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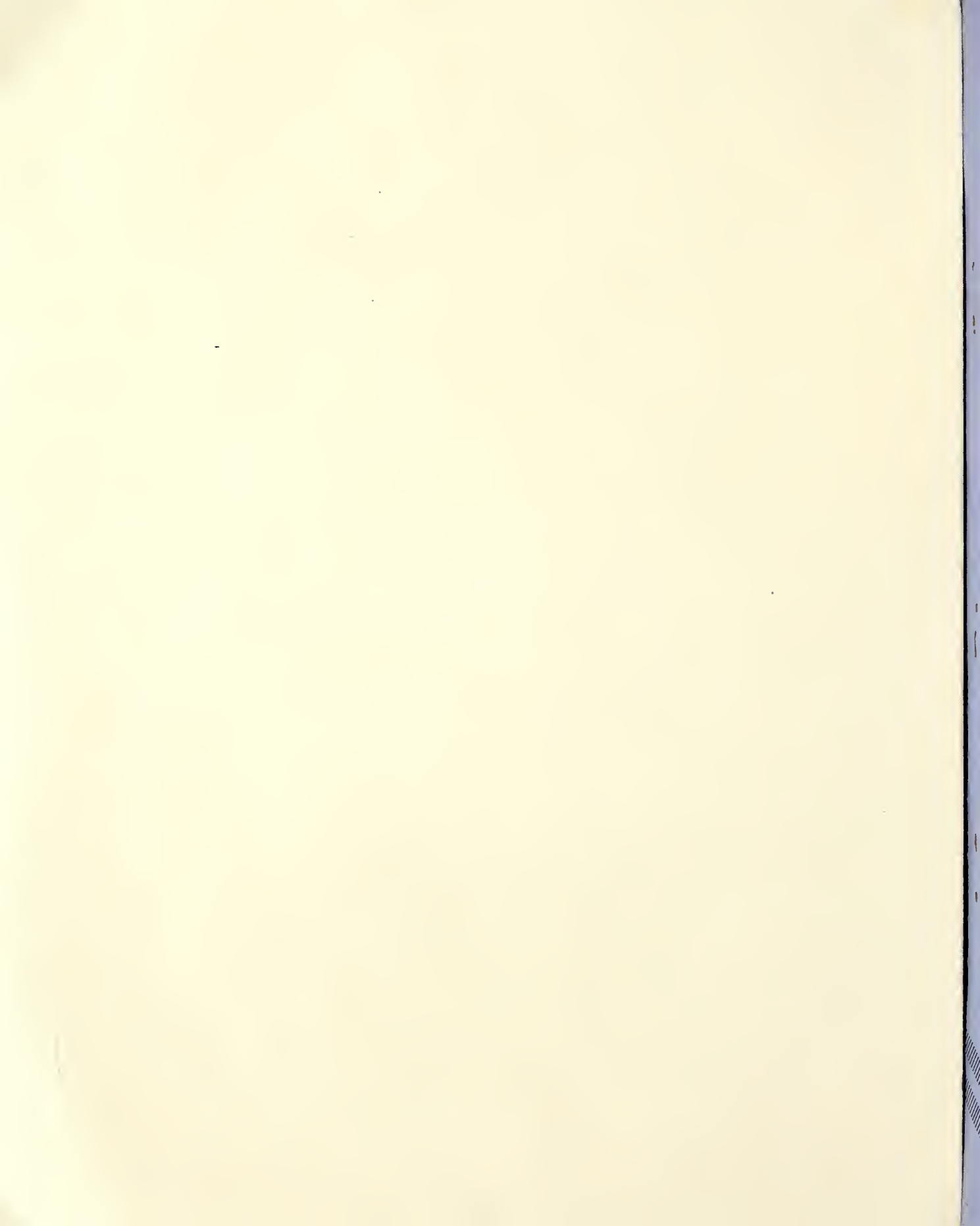
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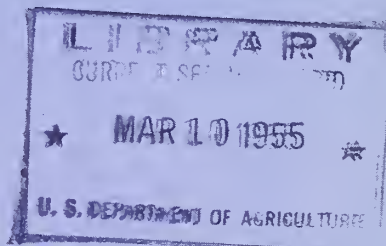
Business Research of Regional Farm Supply Co-ops

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FARMER COOPERATIVE SERVICE
U. S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D. C.

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The Farmer Cooperative Service conducts research studies and service activities of assistance to farmers in connection with cooperatives engaged in marketing farm products, purchasing farm supplies, and supplying business services. The work of the Service relates to problems of management, organization, policies, financing, merchandising, quality costs, efficiency, and membership.

The Service publishes the results of such studies; confers and advises with officials of farmers' cooperatives; and works with educational agencies, cooperatives, and others in the dissemination of information relating to cooperative principles and practices.

Joseph G. Knapp
Administrator
Farmer Cooperative Service

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SUMMARY

Regional farm supply cooperatives are using business research increasingly to deal with problems of internal operation. Although policy makers in cooperatives have used research off and on for over a quarter of a century, only within the past decade have they set up formal research departments to study their own operations.

Starting in 1945, when the Missouri Farmers Association, Columbia, established an economic research department, this development has grown until now 5 of the 25 major regional farm supply associations have such departments. Moreover, many of the associations having no formal research department often conduct studies of their operations on an informal basis.

That regional cooperatives use business research is indicated by the following additional developments: (1) cooperative personnel's greater use of research studies as well as available services of Federal and State agencies, (2) use of consultants on special problems, and (3) a growing inclination to accord business research the same recognition that has been given industrial studies over the years.

This report is directed primarily to problems cooperatives face in establishing business research to improve operating performance. As used by cooperatives, such research usually is economic in character and includes a wide variety of sales, commercial, statistical, and market inquiries. Business research, however, should be distinguished from industrial research which is designed to create new physical wealth and is generally conducted in chemical or engineering laboratories.

Available information indicates that

the business research departments of the regional farm supply associations conducted 67 studies in 1953. These studies, while varying in comprehensiveness, largely emphasized three fields of inquiry. They were: (1) ways of improving distribution methods and practices for farm supplies, (2) operations of member associations and branch units, and (3) methods for improving member and public relations.

Other areas of study in recent years included: (1) business performance of regionals, (2) general economic appraisal of associations' operations, (3) transportation problems, (4) credit control, and (5) studies on personnel management.

Twenty-five major regional purchasing associations spent about \$300,000 for business research in 1953. This was equivalent to only .03 percent of their wholesale farm supply volume that year.

Questions confronting regional farm supply cooperatives in establishing effective business research departments include:

1. How can we use business research?
2. When should we undertake such research?
3. How should we set up a business research department?
4. How should we select our personnel?
5. What relationships should be maintained with other research agencies?
6. How should we initiate and control research?
7. How should we present our findings?
8. How can we maintain objectivity?
9. What are the responsibilities of research directors and managers?
10. How can research techniques be applied to membership and educational programs?

BUSINESS RESEARCH OF REGIONAL FARM SUPPLY CO-OPS

By

Martin A. Abrahamsen
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Growing complexity and change have characterized operations of regional farm supply cooperatives during the past decade. As farmer members of these associations turned to mechanized and specialized production, their supply needs have stepped up. The average farmer in the United States now spends approximately \$3,000 annually for such production supplies as feed, seed, fertilizer, petroleum products, farm machinery, building material, and hardware.

Moreover, important changes have occurred in the specifications and qualities of the supplies farmers require. These changes coupled with farmers' increased demands for more service further intensify the problems of association managers in meeting the production supply needs of members.

Managers of regional farm supply cooperatives, therefore, are increasingly interested in research to help gear operations to members' needs. Managers also regard such research as a stepping stone toward better managerial decisions.

These decisions concern a wide variety of practical operating problems and internal functions of the associations. Foremost among these are: (1) problems of farm supply distribution, (2) general business performance of regional associations and member affiliates, (3) changes in the supply buying habits of farmers as influenced by economic conditions, (4) transportation problems, (5) credit control, and (6) member and public relations.

To get the best information possible for policy decisions, a growing number of regional cooperatives set up business research departments. In 1945, when a previous study of research problems and practices of farm supply purchasing cooperatives was completed, only one farm supply organization had a formally

established business research department. This was the economic research department set up in 1945 by the Missouri Farmers Association, Columbia.

Four farm supply regionals have established formal business research departments since that time. These include: The Indiana Farm Bureau Cooperative Association, Indianapolis, Ind.; Illinois Farm Supply Company, Chicago, Ill.; The Farm Bureau Cooperative Association, Columbus, Ohio; and the Consumers Cooperative Association, Kansas City, Mo. During the past decade, too, a number of associations have made studies of their operations even though they set up no formal research department to carry on such work.

Business research, however, has been used for twenty-five years or more to help guide the operations of regional farm supply cooperatives. In the 1920's, growing numbers of progressive business leaders in both cooperative and other business concerns began to appreciate its usefulness.

Evidence of this is found in two papers appearing in 1925, in American Cooperation, the initial issue of the proceedings of the American Institute of Cooperation. The first paper, "Commercial Research as an Aid to Management," was written by L. D. H. Weld, manager of the commercial research department of Swift and Company. The other was "Business Analysis for Cooperatives," by A. V. Swarthout, Marketing Economist, U. S. Division of Agricultural Cooperation. Two years later the same publication carried a research article on marketing associations which also applied to the operation of farm supply cooperatives. It was entitled "Getting the Facts for Management," by C. N. Sniffen, research head of Dairymen's League Cooperative Association, New York City.

Note - Acknowledgment is expressed to managers, administrative officials, and research directors of associations studied for furnishing information on the research activities of the organizations they represent. Suggestions of faculty members of several agricultural colleges, officials of district banks for cooperatives, and associates in Farmer Cooperative Service also are appreciated.

Between 1946 and 1953, more was written about the general field of business research for all types of cooperatives. Twenty-two individuals prepared 27 articles, covering an estimated 149 pages in seven of the eight annual issues of American Cooperation during this period.

In a series of ten articles on "Research Problems and Practices," appearing in the 1946 issue of American Cooperation, four papers had some application to farm supply associations. These were followed by three other papers with specific reference to these cooperatives.¹

OBJECTIVES AND METHODS OF STUDY

The Farmer Cooperative Service made this study in response to the growing interest of regional farm supply cooperatives in improving service to farmer members. Management's increased acceptance of research has emphasized the need for finding out how these associations organize and conduct their research programs.

This study is designed to:

1. Ascertain important developments in the business research programs of regional farm supply cooperatives.
2. Outline the business research needs of regional farm supply organizations.
3. Appraise their existing research practices.
4. Consider essentials in establishing effective research programs and give suggestions for improving the research function.

This is a study of the business research practices of 12 regional farm supply cooperatives located in the East and Midwest. It notes in particular the types and extent of their research undertakings. Consultations were held with research personnel, administrative officials, and managers of associations to

determine how these organizations carry on and use research. The Service obtained more limited information from other major regional farm supply associations.

Research and extension workers in agricultural economics at most of the agricultural colleges, other selected research agencies, as well as officials of banks for cooperatives in the territory served by the associations studied also furnished useful information. In addition, research personnel of a limited number of general business corporations and private research and consultant firms gave information through interviews.

Where they pertain to business research, this study incorporates new findings with those in Farm Credit Administration's Miscellaneous Report 96, "Research Practices and Problems of Farmers' Regional (Purchasing) Associations." Since this publication is out of print, only those parts applying to present conditions have been revised and brought up-to-date. Much of the material presented, therefore, is new.

THE MEANING OF RESEARCH

The term "research," as used in this publication, differs from some of the ideas commonly associated with the term. It will be helpful to consider these as well as broad classifications of research and examine specifically the meaning of "business research."

General Views

It is difficult to give a concise definition of research that will apply in all circumstances. Webster's New International Dictionary defines research as a "careful or critical inquiry or examination in seeking facts or principles; diligent investigation in order to ascertain something." The Encyclopedia of Social Sciences says research is "the manipu-

lation of things, concepts, or symbols for the purpose of generalizing to, extend, correct, or verify knowledge." Both definitions stress such terms as careful or critical inquiry; facts or principles; and extended, corrected, or verified knowledge.

Such terms differentiate research from casual observation and the mere

¹Haag, Herman M. Economic Research as a Cooperative Work Tool. American Cooperation, pp. 451-458, 1947.

Abrahamsen, Martin A. How Much Research Do Purchasing Co-ops Need and What Research Assistance Can They Obtain From Colleges and Federal Agencies? American Cooperation, pp. 444-459, 1950.

Abrahamsen, Martin A. Establishment of Business Research Practices with Special Reference to Farmers' Regional Purchasing Associations, Jour. of Marketing, v. 12, No. 3, pp. 348-361. Jan. 1948.

assembling of information. Observation and the collection of information may or may not be in accordance with scientific methodology, and may or may not have as its primary purpose the conducting of research.

The emphasis on "principles" suggests that facts and data need analysis through classifying findings, noting interrelationships, drawing conclusions,



Backbone of research are figures tabulated (above) and facts documented, then sorted (below, by machine).

and recording observations. The ability to perform these functions adequately characterizes the modern research worker.

Through the critical inquiry of business research, farm supply associations can extend, correct or verify their business knowledge and methods. As new findings are made available, regionals can use them to evaluate their opera-

tions. The correction of knowledge through research enables these cooperatives to replace the hunches, personal opinions and biases that too commonly establish policy. Verification of facts should assist associations in embarking upon new policies, in continuing old ones with confidence, and in avoiding unnecessary time and effort spent in trial-and-error experiments along uncharted business courses.

Classes of Research

The preceding discussion of research applies to all kinds of inquiries -- those conducted by chemists, doctors, or economists. A classification of research for managers and directors of regional farm supply associations, however, will be helpful. In actual practice, two classifications are becoming common. These are: (1) business and (2) industrial or product.²

Business - The term "business research" commonly is associated with studies in many branches of economics, political science, psychology, sociology, history, and more recently, law, education, and ethics. Economic studies - the most important of many kinds of business investigations - often are described under the following terms: sales, commercial, statistical, and market research. Most business establishments, including those cooperatives that have set up their own business research departments, usually look upon such effort as "market" -- or less commonly -- "economic" research.

Among both cooperative and other business establishments, business research is a more recent development than industrial research. Its importance, however, has been recognized by business leaders for a long time and as early as 1939 a leading business executive reported:

"...Applied science and technology have added immensely to our wealth and I, who have devoted my business life to the tools of research, would be among the last to minimize that contribution; but I can think of no aggregate of contribution that research in the physical sciences might have made during the last decade to equal that which an understanding and

²Based on the classification of the National Resources Planning Board. See Natl. Resources Planning Board. Research - A National Resource: Part I. Relation of the Federal Government to Research. Part II. Industrial Research. Part III. Business Research.

control of economic phenomena would have made."³

In general, many findings of business research are less definite than findings of industrial research. This is explained in part by the fact that business research deals in the field of human relations - the more-or-less intangible and uncertain, though nonetheless important and interesting, relations of man to man. Industrial research, in contrast, deals with the relationships of man to physical factors and is subject to greater control and stability.

Industrial - Since this publication is devoted primarily to business research, only brief mention will be made of industrial research. Such research is associated with increased well-being, resulting from the creation of new physical wealth. Much is chemical research, although increasingly important are photometric, biological, and physical research pertaining to particular products. The terms "technical" and "scientific" sometimes are employed to describe this class of research. However, since these terms also may describe aspects of business research, they do not seem entirely sat-

isfactory and, therefore, are not used as a basis for distinction in this study. Neither should this research be confused with product testing and quality control, activities quite generally associated with the operation of such facilities as feed mills, fertilizer plants, and petroleum refineries.

Coordinated Approach - It obviously is difficult to establish concise distinctions of each class of research. This is because many associations think in terms of the problem approach to their business operations, which often cuts across research classifications. Whenever research is applied to operations, the result may be either an industrial or business study. Many aspects of research, then, require the use of both classes of research, often in interrelated and complex ways. The bulk delivery of feed and fertilizer serve as an illustration. Engineering (industrial or product) research is necessary to develop machines to do the mechanical job, but also economic studies (business) must be made to evaluate deliveries in terms of costs, returns, and services.

BUSINESS RESEARCH ACTIVITIES

The following section discusses business research activities of farm supply cooperatives under two headings, (1) extent of business research and (2) types of research.

Extent of Business Research

Growth of business research within regional production supply associations is shown by the following developments:

1. The Missouri Farmers Association, Columbia, established in 1945 the first economic research department organized among farm supply cooperatives. This research department serves all M.F.A. affiliates -- including both farm supply and marketing. Two farmers' regional purchasing associations are among its farm supply affiliates. These are: M.F.A. Milling Company and the M.F.A. Cooperative Grain and Feed Company. The M.F.A. also operates a separate Farm Supply Division which uses

the research department in its efforts to attain more efficient operation.

2. Four other regional cooperatives, handling large volumes of farm supplies, subsequently established market or economic research departments.⁴ Listed according to type of research as designated by the cooperatives and date established, these associations are as follows:

- A. Indiana Farm Bureau Cooperative Association, Indianapolis - (Market - 1946);
- B. Illinois Farm Supply Company, Chicago - (Business^a - 1948);
- C. (Ohio) Farm Bureau Cooperative Association, Columbus - (Economic and social - 1951);
- D. Consumers Cooperative Association, Kansas City, Mo.^b - (Economic - 1953).

^aUntil reorganized in 1954, this department was known as a market research department.

^bPrior to 1953 some economic research had been undertaken as a part of the research program of the industrial research department of Consumers Cooperative Association, Kansas City, Mo.

³Leads, M. E. Political Economy and the Industrialist. Amer. Acad. Polit. and Social Sci. Ann. 294:72-79. 1939.

⁴Marketing in the business world refers to distribution or selling of merchandise as well as the selling of farm products.

In addition to these developments, Midland Cooperatives, Inc., Minneapolis, provides in its organizational structure for a research department as one of eight major departments reporting directly to management. As yet this department has not been set up.

Other farm supply regionals also have assigned personnel to research work from time to time, even though no formal research departments have been established. For example, Cooperative G.L.F. Exchange, Inc., Ithaca, N. Y., has conducted business research for a number of years, largely by operating departments. It also has called upon industrial consultants at times for assistance on special problems.

3. A few regional cooperatives have supported research grants at State agricultural colleges for economic studies of interest to these associations. For instance, the Consumers Cooperative Association made grants in aid to South Dakota State College of Agriculture to study problems of cooperative financing. Likewise, Midland Cooperatives, Inc. on occasion has supported assistantships in agricultural cooperation at the University of Minnesota.

4. Personnel of regional farm supply associations are becoming better informed on business research assistance available from various Federal and State agencies and private consulting services. They recognize, too, the value of research techniques for developing organizational and operating plans. The practical necessity of obtaining the best possible answers to pertinent problems has done much to develop better research as a means of assuring successful operation of these organizations.

Outside the sphere of cooperative business, Dr. Lyndon O. Brown, writes about the commercial value of business research. He lists the following ways in which marketing research activities contribute to business success.⁵

1. They delineate the significant marketing problems of the business ...

2. They keep a business in touch with its markets ...

3. They reduce wastes in marketing methods ...

4. They develop new sources of profit through the discovery of new markets, new products, and new uses for established products ...

5. They are insurance against unanticipated changes in the market ...

6. They can be used for sales promotion purposes ...

7. They can reduce costs of production and other administrative expense ...

8. They infuse enthusiasm into the business organization ...

Furthermore, it is difficult to determine the extent of business research because no adequate information is available on yearly expenditures of farmers major regional farm supply associations for this function. This is understandable since much business research has been conducted within departments and consequently research costs have not been reported separately. Estimated expenditures for the 1953 fiscal year for business research by these associations, however, was reported at approximately \$300,000. Of total expenditures for business research, about one-half was spent by five cooperatives having their own research departments; the other half by 20 associations having no formalized research departments. Two of the regionals, with the largest research departments, report their individual research budgets for 1954 at approximately \$40,000 and \$35,000.

Types of Business Research

Business research staffs of regional farm supply cooperatives are considering a wide range of problems. For example, the research program of the Missouri Farmers Association is reported to include:

"(1) Determining the desirability of establishing new products and enterprises; (2) appraising the advantages and disadvantages of various locations for new plants or agencies; (3) making and interpreting business analyses of existing affiliates; (4) analyzing the effectiveness and suitability of various policies and practices of existing business organizations; (5) analyzing economically new or different products, methods and policies; and (6) assembling and appraising economic information needed for policy determination."

Most of these problems are primarily economic in nature, being associated with operations. Among the problems studied, most regionals concentrate on what may be classified broadly as farm supply distribution. Other important fields of inquiry include business performance, general economic conditions,

⁵Brown, Lyndon O. Marketing and Distribution Research, The Ronold Press, New York, pp. 8 and 9, 1949.

transportation, relations with member associations, and operating performance with emphasis on credit control. Among the non-economic studies regionals make are surveys on legal, social, personnel, member, employee, and public relations problems.

The business research programs developed by regional farm supply purchasing cooperatives concern the internal operations of each association. They are specifically geared to the use of management; their goal is to improve operating efficiency. Findings are related to the problems of each regional and, as such, are not generally available to all types of business as are the business research studies of Federal and State agencies. Also, regional cooperatives conduct studies of operations and membership relations of their affiliated local cooperatives or branch units.

Research staffs of five farm supply regionals completed 57 studies in 1952 and 67 in 1953. In addition, those associations lacking formal research departments made a number of informal studies or "spot checks" from time to time on problems of special concern. Frequently these included the advisability of acquiring or building a facility or undertaking a new service.

Research departments of these associations reported the following numbers of business research studies for 1952 and 1953, classified as to type:

Type of business research	Number of studies completed	
	1952	1953
Farm supply distribution-----	18	34
Business performance-----	10	3
General economic conditions-----	5	7
Transportation-----	4	-
Member association or branch unit operation-----	4	10
Credit control and accounting practices-----	2	-
Member and public relations-----	5	10
Personnel-----	3	-
Other-----	6	3
Total - all classifications--	57	67

More emphasis was placed on local problems and activities in 1953. There was a marked increase in studies on farm

supply distribution, member association or branch unit operation, and member and public relations. This section briefly considers each of these major research classifications.

Farm Supply Distribution - Research under this heading includes various types of inquiries on distribution of production supplies from regional associations to local or branch units and then to farmers. They include surveys of farmer's purchases, preferences, and intentions to buy. These studies, often termed "market" research, may involve:

(1) the share of total farm supplies handled by a cooperative;

(2) views of farmer patrons concerning: various supply items that an association should handle; anticipated purchases of selected farm supply items during subsequent years; ideas on sizes, brands, and types of various farm supplies; and the general economic outlook.

Patrons' opinions on the economic outlook help determine likely trends in farm supply purchases during a coming season or year. By determining patronage preferences, one regional association found that its fertilizer rated lower than its competitor's in mechanical condition. This prompted management to install a drying unit and to experiment with chemical detergents in its mixture. Results were improvement in both quality and mechanical condition, followed by increased patron acceptance.

The Market Research Department of the Indiana Farm Bureau Cooperative Association consults patrons in seeking answers to such questions as:

"What's our share of the farm gasoline business? What do farmers think of our new pig feed? What advertising appeals should we use in selling milking machines? Would the owners of our tractors buy the same brand again? In what size and type of containers are farmers buying feed? What is the farmers' economic outlook? Do co-op stockholders approve the present refund policy? How do local managers appraise the regional commodity fieldmen? What hour of the day should we advertise on television and radio? How many gallons of fuel oil will we sell next year?"

In another instance, a study of types of farm buildings and their costs, prompted one regional to develop and market pole-type farm buildings at marked savings to farmers.

At least two large regional research departments use so-called "consumer panels." These consist of fixed samples

of farmers who report regularly on the purchase of various types of commodities and other information desired by the cooperative in planning its distribution program. One of these regional cooperatives pioneered in using a consumer panel, probably the first all-farmer panel in this country. Both associations report that in order to assure objectivity in findings and analyses, the panels are set up and operated by an independent, out-of-State research organization.

Notwithstanding the progress regionals have made through research in the distribution of farm supplies, there is a need for many additional types of studies on association operations. As an official



Business research polls opinions of members, here answered by mail, to guide decisions of co-op management.

of one association said, "We need to know what the farmer wants and what he thinks of the supplies distributed if we are to distribute effectively."

Officials of one regional farm cooperative stated that their major distribution problems which would lend themselves to research include the following:

1. Determining kinds and quality of farm supplies that should be handled.
2. Place of groceries, other consumer goods, and farm machinery in the distribution of farm supplies.
3. Developing efficiency standards to serve as a basis for checking effective distribution.
4. Credit policies.
5. Size of operating territory.
6. Bulk delivery and general truck delivery practices.
7. Kinds and location of manufacturing

plants, warehouses, and local distributive outlets for efficient farm supply distribution.

8. New lines of service.

9. Sideline marketing of products grown by farmer patrons.

Many regional farm supply associations also engage in marketing operations as sideline activities. Special problem areas in this field include:

1. The relationships of marketing operations to farm supply -- especially types of marketing activities that supplement or complement purchasing.

2. All phases of price problems.

3. Kinds of market outlets.

4. The place of such related service as locker plant operation in the development of an effective marketing program.

Business Performance - A number of research studies made by regional farm supply cooperatives aimed at improving their business performance. They covered a wide range including: (1) operating cost comparisons of various kinds, (2) relative position of associations in product distribution within an industry, (3) inventory turnover, and (4) accounts receivable and other operating comparisons.

General Economic - These studies are increasingly useful in appraising the position of regional cooperatives in the farm supply industry. Illustrative of such a study was a survey of broiler prices conducted by one regional association. Determining the relationship between patron production to trends in broiler prices provided a useful guide in determining the association's policy in its chick hatching and feed distribution program.

Transportation - Transportation studies by farm supply cooperatives have been directed primarily toward location of facilities. For example, one study was designed to help determine the most favorable location for a subterminal grain elevator. Another on fertilizer plant location appraised opportunities for taking advantage of freight rates for ingredient materials.

Freight rates and other service charges, however, only partially cover the opportunities in transportation research for farm supply cooperatives. For example, they need research on savings gained by reducing inventories through better scheduling of inbound and outbound shipments. Such research would determine how individual cooperatives lower costs through: (1) eliminating unnecessary warehouse space by leveling off high peaks of

incoming shipments, (2) providing for more efficient use of personnel by avoiding periods of heavy workloads with overtime pay, and (3) reducing the amount of capital tied up in inventories by coordinating incoming shipments to warehouses with the outgoing shipments to members.

Other traffic research to help reduce transportation costs might well include studies of product classification and economic limits of trade areas. Because of difficulty in determining the dollar and cents savings realized, the preceding items are rather intangible in nature.

In summation, then, suggested transportation studies of special value to regional farm supply cooperatives are:

1. Location of various types of plants - either those already constructed, those an association may contemplate purchasing or new ones they may build.

2. Economic possibilities of various types of transportation, according to the nature of the territory served and kinds of products handled.

3. Prevailing rate structure for selected farm supply items.

4. Possibilities for improving transportation and delivery service as well as operations of distributive agencies.

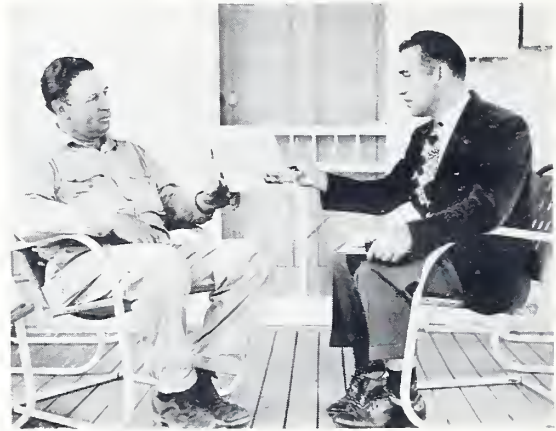
5. Special problems such as those connected with bulk procurement and delivery, the use of pipelines, and barge facilities.

Member Association or Branch Unit Operation - The opportunity for regional farm supply cooperatives to serve members effectively in the long run largely will be determined by the effectiveness of member associations and local branch units as distributive outlets. Consequently, regional research departments have made a number of studies to improve the performance of locals. These studies cover a wide range of activities which include, among others, comparative balance sheet operations, credit policies, inventory control, and personnel turnover.

Credit Control and Accounting Practices - A study of credit costs of the Farmers Union Central Exchange, Inc., St. Paul, Minn., some years ago greatly influenced its credit policies. Findings revealed that 12.5 percent of the credit extended by its local affiliates was lost. As a result, policies were adopted to tighten credit practices.

Other associations made studies of operating budgets and their benefits, accounting procedure, monthly operating statement analysis, accounting guides, and inauguration of auditing services for local units.

Member and Public Relations - Regional farm supply cooperatives are growing increasingly aware of the necessity for more research on member attitudes and public relations. They have conducted a number of studies on the use of radio and television advertising. For instance, one association examined its expenditures of approximately \$10,000 a year for advertising time on the network of a



Evaluating cooperative house organ, researcher asks farmer member to judge its interest and its use to him.

number of small radio stations in its State. After studying farmer listening habits, this research found the cooperative could reach farmers more effectively if its programs were restricted to fewer and larger stations.

In another instance, an association spent \$14,000 a year for a 5-minute daily television program. Research findings indicated an extremely small audience at the scheduled time. As a result, the cooperative shifted its broadcast to an evening hour which rated much higher in audience participation.

As a background for developing its membership relations program, Cooperative G.L.F. Exchange, with the assistance of Cornell University made an audit of farmers' attitudes. This study was directed primarily toward three considerations: (1) to discover the general cooperative philosophy of farmers, (2) to determine the extent to which farmers believed that G.L.F. belonged to them, and (3) to get a cross section of farmers thinking on G.L.F. financing.

In addition, it sought to evaluate the services performed by G.L.F. and to obtain ideas regarding the possible expansion of cooperative activity. Along similar lines, the research department of the Indiana Farm Bureau Cooperative Association has made studies of member attitudes toward some of its member local associations.

Some regional farm supply cooperatives also have studied the use and effectiveness of their house organs. These studies have, to a large degree, been responsible for the type of house organ developed. This is particularly true in the case of G.L.F. and Southern States Cooperative. Other associations from time to time have made readership studies and have explored types of material that should appear in their publications.

Personnel - More cooperatives are recognizing that the attitudes of personnel toward employers and work affect the efficiency of services. This applies to personnel of both regional and local cooperatives. One regional association completed a study of its employees, called "Your Ideas." The findings were instrumental in revitalizing personnel

work and developing employee programs covering salaries, vacations, retirement plans, and incentives.

In another instance, a regional association studied the attitudes of local cooperative employees toward its various departments and divisions. This information served as a basis for developing a more effective operating policy.

Related Activities - Regional research departments also have initiated a number of activities not directly related to research. These include: (1) attending and participating in professional meetings including the American Institute of Cooperation, the American Farm Economics Association, the American Marketing Association, and the American Management Association; (2) addressing various local and State service clubs, agricultural outlook conferences, and meetings of numerous farmers' organizations; and (3) participating in high school and college classes dealing with agricultural cooperation and the marketing of farm products, as well as on occasion consulting with research committees of Land Grant Colleges and other research institutions.

PROBLEMS IN ESTABLISHING BUSINESS RESEARCH

Since most regional farm supply purchasing cooperatives have had comparatively little experience in organizing and operating business research programs, this report will take up some of the basic questions on the inauguration of such work. The most important of these questions are:

1. How can regional farm supply cooperatives use business research?
2. When should regional farm supply cooperatives undertake research?
3. How should a business research department be set up within a regional farm supply cooperative?
4. How should personnel be selected?
5. What relationships should be maintained with other research agencies?
6. How should research be initiated and controlled?
7. How should findings be presented?
8. How can objectivity be maintained?
9. What are responsibilities of research directors and managers?
10. How can research techniques be applied to membership and educational programs?

How Can Regionals Use Business Research?

The scope and nature of many problems confronting managers of farm supply cooperatives lend themselves to business research. Association personnel and other interested individuals have described the areas in which regional supply cooperatives can use business research in considerable detail. Their views are summarized in the following quotations.

One states:

"... we need to know much more accurately when patrons need a certain item, what they need, and in what quality or price range. . . . This is not just how major companies conduct a market survey or a consumers' intention to buy, it is rather information on how to establish, in a practical manner, a program division or department that will be able to gather information from its own patrons, modify it according to economic trends, and submit it to management--a clear concise picture of what our patrons will require. . . ."

"Another question which needs consideration is the problem of what enterprises or commodity lines are suitable for cooperatives to enter and what is the economical type and size of a local and wholesale. . . .

"The final problem which might be suggested is what are the basic social relations of a cooperative in the local community and in the larger territorial divisions. . . ."

Another says:

"...I believe that in the next few years the larger purchasing cooperatives will be devoting more and more attention to market research to enable them to merchandise their products more efficiently. . . . Probably more of the cooperatives will be doing this type of work themselves instead of calling on specialized marketing research agencies of a private nature. Cooperatives . . . inaugurating this type of work will benefit greatly from the counsel and advice of Federal and State agencies, such as finding the right type of man to carry on this type of work and securing advice on sampling methods, types of questionnaires. . . .

"In the field of economic research I should also list business efficiency studies. In this type of work the Federal and State agencies can again be of value because of their knowledge of the operations of other cooperatives. They would be of value for the more general or overall organizations study. In the case of detailed studies on methods and procedures this might better be done by private firms or by establishing a methods division in the cooperative itself."

He further states:

"...I suggest that more work needs to be done in techniques and methods in getting people to work together such as putting across an educational program and what it should include, holding better meetings, getting the story to the people through the press and the radio, the field of membership relations, public relations. In this type of work, the State colleges and USDA can be of very valuable aid."

Management's interest in research in human relations is indicated by one regional official who suggests that, in addition to economic questions, research be directed to answering the following questions:

"1. What are the qualities, characteristics or traits that make for good performance as a cooperative employee?"

"2. What methods of training are most effective with employees in cooperatives?"

"3. How can we obtain effective understanding of the cooperative program?"

"4. What is a good incentive program for employees in a cooperative?"

"5. How can we best utilize the results of research in other fields?"

"6. How can we make the story of the cooperative program more understandable to the people?"

"7. How can we write or speak so that the farmer and the consumer get the mental picture that we think he should get?"

One farm supply cooperative in outlining its fields of research emphasizes business problems. It lists:

1. Distribution--giving attention to: (a) methods and (b) costs.

2. Marketing--considering: (a) consumer reaction and (b) costs of distribution.

3. Purchasing and inventory--including: (a) sources and prices of materials, (b) purchasing methods, (c) inventory control, and (d) methods of storage and handling.

4. Economic conditions, trends, and forecasts.

5. Personnel and industrial relations--including: (a) job analysis, (b) employee testing and placement, and (c) wageplans.

To further emphasize the importance of economic problems confronting cooperatives, here are some areas for business research suggested by officials of two banks for cooperatives:

"1. General research . . . by areas as to the actual needs of purchasing cooperatives.

"2. Study of the effects of various types of credit extension or methods of handling credit to members. For instance, comparison of straight cash policy, 30-day cash system, general credit through harvest season, or possibly a system of advanced payment where a certain percentage is allowed to the purchaser for such advance.

"3. A detailed survey of the actual operating policies followed in a number of the same types of cooperatives throughout a given area, in order to determine the reasons for success or failure of such cooperative--for instance, lumber and hardware cooperatives, and cooperatives with grocery departments.

"4. A comparison, if possible, of acquisition and merchandising practices of regional wholesale cooperatives to large privately-owned regional wholesale organizations.

"5. Comparison of the success and operation of manufacturing plants when

owned and operated by producers themselves . . . (Operating efficiency standards based upon comparative analyses.)

"6. A study of types of products adapted to cooperative distribution, taking into account quality, price, and availability at competing dealers, and economic factors involved in distributing certain items cooperatively. . .

"7. Extent to which cooperatives can go advantageously in manufacturing or processing from raw materials to finished products.

"8. . . . cost accounting in determining which items are profitable to handle and which ones are losing money. This may point the way to more efficient operations.

"9. Proper financing of integrated processing, manufacturing, and distribution cooperatives."

These suggestions delineate areas of research for farm supply cooperatives and show a growing appreciation of such work in improving internal operations of these associations. While it is desirable to determine the wants and needs of members, such a limited concept does not include much of what has come to be known as business research. As economic conditions bring about changes and research becomes further recognized as an aid to management, it can be used to help solve problems beyond such a restricted interpretation.

As farm supply cooperatives become further initiated in research work, their sphere of interest will expand to include the wide range of problems falling within the classification of business research. There is reason to believe, however, that even though many associations go beyond economic research, most of them will be inclined to hire trained economists for their research. Such individuals perhaps are in a better position to correlate the different types of business research than persons trained in any of the other social science fields.

The following summary shows how one regional farm supply cooperative looks at the objectives, functions, and relationships of its economic research department.

"Objectives

"1. The overall objective of the Economic Research Division is to provide facts, data, information and answers to questions which will enable (the association) to better carry out its objective of providing quality goods to Midwest farmers at fair prices through the use of democratically controlled cooperative associations.

"2. Within this overall objective specific objectives are:

To keep the organization informed on economic trends, social trends, price trends, industry trends and agricultural trends.

To provide information needed by the organization by conducting economic research studies and surveys.

To assist in planning the future growth and development of the organization.

To assist management by studying or motivating studies of internal business problems.

"Functions

1. Conduct research studies on trends affecting . . . opportunities and operations which will include market potentials, buying trends, and needs for new products and services.

2. Collect and disseminate economic information for . . . staff personnel and local associations.

3. Conduct studies relating to financing, management, merchandising and other problems both in (the association) and local associations.

4. Interpret published research studies.

5. Maintain a close relationship with research personnel in colleges, federal agencies, private agencies, and other cooperatives.

"Relationships

1. Maintain a close working relationship with all . . . divisions. The Economic Research Division is a staff service division. It will endeavor to handle all requests for service as expeditiously as possible within the limitations of a small staff. On certain studies it may call on other divisions such as the Control Division to furnish needed data and analyses.

2. Establish contact and promote an interchange of ideas with economic research personnel in the major regional purchasing cooperatives.

3. Maintain a close relationship with the colleges in our area, Land Grant and otherwise, to keep abreast of their research studies, to work with them on certain projects, some of which may be conducted by them under contract . . . and to secure data from them.

4. Maintain contacts with USDA and other governmental personnel.

5. Maintain contacts with private research agencies.

6. Affiliate with professional associations such as the:

American Marketing Association
American Farm Economic Association"

When Should Regionals Undertake Research ?

How much research should farm supply associations conduct themselves? The associations generally agree that their research programs should avoid duplication of effort. They also believe they could benefit from the services of research agencies with a wide range of experience in the fundamental problems of farmer cooperatives. In such a case, research personnel of regionals can function in a liaison capacity.

Experience of other businesses suggests that farm supply associations doing an annual \$10 million business or more cannot afford to be without an aggressive business research department. A budget of \$20,000 for business research in such an organization would represent only 0.2 of one percent of sales. For an association having an annual volume of \$40 million, a research budget twice this size (\$40,000) would represent only 0.1 of one percent of sales.

Cooperatives' expenditures for business research should be viewed in terms of going business operations. When well planned and carried out, business research results in increased savings for members--not in cash outlay or reduced savings.

The place given business research by other concerns is indicated in a report of the National Industrial Conference Board, "Organization for Market Research." The report characterizes the typical market research department of companies manufacturing consumer goods (average annual volume--\$10 million) as: (1) "...a separate centralized department..." (2) "staffed with the equivalent of six to seven full-time workers..." (3) "the department's budget is approximately three-tenths of one percent of sales..."

According to a study conducted by the American Marketing Association in 1945, 5,000 business establishments reported that approximately two out of five engaged in some form of market research. Nearly one-fourth having an annual business of less than \$500,000 did some research, while about three-fourths of those with an annual business of \$5 million or over reported such research. Two percent of the companies in the smaller classification and 23 percent of those in the larger classification reported the establishment of formal research departments.

That regionals are lagging behind other industries in conducting business research is indicated by a person closely associated with these associations. He had this to say about their use of research:

"My personal belief is that all cooperatives are weak in the field of business research... it seems that cooperatives are frequently so far behind many of their competitors that they should give particular attention to absorbing the large amounts of information already available and go light on original research for the time being."

One research worker in commenting on cooperatives' use of such investigations said:

"...I doubt whether cooperative leadership really believes there is much need for (business research). The problems are not nearly as immediate and concrete as those in (industrial research.)"

This viewpoint is not surprising since industry generally has found that the appreciation of business research grows with use.

How Should Department Be Set Up ?

Managers of farm supply cooperatives have expressed various opinions on how research departments should be organized. It will be helpful then, to explore briefly the operating structures developed for cooperatives. The place research



Successful business research depends on how the co-op's research department is organized, equipped, and staffed.

occupies in a cooperative organization usually depends upon (a) the manager's favorable or unfavorable attitude toward research, and (b) whether the association operates on "centralized" or "decentralized" lines. In this discussion, the terms "centralized" and "decentralized" do not refer to the usual organizational features of cooperatives. Instead, they describe the character of managerial structure developed in cooperatives.

Centralized regionals are more inclined to parcel out research among various operating departments and to make research personnel responsible to various agency heads for the work undertaken. This results in close supervision of research in contrast to the freedom in decentralized systems of organization. Moreover, research workers usually are far removed from management and thus have less opportunity to influence questions of broad policy directly.

Decentralized associations are more inclined to hire strong individuals and let them assume almost complete responsibility for all research within the association. In such organizations, research is likely to be administered by a director who reports to the general manager. This tends to make research workers "generalists," enabling them to know intimately most important phases of an association's operations. It also gives research personnel a voice in determining association policy.

Among farm supply cooperatives, directors of business research report to a variety of supervisors. In two associations, they report directly to the general manager; in another to the assistant general manager; while two others are responsible to directors of distribution.

Experience shows that business research is generally most effective when the association's organizational structure permits its research director to report to the general manager. The director then can make his most effective contributions by studying association problems, with some likelihood of significantly influencing policy decisions. Moreover, competent and experienced research personnel usually are willing to work only under such conditions. Research directors must operate in a favorable climate if they are to show results.

Supply regionals should recognize, therefore, that better research performance results when the manager has a sympathetic and understanding attitude toward the research director and his aims.

Farm supply regionals are beginning to recognize the need for coordinating business and industrial research. In bringing about such coordination, however, these associations find that few people have the training and experience necessary to qualify for proficiency in both fields. For this reason, the manager has a distinct responsibility in seeing that both phases of research are well integrated in an association's operation.

On the need for coordinating business and industrial research, a former director of industrial research for a large regional purchasing association states:

"... there is a great need for such leadership. There are few if any industrial or product research problems which should be undertaken without first being studied from an economic viewpoint to determine the possible profitability of the project. This means that somewhere in the organization there must be a person who can supervise both types of research. I have seen so many cases where extensive technical research was undertaken only to find that the end product was not of sufficient economic value to warrant production or use of the final products. Several business organizations that I have known have recognized this by taking one of the following steps (1) incorporating a business research department in the industrial research organization, (2) by combining the two under a single executive, (3) by instituting a production application department through which research problems had to pass before work was started.

He stresses the need for employing a person who can coordinate both phases of research.

"... I would suggest that the necessity of a high caliber person be stressed and then if such a person cannot be found, the two persons in charge of the two phases of research answer to the same person, preferably the general manager."

Alderson and Sessions, in the July 1954 issue of their "Cost and Profit Outlook," Vol. VII, No. 7, recognized this problem.⁶

"... we can only conclude that if corporate growth and diversification are to be accomplished successfully, it is imperative that these two areas of contribution be closely related. If we wish to reduce this objective to its simplest

⁶In referring to market research (generally considered a branch of economic or business research) this report further stated: "It has been said that market research is as essential to successful corporate operations as radar is to successful navigation."

form, let us say that market research is a decisive factor in helping to translate technical research into the language of day-to-day corporate operation. In brief, market research can help bridge the gap between sales and science."

Business corporations, other than cooperatives, have accumulated a good deal of experience which may be helpful to these associations in the organization of a business research department. A study made by the National Industrial Conference Board shows considerable variation in organization of research services and in the number of persons handling research within 154 companies classified according to size. Findings are as follows:

<u>Person or group</u>	<u>All companies Percent</u>
A single research worker-----	6
A single executive having other responsibilities-----	20
A separate centralized department-----	46
Several executives or departments-----	28
Total-----	100

The "single executive with other responsibilities" did the research in 39 percent of those companies having an annual volume of under \$7.5 million a year. When this volume was over \$25 million, however, he was responsible for research in only 5 percent of the cases. A "separate centralized department" conducted research for 17 percent of those companies with less than \$7.5 million annual volume classification and for 63 percent with over a \$25 million annual volume.

Regional farm supply cooperatives will also find helpful the National Industrial Conference Board's Information regarding research departments of a food company and a manufacturing firm. Figure 1 shows the organization of a food company's market research department. Its organizational structure was reported as follows:

1. The director of marketing research reports to the President of the company. The research department primarily is concerned with "studies of consumption and demand, the measurement of advertising effectiveness, consumer and dealer preferences, distribution studies, sales forecasting, and quota setting."

2. While the director of research originates many studies, others may be suggested by vice presidents of the company and by any of the various departments.

3. For each study the research department develops an outline including purpose, sampling method, and cost. It then writes reports which usually include illustrated charts, and, in some cases, detailed detached tables.

4. Research reports contain recommendations based on findings. Copies are sent to all interested executives.

5. Independent research organizations are used for some consumer and dealer investigations. These agencies do field work with questionnaires and samples furnished by the department. The department is responsible for interpreting findings.

6. The company develops the research budget along with the regular budget, and costs are assigned against departments wherever possible.

7. The company encourages an aggressive program of professional development including subscriptions to periodicals and contacts with universities and other research organizations.

Figure 2 shows the organizational structure of the distribution research and development department of a household products manufacturer, having a sales volume of about \$15 million a year. Highlights in the operation of this department were reported as follows:

1. The research manager (director) reports directly to the vice president.

2. The department consists of seven business analysts, each assigned to a product group. Secretarial and computing needs of the department are met through company pools.

3. Provisions also exist for the use of outside consultants and coordination with the company's consumer research group--a group which is organized separately and consists of two permanent employees plus a temporary staff of several people.

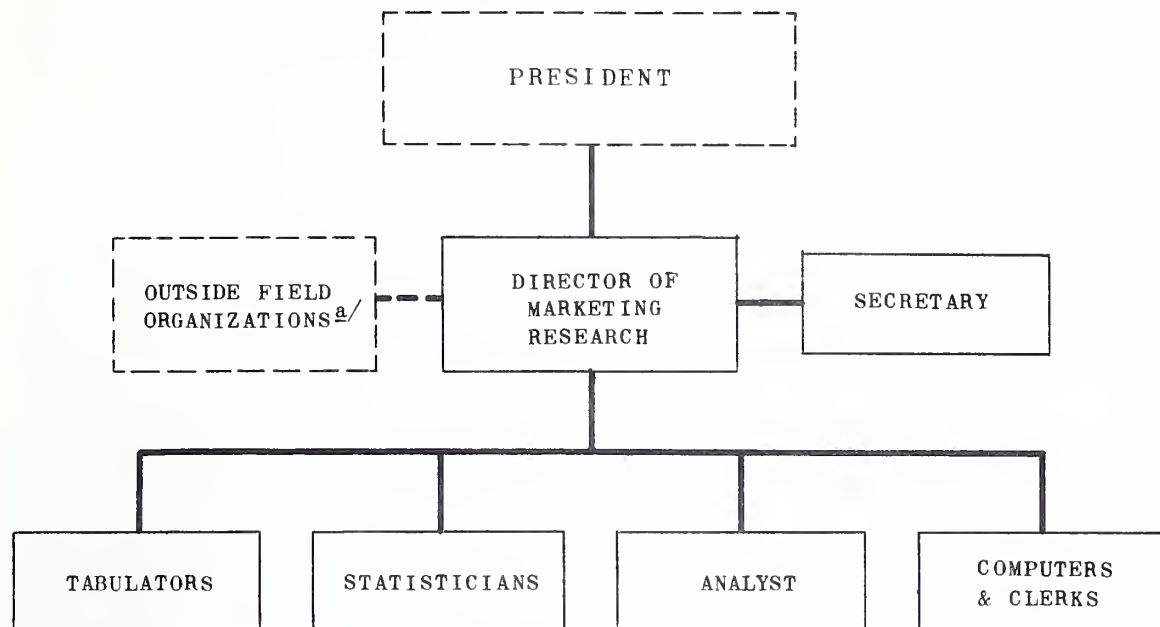
4. The principal functions of this department are to recommend policy changes and to study the effectiveness of company's sales efforts.

5. As research develops, this department plans to expand and assume responsibility for business or economic research.

6. In addition to its regular functions, the company does some service or accommodation research for other divisions. It attempts to avoid such activities, however.

FIGURE 1

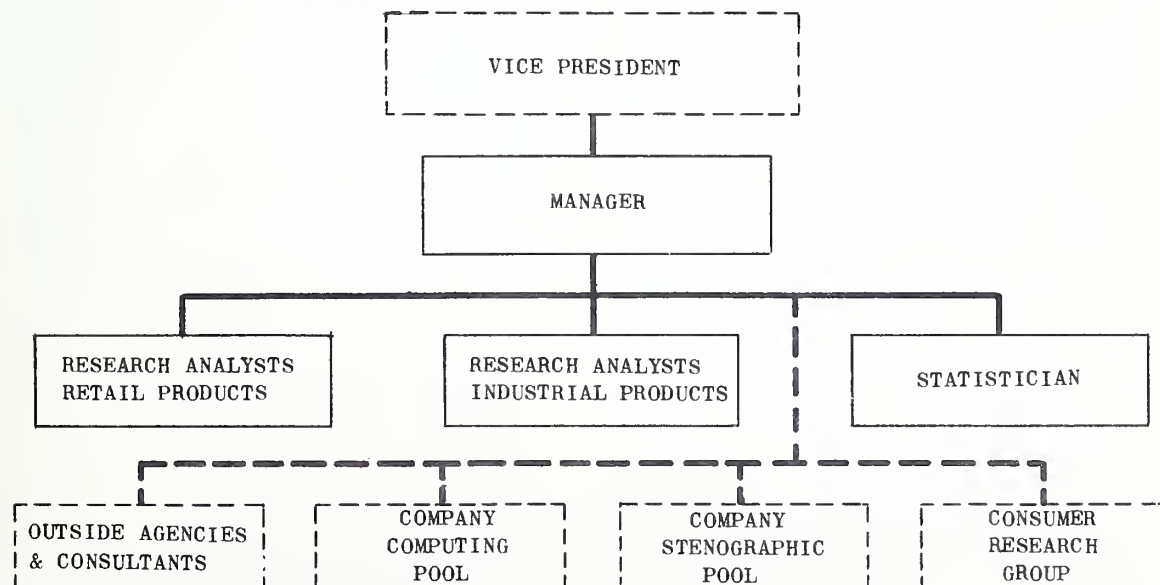
ORGANIZATION OF MARKET RESEARCH DEPARTMENTS FOR A FOOD COMPANY WITH ANNUAL SALES VOLUME OF \$50 MILLION



a/ USED ONLY FOR FIELD WORK AND CONTROL TABULATIONS IN CONNECTION WITH CONSUMER AND DEALER SURVEYS.

FIGURE 2

ORGANIZATION OF DISTRIBUTION RESEARCH AND DEVELOPMENT DEPARTMENT OF A HOUSEHOLD PRODUCTS MANUFACTURER WITH ANNUAL SALES VOLUME OF \$15 MILLION



SOURCE - ORGANIZATION FOR MARKET RESEARCH - NATIONAL INDUSTRIAL CONFERENCE BOARD, STUDIES IN BUSINESS POLICY, NO. 19

7. All departments may suggest topics for study but most investigations are the result of requests from members of the distribution committee.

8. The research department usually reduces the findings of reports to chart form.

9. While outside research agencies are used on special jobs, the department determines what data are required, then analyzes the results itself.

10. Budgets are worked out between the director of the department, the manager, and the vice president to whom the director reports.

How Should Personnel Be Selected ?

When regional farm supply cooperatives organize business research departments, one of their most pressing problems concerns personnel selection and budgets.

Selection of qualified personnel is the very foundation for the establishment of a good research program. Both farm supply associations and other business concerns customarily employ individuals with established professional reputations as directors of their business research departments. For example, one association hired as its director a former professor and research economist in agricultural marketing from a Land Grant College.

A word of caution seems in order about selecting heads of business research departments. Some danger lies in promoting men from within an association's ranks to fill these important positions. With few exceptions, regional farm supply cooperatives do not now have staff members with sufficient training and experience to qualify them as directors of business research departments. Under such circumstances, if capable men are to be employed in these responsible positions, associations will have to seek them outside their own employees.

The National Resources Planning Board recognized this same problem, saying:

"The belief of many business executives (is) that competency in research is an innate capacity common to all intelligent persons which flowers spontaneously upon bestowal of a title."

The agency lists the following qualities desired in marketing research personnel:

1. A high degree of individual initiative.
2. Inquisitiveness and persistence.

3. Tact.

4. Ability to think objectively and to draw logical conclusions from a given set of facts.

5. Writing ability.

6. Ability to meet people of higher rank and to obtain their interest and cooperation.

7. Ability to get along with people and make them work as a team even though the individual may have no direct authority over others.

8. Appreciation of the sales point of view.

9. Ability to meet all types of people in the field.

10. A firm belief that this type of work is important.

The Board further states that:

"The most frequent demand is for men with an education in economics, statistics and marketing, although a background in psychology, economic geography and accounting are often considered desirable or necessary."

The Firestone Tire and Rubber Company reports that in addition to the preceding qualifications, it stresses a high I. Q. and ability to think effectively on marketing problems "with due regard for both good technique and practical sales considerations and to present findings in a sufficiently clear and forceful way to get something done about them"

Selecting research assistants is another problem regionals must solve in establishing a business research department. As research work expands and becomes an integral part of association operations, research directors find themselves more and more involved in policy matters. This explains why directors will require competent assistants in order to maintain high standards of research. Before hiring such assistants farm supply associations could well draw up formal qualifications for various research positions, then adhere strictly to such job descriptions in adding or replacing staff members.

What Relationship With Other Research Agencies?

Developing effective operating arrangements with other research agencies introduces many complex problems. Managers must plan joint research programs carefully to make the most advantageous use of research agencies. Only in this way can they most effectively

serve cooperatives and, through them, farmer-members.

In developing joint research arrangements, regionals will want to know the kinds of research these agencies engage in and what the working arrangements are. These arrangements are reviewed in the following order: (1) other farm supply regionals, (2) Federal and State agencies, and (3) commercial research firms.

Other Farm Supply Regionals - Even though farm supply associations engage in a wide variety of activities, a number of their officials have said that coordinated research might be developed with other cooperatives and with Federal and State agencies. Such research efforts should be directed at long time inquiries that have industry-wide application. Greater efficiency and more complete coverage of some research problems might well result from expanding this type of inquiry. While not a formal research agency, the American Farm Research Association directs its activities toward coordinating and integrating research findings in the interest of a number of regional farm supply purchasing associations. This association is sponsored by the American Farm Bureau Federation and Midwestern Farm Supply Service Companies associated with their respective State Farm Bureaus. It gathers facts, promotes research, and seeks to shorten the gap between discovery and action on farmers' problems.

Federal and State Agencies - The Farmer Cooperative Service of the U. S. Department of Agriculture conducts research studies, service and educational activities to aid farm supply cooperatives in addition to its work with marketing and other business service associations of farmers.⁷ Its studies are directed to problems of management, organization, operation, merchandising, financing, costs, and efficiency. These studies develop useful information for all types of farmer cooperatives. Although made to assist

cooperatives on special problems, the results of such studies are available to all associations whose problems are similar even under widely different operating conditions.

Much of the work of the Service is carried on in cooperation with farmers associations. For example, the Farm Supplies Branch of the Service in 1954 undertook an industry-wide study on methods of compensation and incentives for petroleum deliverymen. This study was requested by the National Cooperative Oil Committee of the major regional purchasing associations and includes substantially all of the organizations handling petroleum products. The Service also cooperates with agricultural experiment stations, particularly departments of agricultural economics and rural sociology, as well as the various State extension services. It, therefore, serves to supplement the research of the regionals and assists in coordinating the work of the colleges on problems confronting cooperatives.

The Farm Supplies Branch of the Farmer Cooperative Service does specific research on problems of associations handling such production supply items as feed, fertilizer, and petroleum products. The Management Service Division also assists farm supply cooperatives on special problems of business administration, transportation, and membership relations. Moreover, the History and Statistics Branch of this Division provides basic statistical data for analyses of problems and information on the development and operations of farm supply cooperatives. Various branches of the Marketing Division assist those farm supply associations that also engage in the marketing of farm products.

Through research, extension, and teaching, land grant colleges have contributed to the development of both purchasing and marketing cooperatives. While they early directed their research

⁷Research in the cooperative purchasing of farm supplies and the marketing of farm products in the U. S. Department of Agriculture was provided for by the Cooperative Marketing Act of 1926. (Public - No. 450 - 69th Congress [H. R. 7893]). Under this legislation the Farmer Cooperative Service is authorized:

"(1) To acquire, analyze, and disseminate economic, statistical, and historical information regarding the progress, organization, and business methods of cooperative associations in the United States and foreign countries.

"(2) To conduct studies of the economic, legal, financial, social, and other phases of cooperation, and publish the results thereof. Such studies shall include the analyses of the organization,

operation, financial, and merchandising problems of cooperative associations.

"(3) To make surveys and analyses if deemed advisable of the accounts and business practices of representative cooperative associations upon their request; to report to the association so surveyed the results thereof; and with the consent of the association so surveyed to publish summaries of the results of such surveys, together with similar facts, for the guidance of cooperative associations and for the purpose of assisting cooperative associations in developing methods of business and market analysis.

.

"(6) To promote the knowledge of cooperative principles and practices and to cooperate, in promoting such knowledge, with educational and marketing agencies, cooperative associations, and others."

efforts to studies of marketing associations, during recent years they also have conducted research on farm supply cooperatives.⁸ A review of research in agricultural economics and rural sociology at land grant colleges underway in 1954 indicated that of the 31 active projects reported, three studies were on farm supply cooperatives and five on cooperative marketing.⁹ The other 23 dealt with both types of associations. Some concerned such functional aspects as financing, business analysis, and membership problems. This review also showed that but 21 of the 48 States are currently conducting some form of research in agricultural cooperation.

The teaching and extension efforts of the land grant college in agricultural cooperation also bear indirectly on research effort. This is especially true among those institutions offering graduate work. In this, advanced study helps train research workers in economic and social aspects of agricultural cooperation. As of 1954, there were 15 land grant colleges offering graduate work in agricultural cooperation. Since 1950 some 50 theses are reported as completed or underway in the field of agricultural cooperation.

Departments of general economics in other colleges and universities as well as schools of business administration frequently conduct business research of interest to cooperatives. These studies are likely to become increasingly useful in dealing with some of the broader economic problems of associations. And as the association employees gain understanding of business research they will be inclined to make greater use of other university departments and agencies for answers to special problems. Sociology, psychology, political science, and law are but some of the various college departments to which cooperatives are turning.

An example of coordinated research among Federal and State agencies in conjunction with the American Institute of Cooperation was the joint preparation of F.C.A. Miscellaneous Report 176, "Research in Agricultural Cooperation."¹⁰

⁸Taylor, Henry C. and Taylor, Anne Dewees. The Story of Agriculture Economics, Iowa State Press, 1952, pp. 653-709.

⁹Vennes, L. A. Land Grant Colleges Work Being Done in Agricultural Cooperation, American Institute of Cooperation, 1954.

¹⁰Gardner, Kelsey B. Research in Agricultural Cooperation Problem Areas. Farm Credit Admin. Misc. Rept. 176.

In developing plans for this report and preparing a list of problem areas for research in agricultural cooperation a series of conferences were held. Representatives of the then Cooperative Research and Service Division, Farm Credit Admin-

(Continued in next column)

This report grew out of a recommendation by the research and education committee of the Institute. The committee proposed a resurvey of research needs to result either in a new report or a revision of the publication, "Research in Agricultural Cooperation," issued by the Social Science Research Council in 1933 (Bulletin 15). This publication presented a series of project outlines for a number of comprehensive studies covering important fields of inquiry in agricultural cooperation. Changing conditions over a 20-year period, however, required a re-examination of research in agricultural cooperation.

The resulting publication presents a broad consensus of needed research in agricultural cooperation. The primary objectives of the report were to stimulate interest in research in the field of agricultural cooperation and to assist workers, including graduate students, to select and develop projects of basic value to agricultural producers and their cooperatives.

A total of 40 research problems were developed in six major areas of inquiry in agricultural cooperation, which included the following:

1. The cooperative as a form of business organization.
2. The relationship of the cooperative organization to the market.
3. The relationship of the cooperative to society and the State.
4. The relationship of the cooperative management to membership.
5. Basic data relative to the status and trends of agricultural cooperation.
6. Non-economic aspects of agricultural cooperation. (These include: law, accounting, sociology and anthropology, history, political science, and education and educational psychology.)

State and Federal research agencies also can contribute to cooperatives by assisting in planning research programs. Such assistance may take a variety of forms such as consultations on preparing questionnaires, interviewing methods, and sampling procedure.

Commercial Research Agencies - When

istration, (now the Farmer Cooperative Service), of a number of Departments of Agricultural Economics of Land Grant Colleges, together with the research director of a regional cooperative and the President of the American Institute of Cooperation considered economic problem areas. The need for an approach to some of the problem areas from the rural sociological point of view was recognized, and the assistance of members in this field was requested. In response, rural sociologists of the Farm Population and Rural Life Branch, the Agricultural Marketing Service, U. S. Department of Agriculture and from five Land Grant Colleges developed a section on the "Relationship of Agricultural Cooperatives to Their Social Environment."

regional farm supply cooperatives lack specialized personnel or facilities to perform an adequate research job they occasionally use the services of commercial research agencies. For example, regionals have employed management and engineering consulting firms to evaluate their office and warehouse procedures, render assistance on job classifications, and help with problems of organizational structure.

How Should Research Be Initiated And Controlled ?

Research programs of most regional farm supply associations are in a formative stage. Therefore, it is important that they should be carefully and thoughtfully blueprinted in all details before initiation.

Southern States Cooperative, Inc., Richmond, Va., in its postwar planning report of a few years back, probably gave more thought to the inauguration of a research program than have most farm supply regionals. The report recommended that a committee of six members - three from the managerial employee group and three from the board of directors - be established to guide its research program. The proposed committee was set up to consider various projects suggested for study, and then to select those offering the greatest benefit. The association further recommended appointing a project committee chosen from the six members to consider the following procedures: establishing and conducting proposed studies, determining the nature of research to be undertaken, and implementing research findings into action.

Advantages of such a plan include: (1) the manager and association directors are made aware of the services of their research program; (2) research directors learn the association's basic problems, thereby enabling them to guide research activities more effectively and (3) research programs will be better balanced through the efforts of representative committee leaders.

A few managers favor an informal research committee composed of the manager and his representatives. They perform many of the functions of research project committees.

If a research department is to function with maximum efficiency, managers should establish procedures for planning

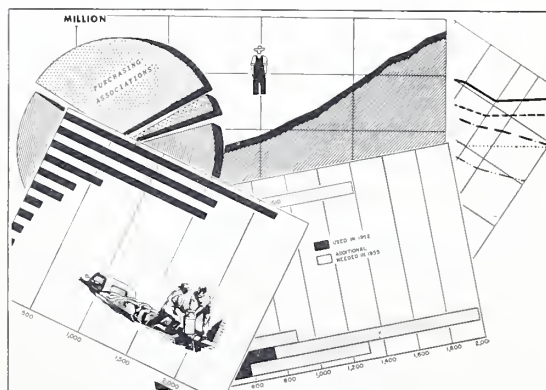
and conducting studies. This enables them to chart the course for research department studies, thus eliminating confusion and nonessential detail. In this connection one cooperative official commented as follows: "I would like to emphasize the necessity of management going over the program of research at regular intervals so that management may obtain the information that research has developed and so that research may be reorientated."

In general, planning encourages research consciousness within an organization. It subjects the basic problems confronting regionals to a research approach. Thus, decisions based on research are more likely to influence operating policy. Careful planning also tends to eliminate the danger of expecting the impossible from research. Also, it prevents the managers from relegating research to the background whenever basic problems in operations come up for consideration.

All research planning, however, is dependent upon the funds management allocates to it in the association's budget. A general operating budget not only determines the kind and breadth of business activities, but such departmental activities as research programs. The budgeting of research expenditures gives research stability and furnishes a yearly operating plan. It also permits the manager to maintain careful control of research expenditures.

How Should Findings Be Presented ?

Methods of reporting research findings vary widely among regional farm supply



End product of research is objectively analyzed, often in charts, to help make management's decisions easier.

associations. They range all the way from informal verbal reports given to managers and department heads to carefully illustrated and detailed reports having precise information on objectives, procedures, findings, and conclusions. Presentation methods vary in this same way among commercial research concerns and other research agencies reporting back to associations.

Farm supply associations, however, would benefit if they insisted upon written and graphic presentation of research studies. Written reports avoid misunderstanding because permanent and available findings are hard to refute. Thus, misinterpretations are eliminated when policy is made. Written research reports also can be of much educational value in acquainting responsible employees and boards of directors with the nature and extent of research work undertaken. A by-product of the written report is the documentary file of work completed, which is an advantage when undertaking future research.

Many different types of written reports can be and are distributed by research directors. Perhaps the most common is the problem report. Often in mimeographed form, it gives objectives, procedures, findings, and conclusions for each study undertaken. Some associations have found it helpful to supplement these reports with summaries calling attention to the most significant research findings.

As a general rule, managers and executives in policy-making positions should receive research reports. Although many findings are labeled "confidential," managers are becoming more and more inclined to circulate research reports among officials of their association and even among other regionals. Most department heads receive such information whether or not the particular studies apply to their special activities.

Whether boards of directors should receive special reports of research activities may depend upon the problems studied. If these problems relate particularly to policy execution, they are matters for the direct consideration of management and should include boards of directors. On other studies, perhaps short summaries should be prepared for directors. As research departments become better established in farm supply regionals, one of their functions will concern research on problems confronting boards of directors.

Farm supply regionals have done

comparatively little to encourage research personnel to write articles for professional periodicals. Nevertheless, research personnel have prepared several articles within recent years for American Cooperation and the Cooperative Digest. Their articles have also been published in the News for Farmer Cooperatives, monthly magazine of the Farmer Cooperative Service, U. S. Department of Agriculture.

Writing for professional journals has several advantages. These include likelihood of more accurate and painstaking work on the part of research personnel, enhancement of research department morale, building appreciation for the research department within the association, and contributing to the prestige of the cooperative among research agencies and professional research workers.

In summary, then, the following considerations apply to the presentation of research findings by regional farm supply associations:

1. More effort should be given to the preparation of research reports, including development of objectives, procedure, presentation of findings, and development of conclusions.

2. Many research reports should have wider distribution.

3. Reports should be written to create and hold the interest of various groups of readers - managers, department heads, directors, and members.

4. Personnel should be encouraged to write for professional magazines.

A few purchasing regionals use limited space in house organs or various other publications for popular presentation of highlights of studies. Associations usually have business research departments prepare summaries of general economic conditions and association activities.

How Can Objectivity Be Maintained?

If regional farm supply associations are to conduct research on their operations according to professional standards, they must allow research personnel to work with freedom and objectivity. This is another way of saying that research personnel within an association must not degenerate to the role of "yes men" for management or department heads.

Dr. E. G. Nourse of Brookings Institution suggested that research workers

might well use as their motto "Nothing Sacred." He continued by stating that for men of science,

"The whole purpose has been to make production better in the future, not to validate past choices. No one has presumed to say to the scientist: You may go as far as expanding knowledge of physics or chemistry takes you, provided you do not challenge my inherited beliefs or personal prejudices in these fields. You must not expect to upset what I already 'know.' The economist who is inducted as scientific aid to the business manager is, by contrast, in most cases kept on a leading string and fitted with blinders."

Along similar lines, C. E. K. Mees, Vice President in Charge of Research for Eastman Kodak Company, has stated, "No director who is any good ever really 'directs' any research. What he does is to protect the research men from the people who want to direct them."

There also is the danger that research findings may be ignored when they reflect inefficient operating performance or reveal the short-comings of policies dear to the hearts of policy makers. Or department heads may at times restrict objectivity when research concerns their departments. One manager suggested, and very properly so, that he would use a business research department to evaluate the performance of various operating departments. When research work is submerged in various operating departments, with department heads supervising research personnel, results are not likely to reflect an objective evaluation of business performance. When research work is spread through a number of operating departments, farm supply regionals find it more difficult to maintain objectivity and as one cooperative official has stated, "This objectivity is so necessary."

Objectivity, or the lack of it, in research largely stems from management. When managers are successful, their very success may create an immunity toward critical evaluation, particularly from sources outside of the association itself. And some managers, who might welcome an objective examination of their performance, have had little time to consider it during the active years of post-war change.

In any event, objective self-critics within a cooperative means an honest determination to use research as a tool for obtaining better operating performance. In the years ahead after post-war readjustments, such performance will

very likely be put to the acid test. In such periods truly objective research may mean the difference between success or failure - that is, between going ahead and standing still or falling back.

Another difficulty in maintaining objective research is well expressed by one association official who noted a tendency on the part of management in many cooperatives "to grow old on the job." In his opinion, managers sometimes become more interested in security for themselves than in undertaking further improvements in service to the cooperatives' farmer patrons. The possibility of such influences deadening cooperative endeavor is so real to this individual that he wonders if research findings do not often fall on more welcome ears among other types of business than among cooperatives. These businesses, with their intensive drive for dividends, are primarily interested in an objective search for truth, he believes, "no matter who gets hurt."

In some cooperatives, emotional evaluations interfere with cold hard business facts. As a result, associations could go "sour" before directors and members were aware of what was happening. Under such conditions key employees naturally may be less inclined to seek objective evaluation of the association's performance.

This explains why some persons acquainted with the operations of supply cooperatives are at times inclined to question the ability of association research personnel to be objective.

To maintain objectivity in research among major regional farm supply associations the following items seem essential:

1. Managers must at all times put the interests of members first.
2. Managers must no longer be willing to be tied by the dead hand of tradition or by fear stemming from such sources as the desire for personal security, dread of the unknown, or exposure of mistakes.
3. Managers must give research directors complete control once a study has been decided upon and, in addition, must give wholehearted support and encouragement to obtain nothing but the facts.
4. Research directors must possess such integrity that their interests in obtaining facts will not tolerate: a "yes-man" attitude, a willingness to be used as a rubber stamp to promote the views and opinions of others (nor justify policies that already have been agreed upon.)

What Are Responsibilities of Research Directors and Managers ?

To repeat then, the effectiveness of research programs adopted by regional farm supply associations depends upon the attitude of general managers toward research on association operations. Co-operative officials will be interested in a classification of managerial attitudes toward research made sometime ago by the National Resources Planning Board. The classification places general managers of industrial concerns in the following groups: (1) those who give business research "full acceptance," (2) those who give it "full recognition," and (3) those who pay only "lip service" to the idea of research.

This classification also might fit managers of regional farm supply cooperatives. Where managers give research "full acceptance" associations operate along decentralized lines and set up overall research departments. They are inclined to use their business research departments to conduct detailed studies on important phases of business operations and practices. As a general rule, such research directors undertake all types of inquiries, present findings direct to managers, and actively participate in policy discussions.

When various departments need research services, they are undertaken or, at least, directed by research personnel. This department, rather than the operating divisions served, are primarily responsible for determining such matters as the nature of the proposed research, its scope, and its evaluation.

Managers who "recognize" research are more likely to operate on a centralized basis. They tend to look upon research activities as subordinate to policy making and not an integral part of business organization. Distinction between this and the former classification would be largely one relegating research departments to limited service, compared with a policy of full cooperation with such departments.

In associations that "recognize" research, strong-willed association officials are more likely to "use" a research department or to compromise its activities to the end of "defending what has been done." Under such conditions facts and figures may be assembled to support views and beliefs of managers or key officials rather than to reveal impartial

facts which let the chips fall where they will.

Associations paying only "lip service" to research are neither likely to establish research departments nor give serious consideration to the use of research services available through Federal or State agencies or commercial research concerns. Lip service occurs when managers lack appreciation of the possibilities in research. In those instances when research is considered, it usually is farmed out to commercial companies. Business studies are likely to be allotted to various individuals within the association for investigation often giving little recognition to their qualifications for the job.

Unless managers give full support to research activities, accomplishments of these departments will be limited and usefulness impaired. In general, the responsibilities of managers in establishing an effective research program include the following:

1. Selecting a director with proper training and experience.
2. Permitting employment of competent assistants.
3. Furnishing needed facilities and funds.
4. Giving the department proper stature within the association, and encouraging efforts of research personnel to gain professional respect outside the association.
5. Developing and maintaining a spirit of "research consciousness" among key association officials.
6. Building morale in the department by letting research channel its energies on main problems of policy determination; and, once findings are determined, permitting research personnel to participate in discussions of policy.

Managers' proper acceptance of research largely will determine whether or not it can function successfully in any farm supply cooperative. Those administrators who fully accept research believe that they will grow in their jobs and render outstanding service to the farmers only through a continuous critical appraisal of their operations. In contrast is the tendency of other administrators to resent any intrusion of what they consider their special domain. More managers need to recognize that research can give a dynamic approach to business administration.

One Land Grant college professor of agricultural cooperation emphasizes this point. He refers to the necessity of developing

"An appreciation by the management

and directors that research is vital to the success of a cooperative business. . . I am led to conclude that many cooperatives do not now have a full appreciation of the benefits which may be derived from honest-to-goodness research. Possibly in this respect a lesson may be learned from innumerable private businesses in this country who realize the great importance of, properly conducted research. . . ."

Research directors in farm supply associations occupy strategic positions for bringing about effective research programs on business performance. This means working effectively with management and department heads so that the scope of research activities will influence operations of major departments. In inaugurating research programs, it is especially desirable that business research directors have not only a general knowledge of all branches of association activities but an ability to steer studies in practical directions.

Directors of research do not always recognize how managers influence the operation of their departments. Only in associations which "accept research" does enough "academic freedom" prevail to permit a high degree of pride in professional status among research personnel and to maintain working conditions that attract competent research men.

Research directors themselves, however, can contribute to an effective research on association activities by:

1. Selecting qualified assistants.
2. Encouraging the use of research and project committees, budgets, and proper facilities and equipment.
3. Maintaining high professional standards both in caliber of work and professional relationships with recognized research workers and agencies.
4. Establishing research programs concerning major operating problems of associations.
5. Insisting on effective presentation of research findings.
6. Arranging working schedules for themselves and their assistants to allow sufficient leisure for considering association problems objectively.

What Techniques for Membership and Education ?

Well-planned business research can contribute much in the development of

membership and educational programs of farm supply associations. Such programs should be based on research that takes into account: (1) the attitudes of members toward their associations; (2) employee selection and training; and (3) the general public's regard for the cooperatives.

The following questions elaborate further on these problems:

1. What do members think of the organization and operation of their associations? To discharge their responsibility members must have definite and unbiased information. In like manner, managers must know the patrons' view of their operations. When these facts are assembled and interpreted, the associations are able to organize membership and educational programs for maximum results of expenditures made. One individual stressed the need for well directed research in educational work by saying there was "too much educating of the kind now practiced." In other words sound policy should precede practice and consequently cooperatives should first give careful thought and planning as to the kind of educational program that is needed.

2. How should employees be selected and trained in order to perform their jobs more effectively? One way is for personnel departments to use established techniques. Carrying on effective in-service training among employees is another means of getting the right person for the right job.

3. What does the public in general think of cooperative farm supply associations? What are the best means for these organizations to acquaint the public with their services to farmers? Officials of associations should realize that the uninformed general public can be brought to a favorable understanding of cooperatives through an attractive and convincing presentation of performance and facts. Emotional presentations and mere opinions of cooperative personnel are far from convincing.

Before beginning membership and educational programs, farm supply associations should have the best possible information about the preceding questions. Failure to consider them properly subjects cooperatives to the danger of scattering their shots in attempts to develop sound operating programs.

There is a special need for research on regional house organs and other educational materials and techniques. How effective are they in serving farmer members? Do they acquaint employees

and the general public with fundamental characteristics of cooperatives? Professor James Drury, New York University's Department of Marketing, advances the view that cooperatives have developed poor press relations. He states:

"The cooperative press gives little indication of even being aware of the seriousness of the problem. It continues to indulge in the ineffective and adolescent policy of attempting to promote interest in cooperation through the destructive approach....

"...Why doesn't the cooperative press devote itself to showing the constructive contributions which the cooperative method can make to this problem of more efficient distribution of goods?...."

The regionals, then, should conduct studies to determine the nature and kinds of material they present as well as its value to members. Furthermore, additional studies are needed about informa-

tion media -- whether radio, television, newspapers, or newsletters acquaint patrons most effectively with business operations and performance.

In helping farm supply associations evaluate the usefulness of their membership and educational programs, business research can answer such questions as the following:

1. Is the material geared to the needs and desires of its audience?

2. How can research increase the effectiveness of training programs for managers, other employees, and directors?

3. How can research evaluate the effect of information presented at association training courses?

4. In what ways may research be used to determine the direction which future membership and educational activities should take?

CONCLUDING OBSERVATIONS

The growth of farm supply associations and the fact that their business research activities are still in a formative stage suggest the need for careful planning in developing their research programs. The advantages which result from the establishment of well-planned business research by purchasing regionals are as follows:

1. Upon establishing their own research departments, farm supply regionals can undertake immediate studies on internal operating problems.

2. Regional associations with business research departments can make better decisions and make them faster.

3. Basic problems common to most regionals can be solved more adequately by coordinating individual research efforts with Federal and State agencies and, in some instances, other regional associations. Such arrangements utilize the fund of knowledge assembled by all agencies and cooperatives.

4. Farm supply associations usually benefit from business research departments closely coordinated with industry or product research departments. Rarely is personnel in one field of research capable of coordinating the many diverse activities found in both industrial and business research.

5. Carefully initiated research activities result in greater interest and participation in solving the regional's problems.

For example, the establishment of research committees, followed by special project committees for consideration of specific problems would increase leader participation. These committees (a) help direct the efforts of business research departments to worthwhile projects, (b) bring faster acceptance of research and its development among administrators, and (c) enable research directors to obtain the backing of association managers and officials. When such committees are set up members should be selected according to their understanding of research as well as association problems.

6. Research techniques also offer possibilities for helping associations establish effective membership educational programs. Research in this field should direct attention to such problems as member relations, employee training and development, and public relations.

Efficient performance of the association depends, in part, upon the effective functioning of its research activities. The following paragraphs highlight requirements for a smoothly operating research department.

1. To assure effective performance of their research departments management should: (a) insist on high standards of proficiency, proper training, and adequate experience in research personnel; (b) provide adequate operating facilities; and

(c) support realistic budgets.

2. Responsibilities of managers of farm supply associations are clear cut and definite when it comes to research. In addition to being responsible for selecting properly trained and qualified research directors, managers are responsible for the regional's use of research and thus, the effectiveness of the program.

3. In establishing research departments, directors should: have a wide degree of latitude in operations; restrict studies to important operating problems rather than being involved largely in service work; report directly to management; and participate in policy determination. They also need to keep abreast of newest developments in research methodology. Moreover, they need to understand the nature of the problems confronting farm supply regionals.

4. Research departments should make written presentations of all studies undertaken. Such a practice prevents misunderstanding. It also contributes to more exacting work on the part of research personnel. Both associations and research personnel benefit when regionals encourage publication of some research results in professional journals.

5. Maintaining objectivity in business research is a first consideration in any farm supply association research program. If research departments are to render maximum service for farmers, they must be given complete freedom to study all aspects of important operating problems. This means putting member interests above possible personal interests of management and officials. It also means unquestioned integrity on the part of research workers. Only as research personnel insist on such an attitude can research become a justifiable function of farm supply cooperatives.

6. To develop a better understanding of how business research may be used in regional purchasing associations, the writer suggests that research personnel of these associations form a committee to meet at regular intervals -- perhaps quarterly or semi-annually. Examination of the operations of the Transportation committee of the National Council of Farmer Cooperatives might yield valuable information on organizational and operating procedures for the suggested committee.

 Several years ago, Chris L. Christensen, then, Dean of the College of Agriculture of the University of Wisconsin, emphasized the desirability of rooting cooperative endeavor in a program of research. He said:

"I think we will all agree that cooperatives, as a whole, have been slow in developing research programs of their own and, in some cases, also in making the fullest use of research findings that have come out of public institutions, such as the Cooperative Research and Service Division of the Farm Credit Administration (now Farmer Cooperative Service) and the United States Department of Agriculture and in our State agricultural experiment stations and universities. ...

"With the large volume of new information coming out of the publicly supported ... State agricultural experiment stations, there is large opportunity for the alert cooperative organization to have on its staff research-minded men who can closely follow the new research developments and adapt them to the needs and use of the cooperatives. From the business end itself might not cooperatives employ research to advantage in studying and testing their various business policies and operating costs?"

This challenge still is timely.



