

# Keys to Success: A Synthesis of Co-op Cases

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## Why case studies?

- Harvard Business School pioneered the use of case studies as a teaching and research tool.
- Excellent learning tool for graduate students
- Over 1,000 cases have been done on food and agribusinesses since 1950
  - However, very few cooperatives have been studied
  - Arthur Capper Cooperative Center has studied over 25 firms in recent years.



# Who are we studying?



## Objective

- Provide an overview of case research and why it is a unique way to teach students about cooperatives.
- Discuss how we are incorporating cases into a brand new director certification program that we have developed for directors in Colorado.
- Describe things we have learned through our research using cases.

# Background

- Food and Agribusiness Executive in the Classroom series at Kansas State
  - Co-op and IOF CEOs and executives come to Kansas State to discuss a case study with students, meet with faculty, and visit campus.
  - Generally we use invite a CEO from one local co-op, one regional co-op, and one new generation co-op.
  - We also invite a CEO from an IOF.
  - Cases are written on each company.

# Our Case Studies

- We usually have three parts to a case
  - Industry information
    - Students and instructor need to understand why industry is important in determining profitability.
    - Use public data
  - Firm information
    - Make sure students and instructor understand the size and scope of the company being studied.
  - A decision
    - Students need “homework” and we usually have a combination of finance, accounting, and strategy questions underlying a decision being studied by the CEO.
- Having a decision embedded in the case is slightly different from a Harvard case.

# How do we write a case?

- Prepare the industry and firm information
- Contact CEO and invite them to campus.
- Visit the headquarters and discuss the broad objectives
- Work with a designated representative who checks the case for accuracy.
- Nothing is published until we have written permission.
- Use students as much as possible in the research
  - Excellent learning experience
- Lots of work! We often will go through two dozen drafts of a case before sending it to a co-op for their review.

# Teaching Note

- Our cases are used in World Bank, Agency for International Development, director training programs, executive education, and leading management strategy textbooks.
- Very detailed and often longer than the case!
- Many users of the cases know nothing about cooperatives or the industry
- Instructors in at least 27 countries have used our cases.
- Cases are used in many cooperative and management courses in the U.S.
- The case get used a lot! Our cases have been used at small schools like Dickinson State (ND) to Columbia University (NY).

## Cases teach students how to ‘tell the story’ of trends over time.

- Using cases in teaching
  - Students and other readers learn a great deal from cases
    - Industry perspective and why that is important
    - Firm information which helps them in considering employment opportunities
    - Many students in Kansas will end up on the board of a co-op, school, church, or similar organization
    - Uniqueness of cooperatives (co-op finance, governance, etc.)
- Students need to integrate concepts and learn to “tell the story” behind financial and accounting data. They need to develop critical strategic thinking skills.

## Case studies teach students how to write.

- Using cases in research
  - Good practice for graduate students in learning how to write and interpret data
  - Excellent way to educate the instructor about an industry and firms in that industry
  - Useful for programs such as Farmer Cooperatives

## New Director Certification Program

- Arthur Capper Cooperative Center conducted a director education program on strategic thinking in Colorado this past August
  - Incorporated small group exercises and discussion
  - Deliberately avoided the traditional “lecture” or “one way” presentation of information
- Excellent evaluations
- Asked to develop a new curriculum for director certification.



## Director Certification Program

- Working on a case study of a local farm supply and marketing cooperative.
- The case will be used to integrate management and finance concepts.
  - Same case will be used in all four modules
- Plenty of small group exercises
- Incorporating lots of discussion
- Starting from scratch isn't easy . . .
  - But we're excited about developing something new



# What Have We Learned?

- Governance
  - Co-ops have their “customers on the board” while most IOF’s do not.
  - Board size and expertise is much different
  - SEC regulations have increased the information presented by co-ops
  - Many co-ops have words related to profitability in their mission statements
    - IOF's are larger; more complex but typically not as service oriented as co-ops.

# Key Success Factors

- Industry “effects” (your firm’s place in an industry) contribute to average and above average profits to co-ops and IOF’s.
  - Economies of size and low cost production matter.
- Firm “effects” (how your firm moves up or down performance-wise in that industry) contribute to the ability of a firm to repeat (good or bad) its performance over time.
  - Increasing concentration is big issue
  - Many IOF’s went through same cycles of profitability as co-ops (low performance in late 1990s until present) and struggle with same issues of being relevant in the future.
    - Cargill, ADM, Con Agra, etc.
    - Constructed databases to compare financial performance

# Key Success Factors

- New generation co-ops exploited industry conditions as they entered.
  - They didn't have "better" products.
    - Dealing with commodities such as pasta, soybean meal, corn sweeteners, etc.
  - Supply chain efficiency with contracted source of supply
  - Low cost in a market niche was critical issue.
    - They moved quickly to increase in size
  - They are now dealing with increased competition and the need to remain low cost.
  - Improved performance is needed

# Key Success Factors

- Portfolio Changes
  - Many regional co-ops changed their business portfolios
    - Land O'Lakes, CHS, Farmland, Birds Eye, etc.
  - So did IOF's
    - General Mills, Unilever, Nestle, Cargill, etc.
- Challenge is to realize the synergies envisioned by these changes

# Summary

- Case studies are a way to teach students about cooperatives and integrate cooperative finance and governance issues.
  - Especially true for local co-ops who are large employers and students can see how important they are to the local community.
- Provides educational materials that can be used by others
  - Good way to integrate co-op principles in a curriculum
- Encourages two-way communication and discussion of concepts rather than traditional one-way lecture format.
- It's really about introducing students to critical and strategic thinking.
- We need more co-op cases!
  - Can we write a case on your co-op?