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Assessing Organizational Effectiveness of Member-owned Enterprises in the Northeast United States

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MOTIVATION

- The concept of effectiveness is of great importance to understanding organizational behavior but the term “organizational effectiveness” is complicated, controversial, and difficult to conceptualize (Matthews, 2011; Eydi, 2015).
- Simply put, organizational effectiveness (OE) is the concept of how effectively an organization achieves its goals.
- However, such “goals” vary widely from organization to organization and that’s why clearly defining or describing OE is difficult.
- For example, how do you define and measure OE for non-profits vs. for-profits, or educational organizations vs. corporations, and so on.
- Perhaps not surprisingly, despite the importance of OE in managing an organization, it is ignored or overlooked in both in management literature and in co-op literature.

Motivation

- Various types of member-owned enterprises play an integral role in the U.S. economy as well as in the economy of the northeast United States, e.g., OceanSpray, Wakefern (Shoprite), Affinity Federal Credit Union, Ten Decatur Housing Cooperative of VT, etc.
- Despite their widespread participation in the economy, little is known about the organizational effectiveness of these member-owned enterprises.

Approaches to assess Organizational Behavior

- **System Approach:** This approach proposes that for an organization to be successful it must be effective at exploiting its environment in order to acquire necessary resources, particularly budgetary resources (Yuchtman and Seashore 1967).
- **Goal Approach:** This approach defines the effectiveness of an organization by how well it can achieve specific goals, such as productivity, profit, etc. (Price 1968; Cameron 1981).
- **Internal Process Approach:** This approach sees an organization seeking to achieve goals while desiring to maintain itself as a social unit. It emphasizes that organizations that can offer a harmonious and efficient internal environment are viewed as effective and successful operations (Cameron 1981; Chelladurai 1987).
- **Strategic Constituents Approach:** This approach deals with satisfying all constituencies (external and internal) of an organization; it is related to the Internal Process approach (Connolly, Conlon, and Deutsch 1980).
- **Competing Values Approach:** It is one of the most widely accepted framework of assessing OE because it acknowledges conflicts among OE measures and attempts to blends them into a hybrid (Quinn 1981).

OE approaches	Defined Effectiveness	Effectiveness Criteria
<i>System Resource</i>	Ability to gather scarce resources from environment	Resource acquisition, such as start-up funds, expansion funds
<i>Goal Attainment</i>	Goal achievement	Productivity, efficiency
<i>Internal Process</i>	Harmonious workplace environment	Happiness, morale, trust
<i>Strategic Constituency</i>	Satisfaction of all constituencies, both internally and externally	Constituency satisfaction
<i>Competing Values</i>	Incorporation of all of the above	Incorporation of all of the above

Objective

- The primary goal of this research is to assess OE of member-owned enterprises in the northeast United States.
- We make an effort to operationalize selected OE approaches using a survey to collect primary data.

RESEARCH METHOD (contd.)

- We focus on the member-owned enterprises (agricultural as well as non-agricultural) in the northeast United States. Our study area includes the six New England states (ME, VT, NH, MA, RI, and CT) and four mid-Atlantic states (NY, NJ, PA, and MD; sample frame information was missing for DE).
- Initial database (mailing list) was obtained from RD/USDA (i.e., cooperative services).
- Most common member-owned enterprises in the study area was housing cooperatives which were typically run by commercial real estate companies, so they were not included in final sampling frame.
- Using Qualtrics, an e-survey was sent out to a sample of 411 member-owned organizations in the study area at the end of September 2016.
- Two reminders were sent in October 2016.

Sample distribution

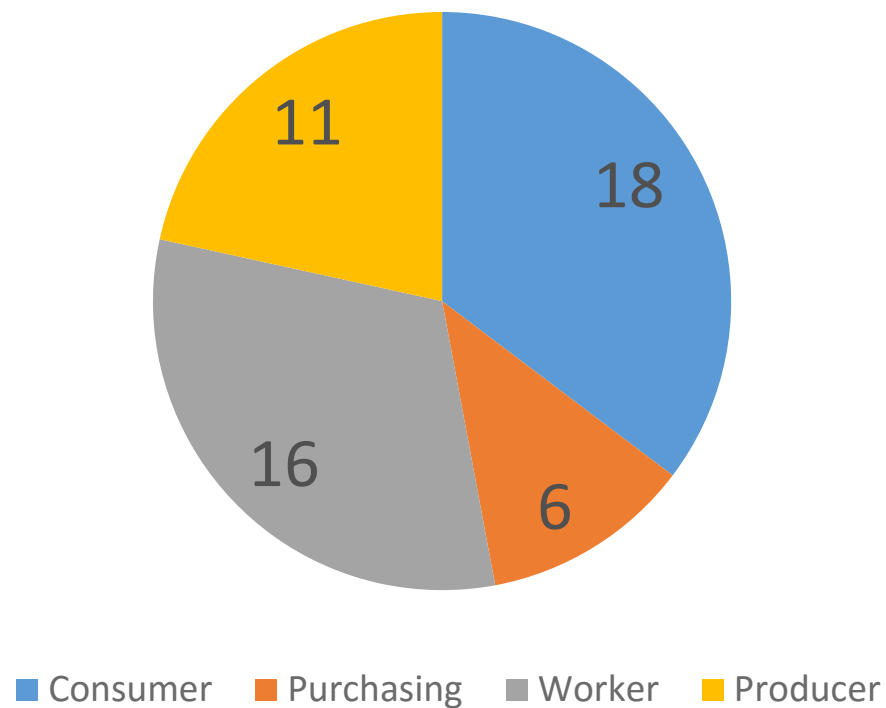
State	Total
Connecticut	18
Massachusetts	57
Maryland	22
Maine	82
New Hampshire	24
New Jersey	14
New York	91
Pennsylvania	52
Rhode Island	13
Vermont	38
TOTAL	411

RESEARCH METHOD

- There were over 100 RTS (return to sender or bounced surveys).
- So far, only 56 responses were received of which only 51 are usable, i.e., response rate is slightly over 18% considering the effective sample size was about 300.
- Only a person who was involved in the governance of the organization (e.g., a member of the BOD, including the Director or the Secretary) was asked to complete the survey [this may have resulted in low response rate]

Results: Respondent characteristics

Types of member-owned organizations (n= 51)

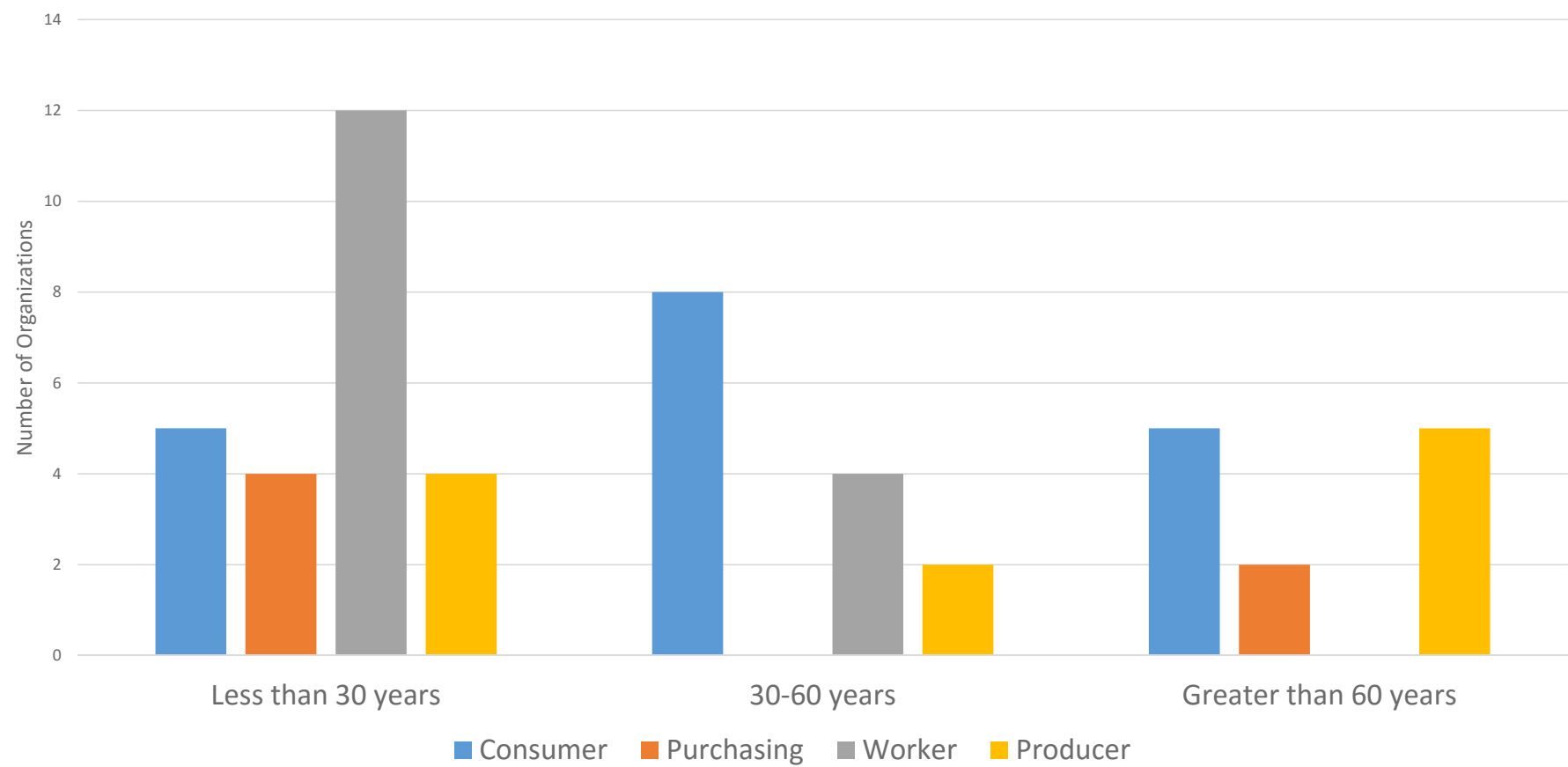


Type of Member-owned Organizations

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Consumer	18	32.1	35.3	35.3
	Purchasing	6	10.7	11.8	47.1
	Worker	16	28.6	31.4	78.4
	Producer	11	19.6	21.6	100.0
	Total	51	91.1	100.0	
Missing	888	5	8.9		
Total		56	100.0		

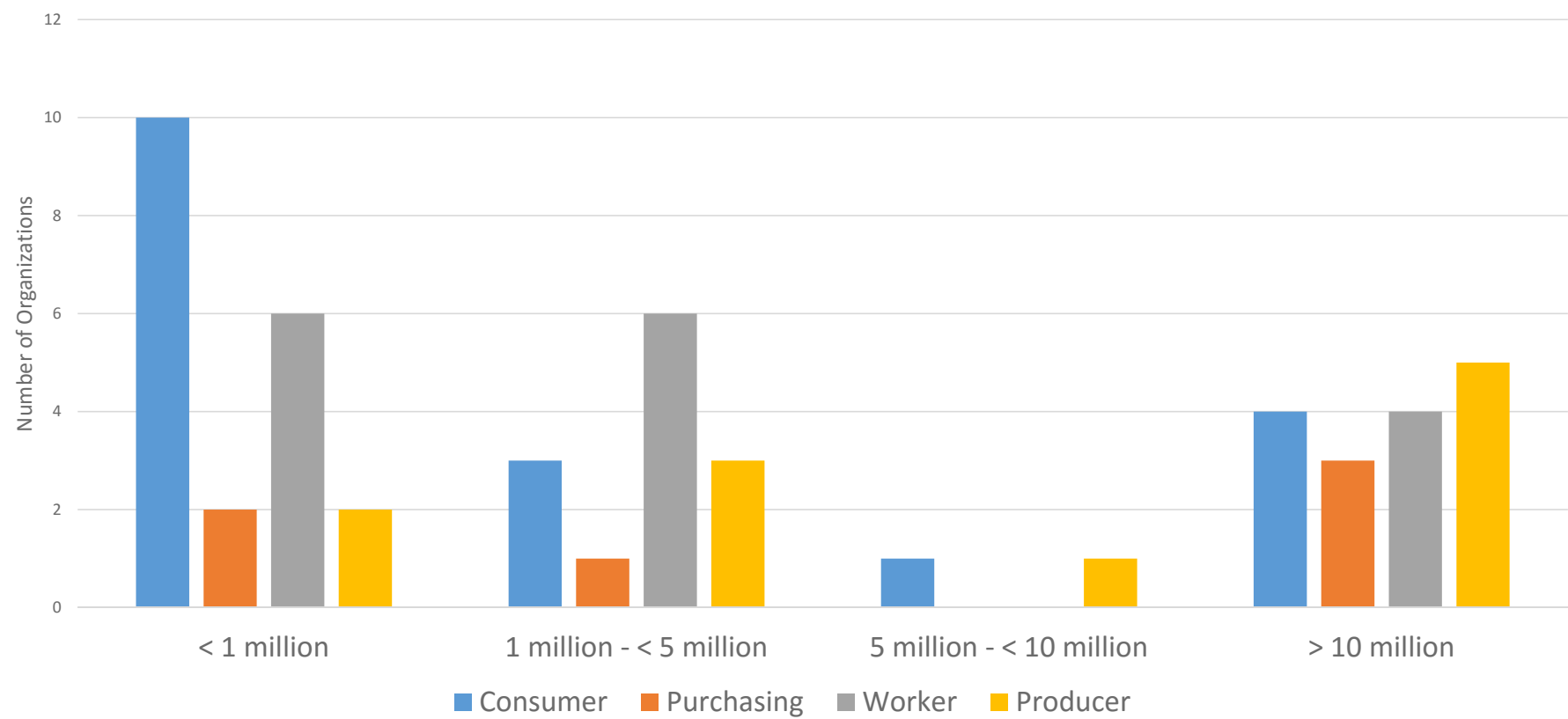
RESULTS (contd.)

Age of member-owned organizations by type



RESULTS (contd.)

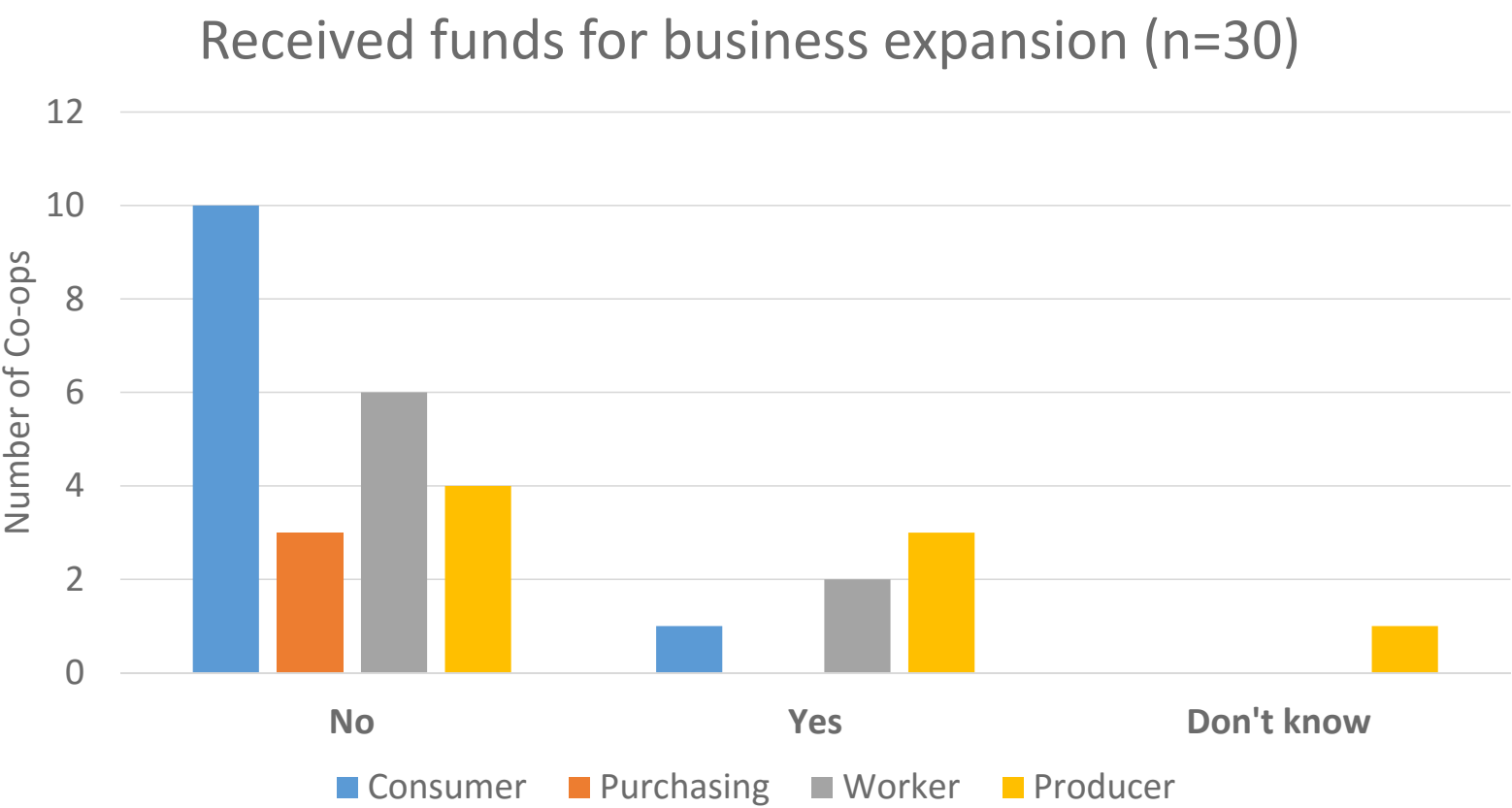
Size of member-owned organizations by type



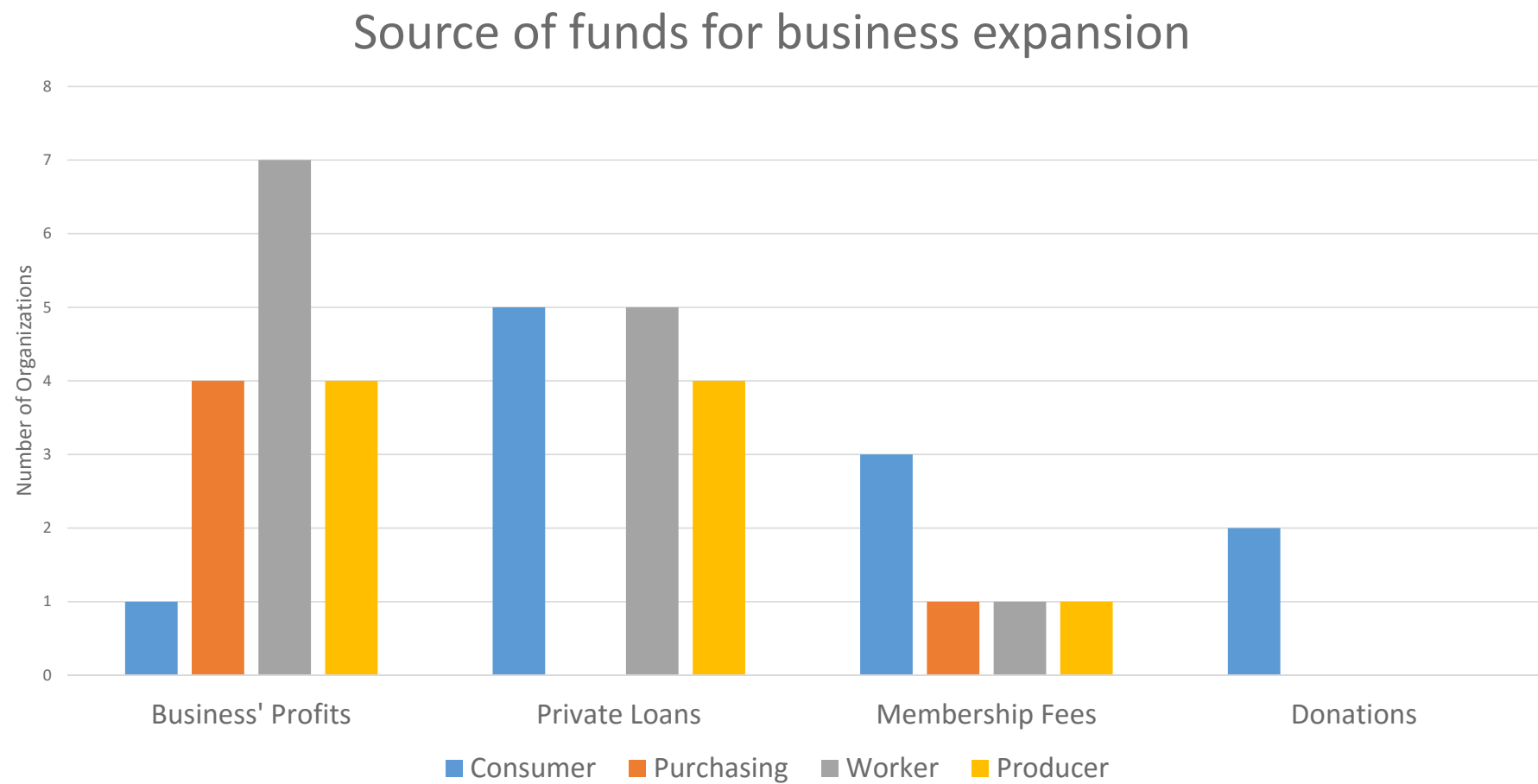
Measuring Organizational Effectiveness

- Only three of approaches used here: Systems approach, Internal Process approach, and Strategic Constituency approach
- **System Approach:** Following criteria were used to evaluate co-ops under this approach:
 - funding
 - membership level

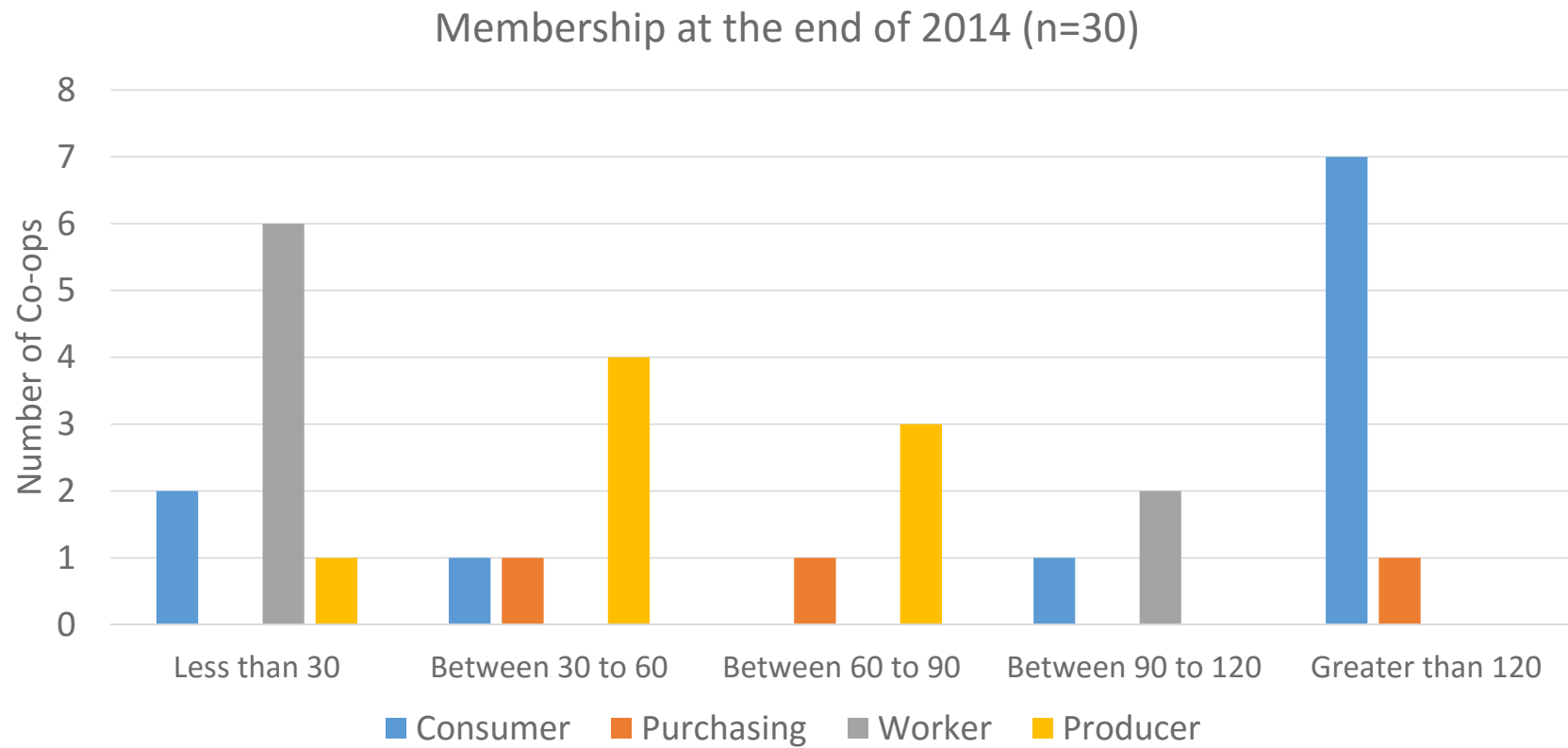
RESULTS (contd.)



RESULTS (contd.)



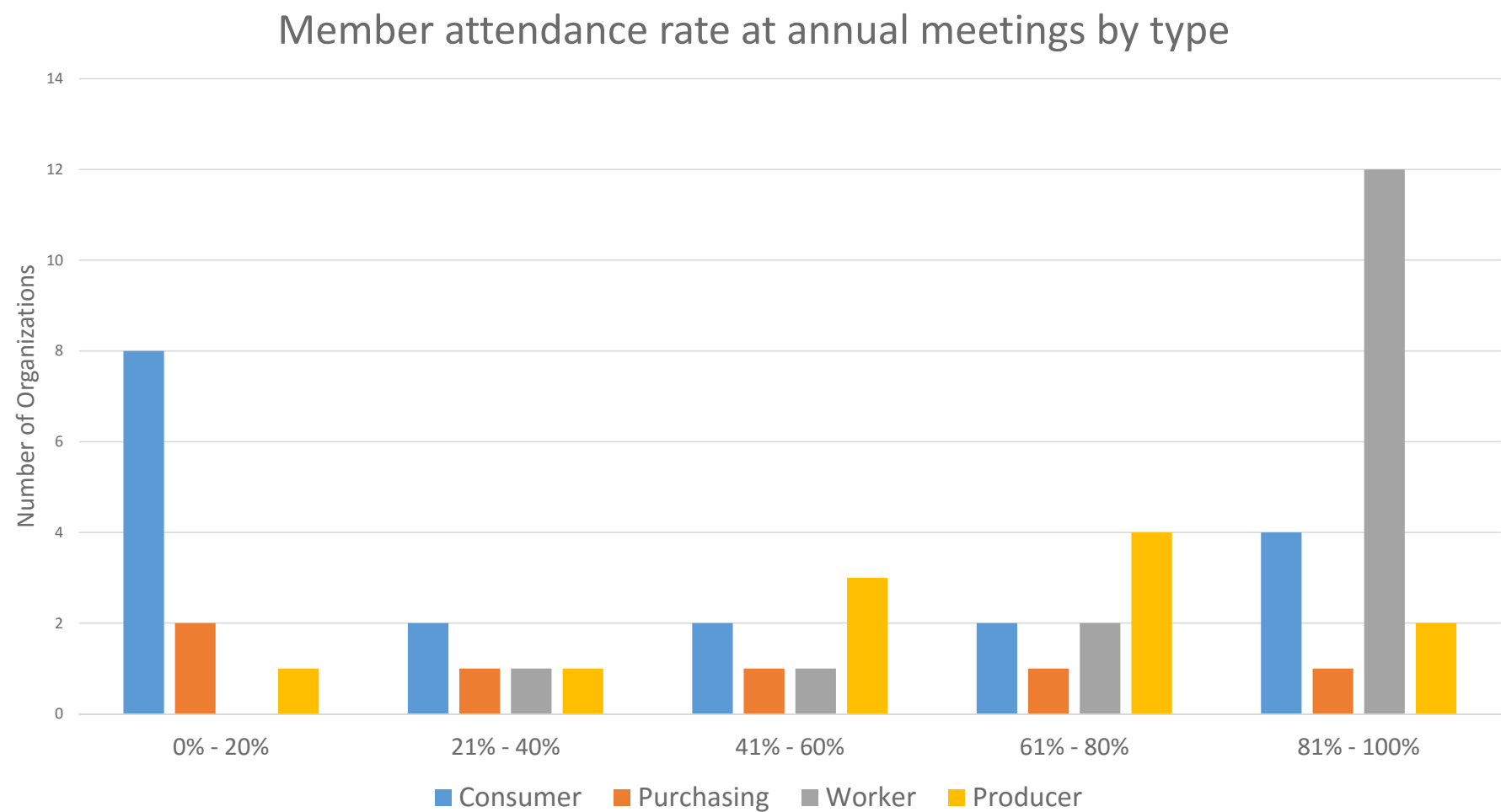
RESULTS (contd.)



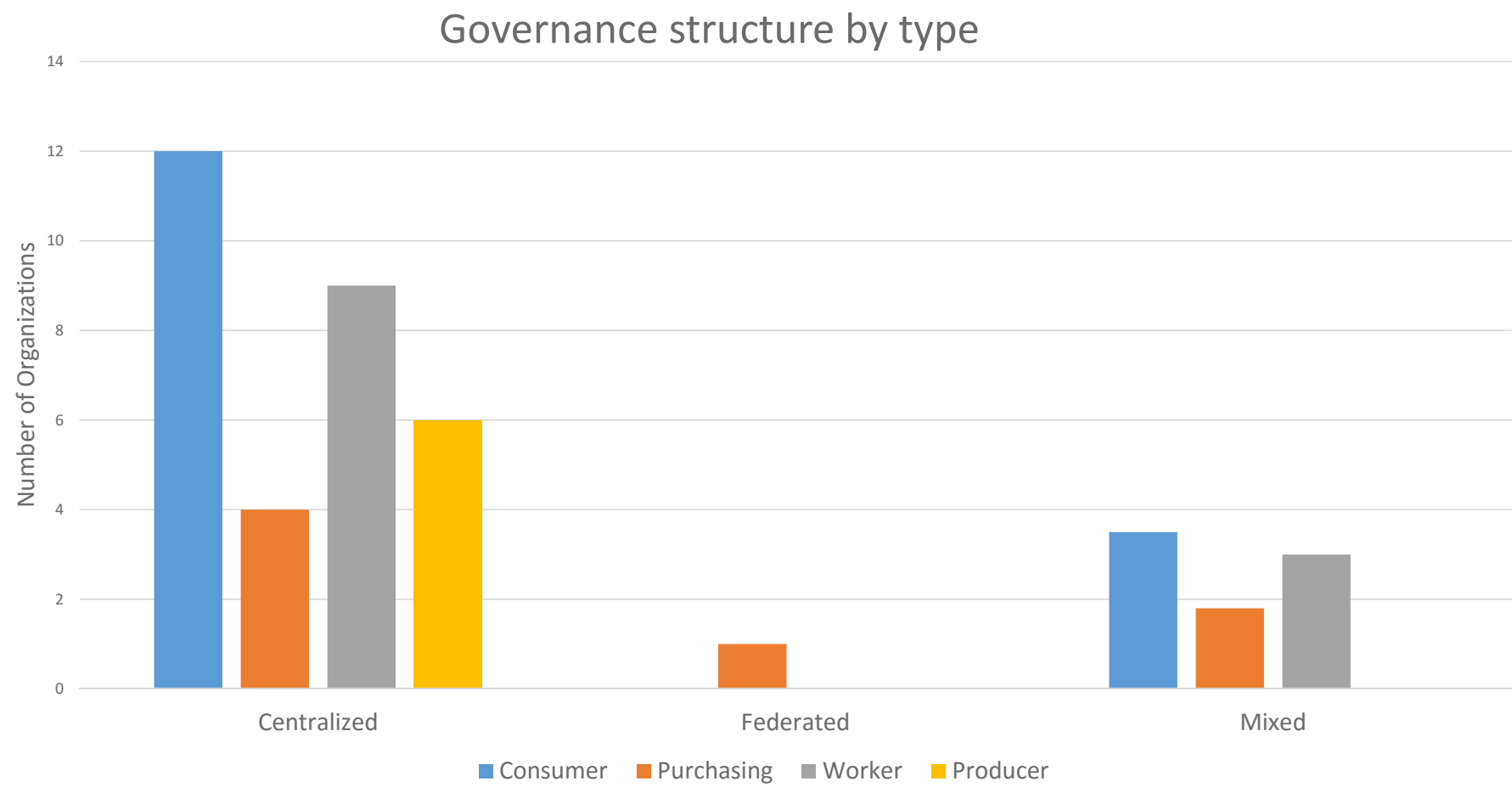
- **Internal Process Approach:** Following criteria were used:

- Members' attendance rates
- Governance structure
- Term limits for members of the BOD
- Member satisfaction with the organization
- BODs trust in the members
- BOD self-satisfaction
- Key challenges

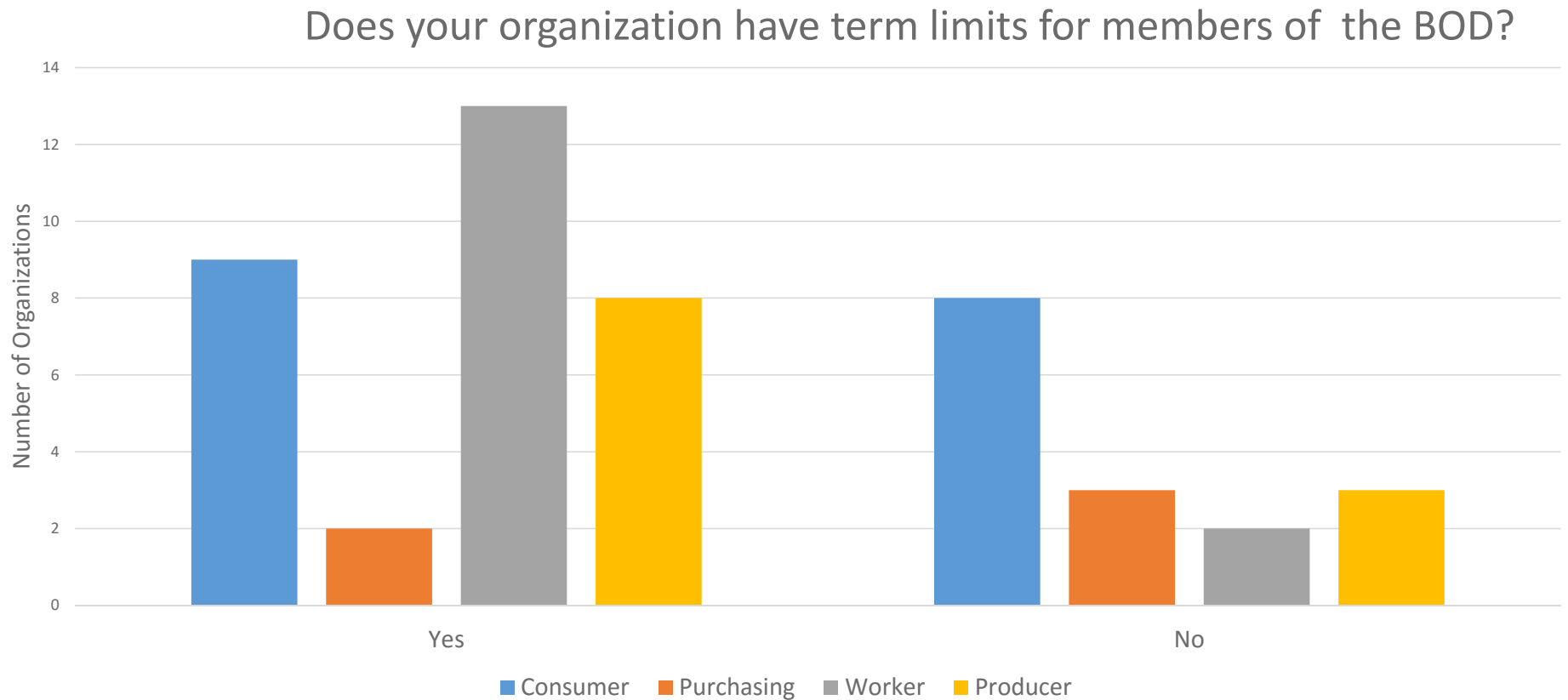
RESULTS (contd.)



RESULTS (contd.)

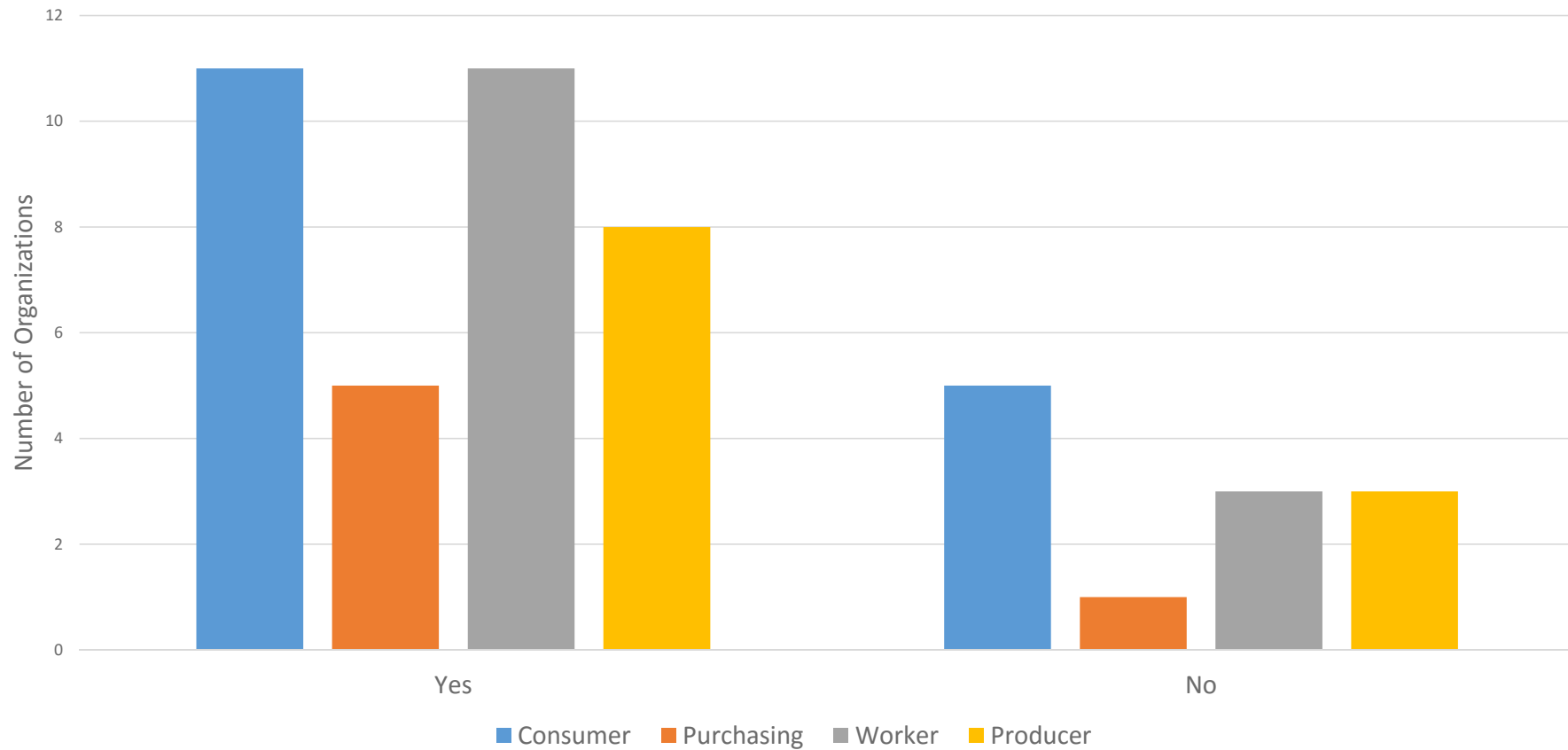


RESULTS (contd.)



RESULTS (contd.)

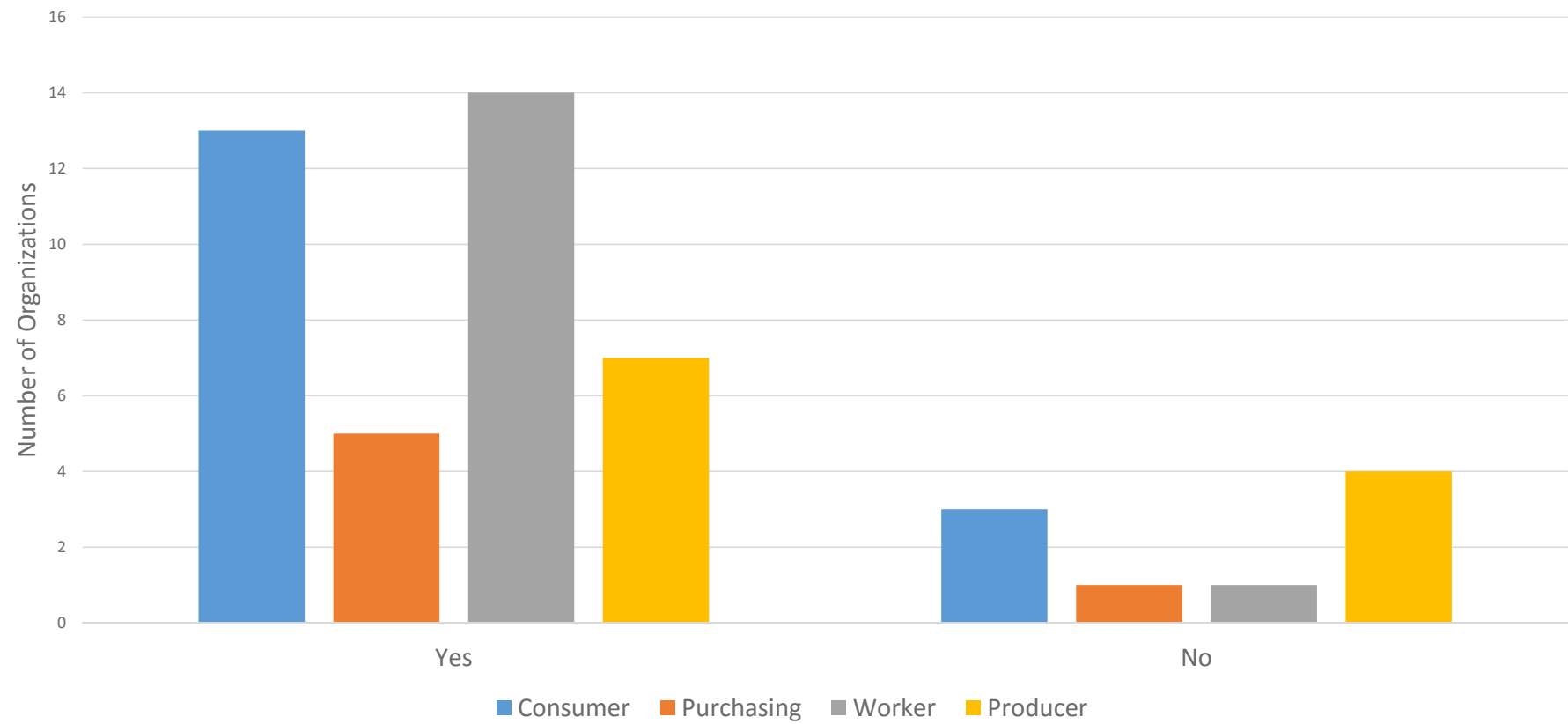
Are your members satisfied?



*Satisfaction was measured in terms of prices, services, and accessibility to the BOD and Managers by members

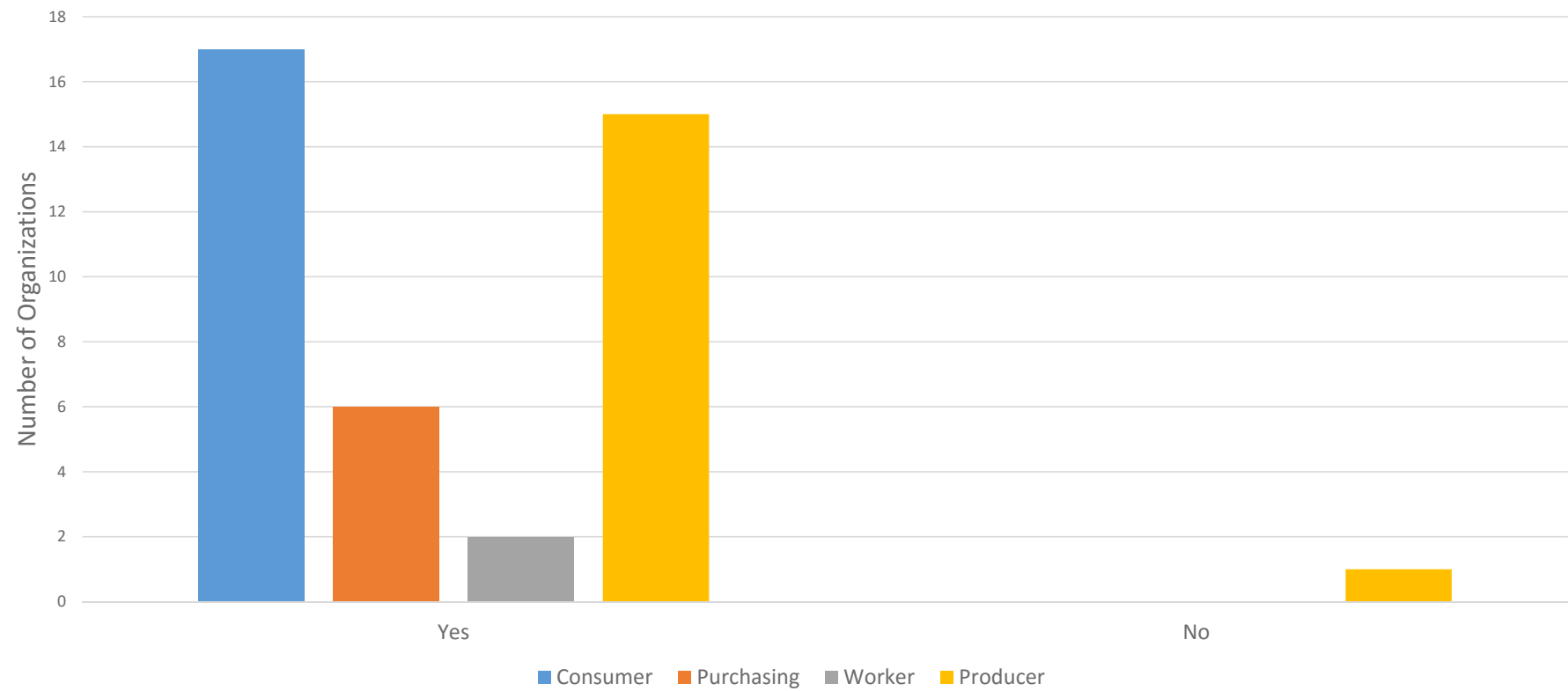
RESULTS (contd.)

Are your members loyal to the organization?



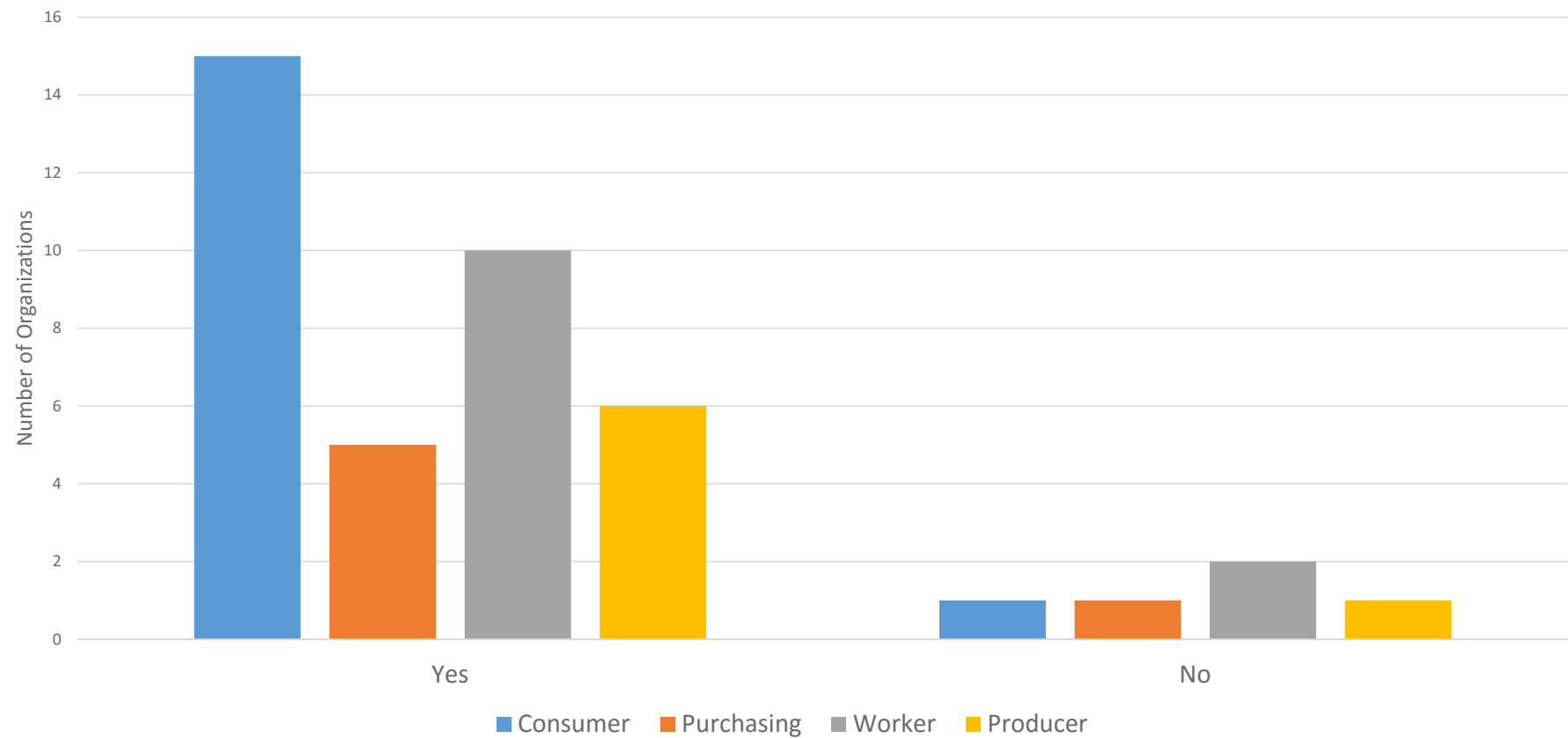
RESULTS (contd.)

Are members' voices are heard in the operation of the organization?



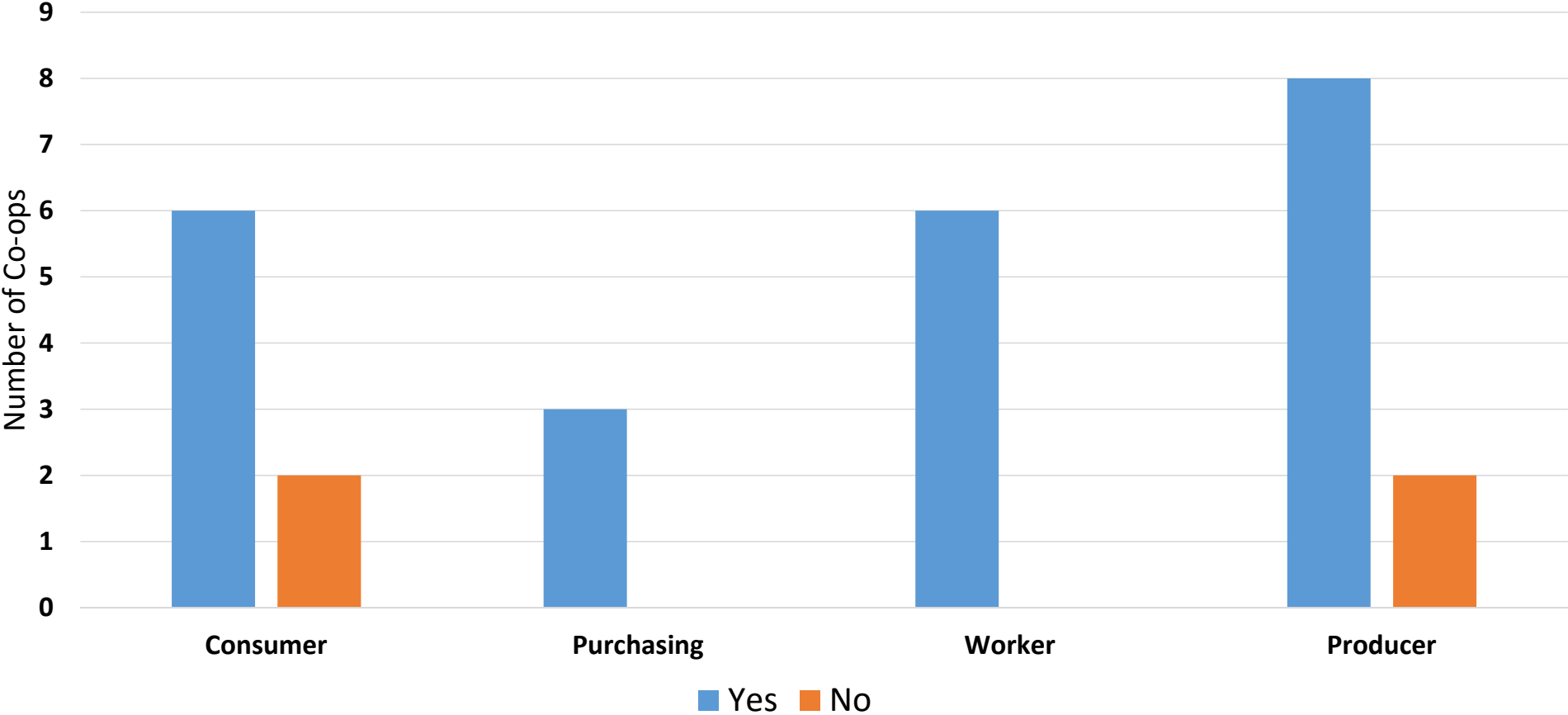
RESULTS (contd.)

Are members happy with the current BOD?

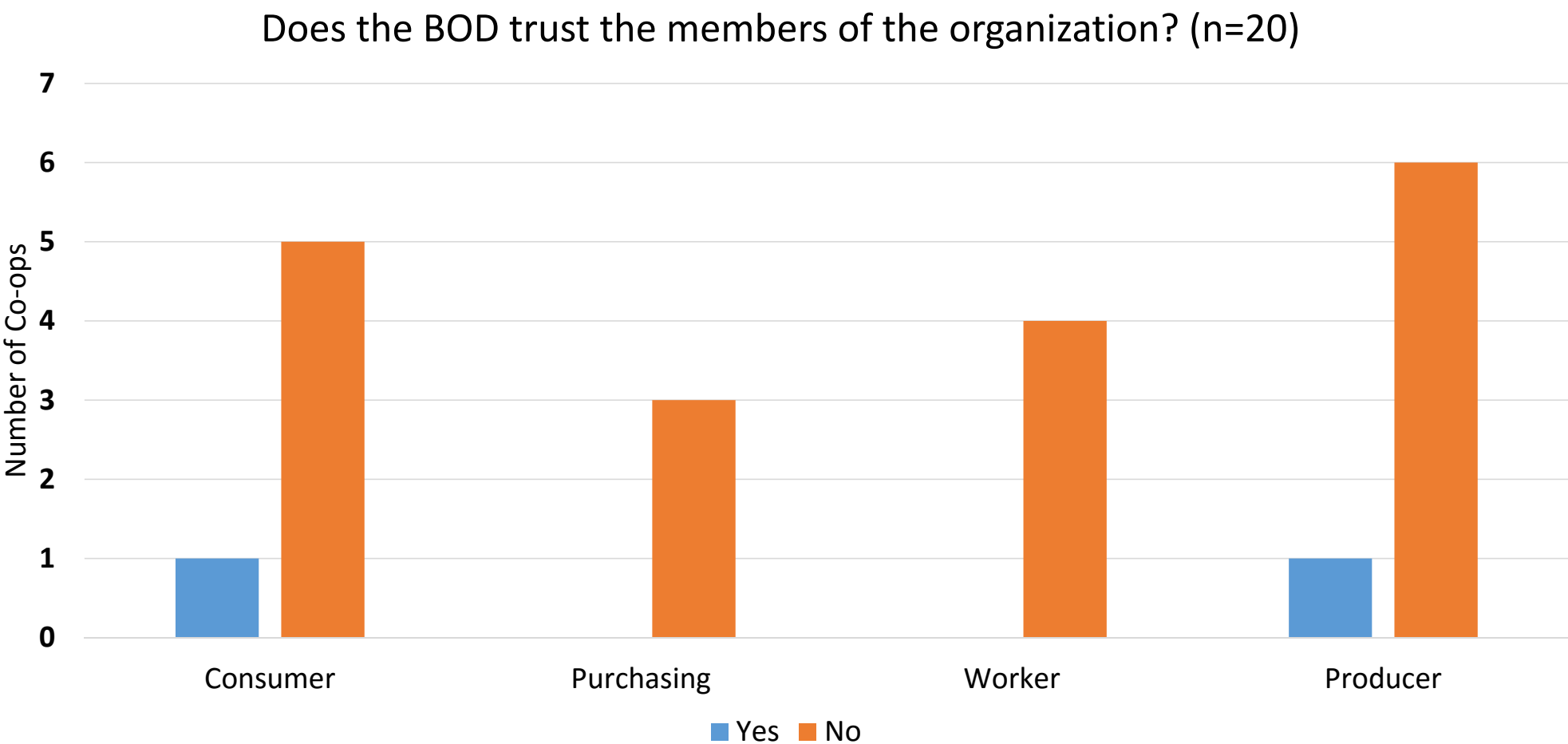


RESULTS (contd.)

Do members trust their BOD? (n=27)



RESULTS (contd.)



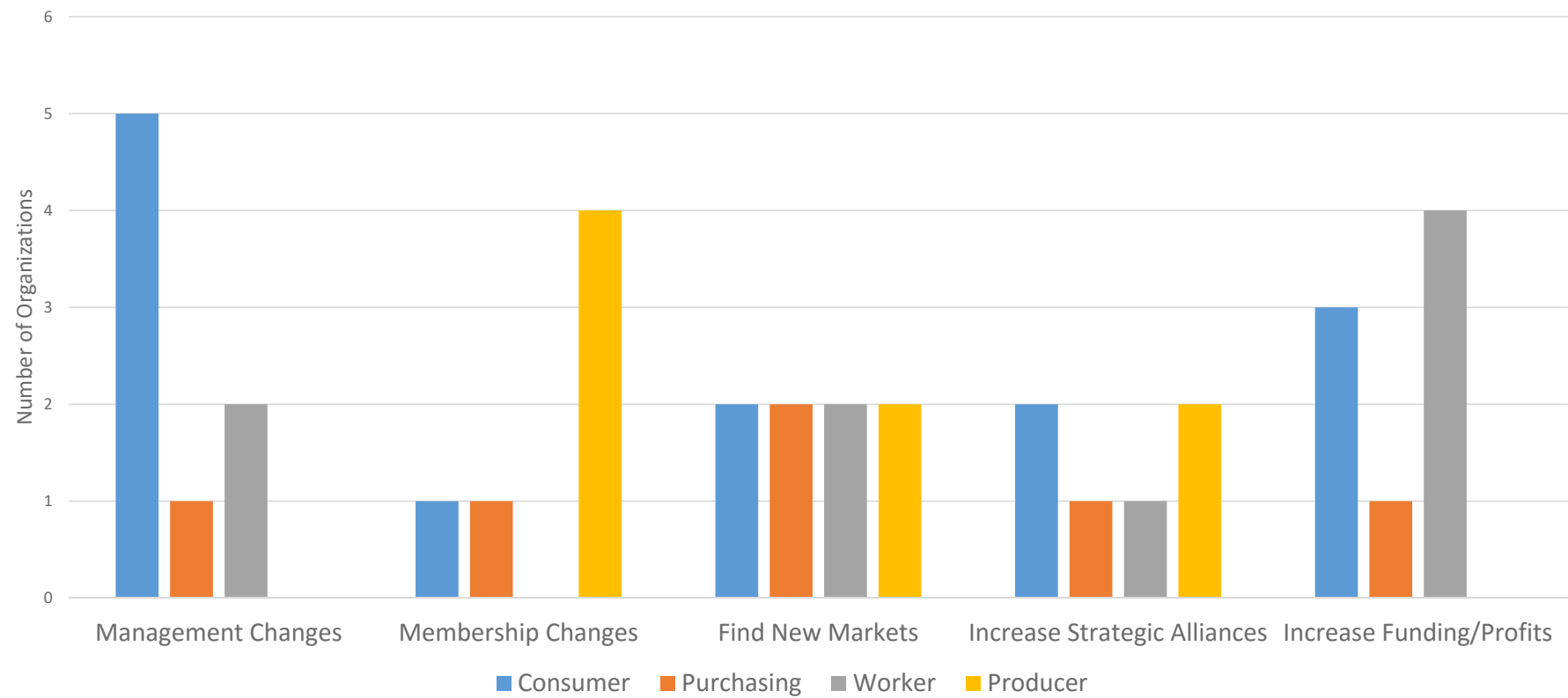
RESULTS (contd.)

What are the key challenges faced by your organizations in the last 5 yrs?



RESULTS (contd.)

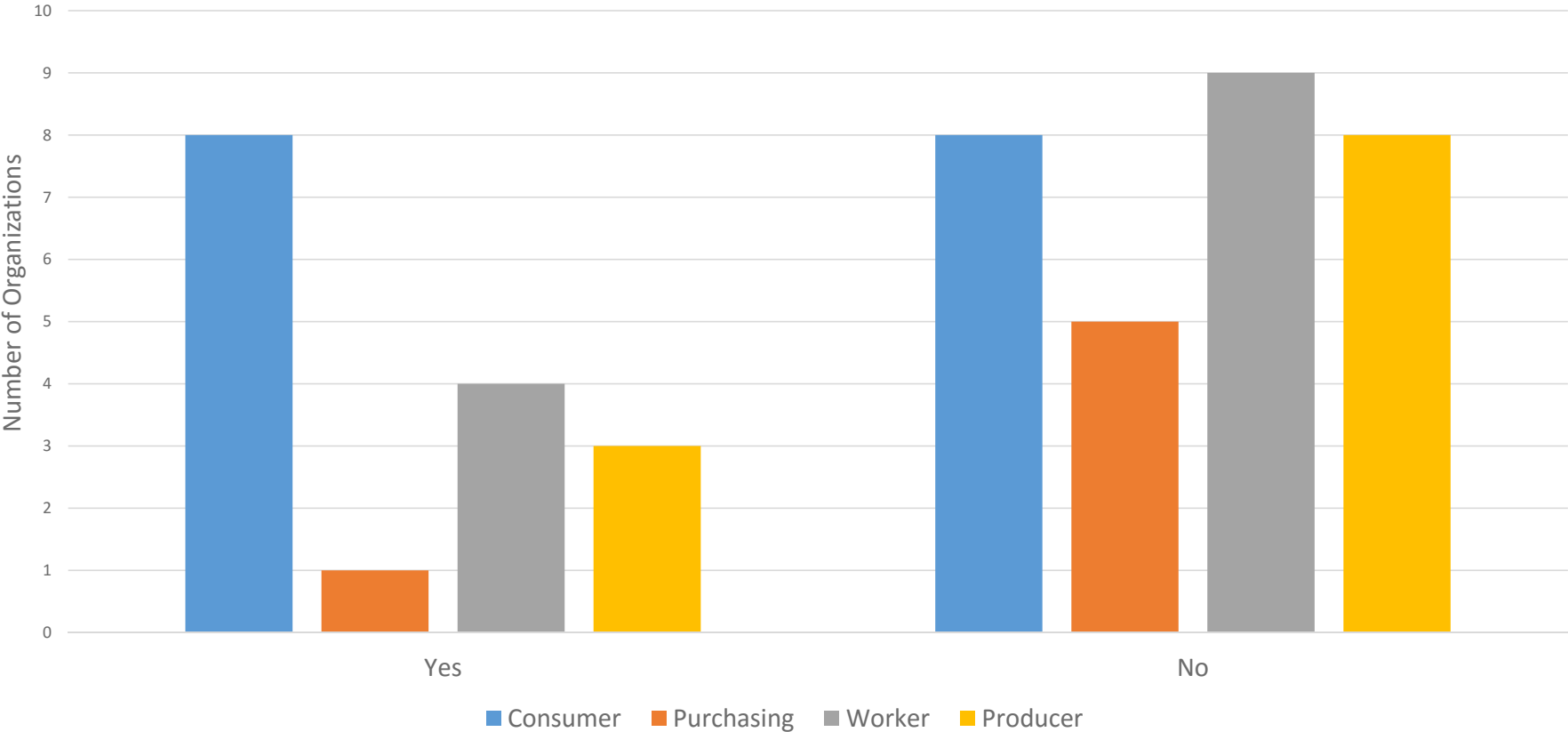
How does the organizations plan to face challenges in the next 5 years?



- **Strategic Constituents Approach:** the following criteria were used:
 - succession plan
 - strategic alliance

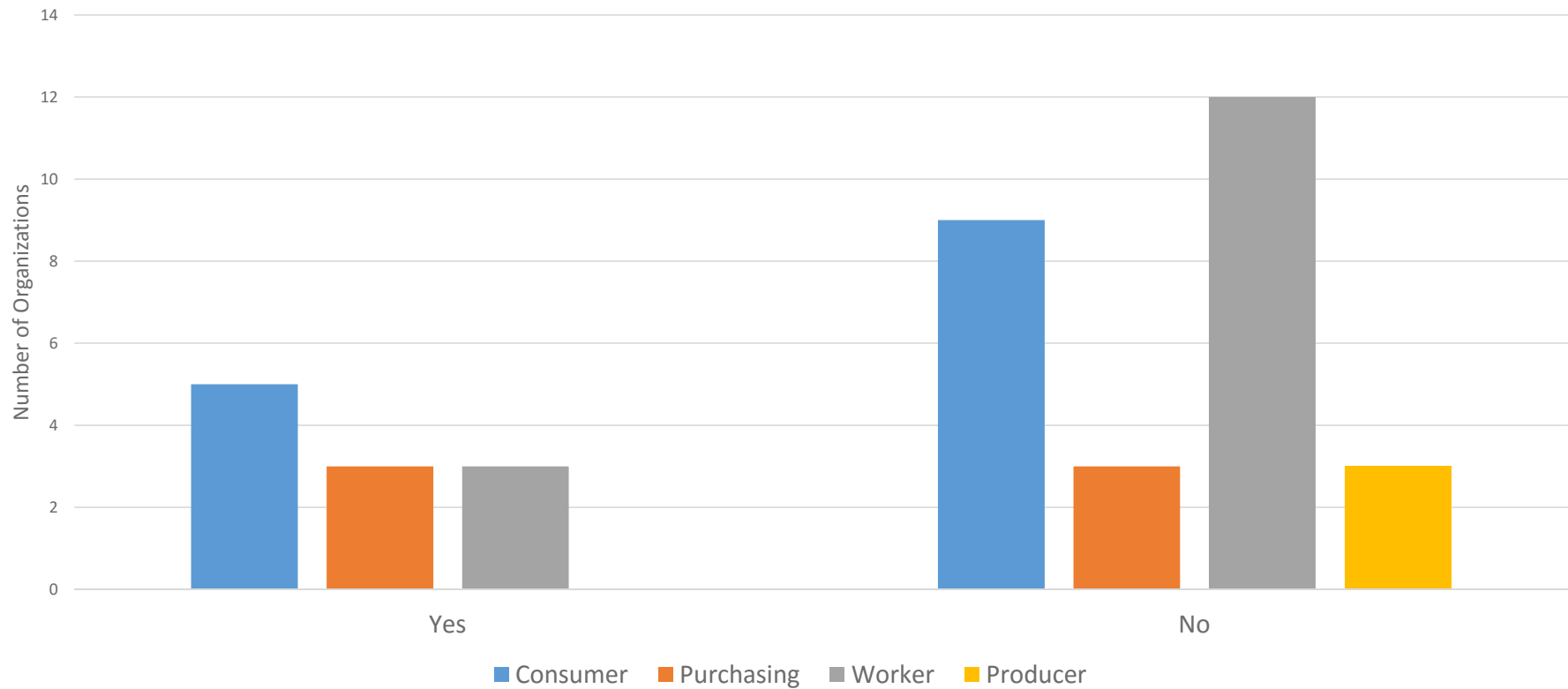
RESULTS (contd.)

Does your organization have a formal, documented succession plan?



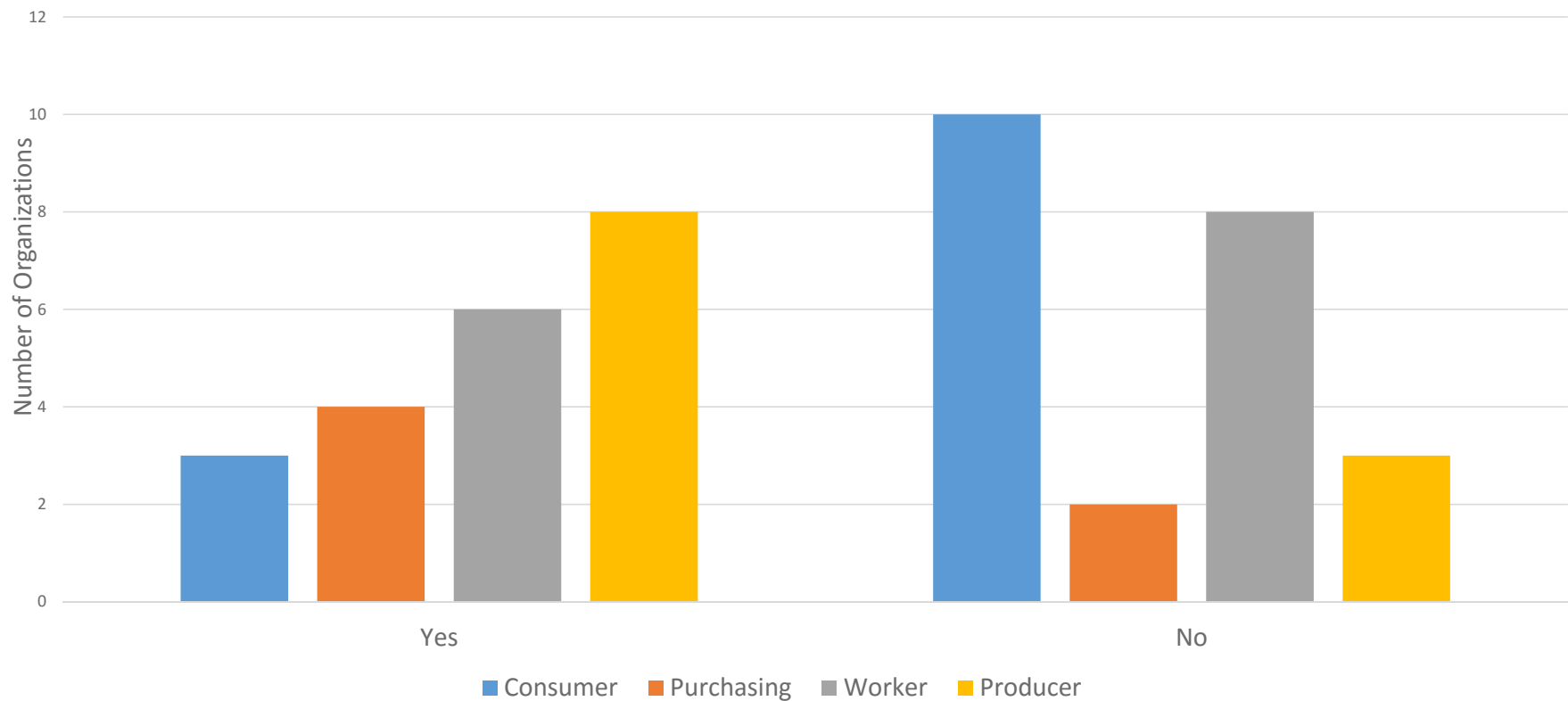
RESULTS (contd.)

Does your organization have strategic alliances with other member-owned organizations (same or different business area)?



RESULTS (contd.)

Does your organization have strategic alliances with non-cooperative businesses (same or different business area)?



CONCLUSIONS (contd.)

- Respondent summary:
 - There were 51 usable responses of which 18 were consumer-owned, 6 were buyer-owned, 16 were worker-owned, and 11 were producer-owned enterprises.
 - Among these 51 respondents, producer-owned enterprises were the largest in terms of annual revenue and consumer-owned enterprises were the largest in terms of membership.
 - A majority of the sampled organizations had centralized governance structure.
- Organizational effectiveness of the sampled member-owned enterprises were mixed.

CONCLUSIONS

- Overall they were effective in:
 - Keeping their members satisfied
 - Keeping their BOD satisfied
 - Having term limits for their BODs
 - Having strategic alliance with IOFs
 - Identifying key challenges and having a plan to tackle those challenges
- Overall, they were not effective in
 - Raising funds for business expansion
 - Achieving high member turnout at annual meetings
 - BODs trusting the owner-members
 - Having a clear succession plan
 - Having strategic alliance with other member-owned businesses

CONCLUSIONS

- Lesson from the exercise?

- Proving again that measuring OE is hard, if not impossible!
- Member-owned organizations develop strategies and embrace management practices which ensures organizational effectiveness, regardless of how it is defined and measured.
- During the strategic planning process, the management of these organizations could focus on the areas where they are less effective to improve management and organizational efficiency.
- Similarly, focus could be also on building upon the areas where these organizations are identified as effective to improve effectiveness even further.
- Will such actions have impact on profitability, i.e., one of the goals of the member-owned enterprise? Only further research will tell!



Q&A

Constructive comments welcome!

Thank You!