors relating to the perceptions of management could be drivers of performance in businesses that are not-for-profit or cooperative in nature. Our model of cooperative performance integrates operational practices and perceptions to determine if they have a causal influence on performance.

The model is built from a 2004 survey of cooperative managers in Texas. Cooperatives were evaluated and ranked based on financial performance, and the data was analyzed using a PC algorithm to create a directed acyclic graph, thus allowing us to identify root causes of financial performance. The results indicate that non-financial factors of company size and structure, competition, and management’s perceptions of loyalty are driving performance as measured by sales. The coefficients also suggest that larger, more diverse cooperatives that are facing fewer competitors and perceive themselves as strong competitors will have higher yearly sales. Management’s perceptions of their members’ loyalty and how human elements (employees, board of directors, management, and customer service) impact that loyalty has a strong presence in the model. However there was not enough information to understand the full implications of loyalty in the sample. Future study will more deeply consider the impact of managerial practices and perceptions on member loyalty.

Hagerman is graduate assistant and Park is associate professor and extension specialist, Department of Agricultural Economics, Texas A&M University.