

Do Cooperatives Create or Destroy Value?

Douglas D Sims
Retired Cooperative CEO
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Answer:

YES!

(Just like any other business!)

Cooperatives Are:

1. Economic Tools
2. Social Tools
3. Political Tools

(in that order!)

“Cooperatives that are not economically successful cannot successfully deliver social or political benefits to their members.”

What is Economic Success?

When the return on invested capital is equal to or greater than the “cost of capital.”

That Suggests That...

The McKinsey Study was right in terms of economic value.

But there is more.

Cooperatives Also Create Value In Other Ways

- Cooperatives are member owned and controlled.
- Cooperatives can create value through high quality service and products.
- Cooperatives can create value through access to markets.
- Cooperatives can create value through access to market information and technology.
- Cooperatives can create value through risk management tools.
- Cooperatives can create value through patronage refunds and dividends.

Conclusion

- Cooperatives must be “economically successful” to create value.
- Cooperatives must offer a “value proposition” that meets member needs.
- Cooperatives must know how to measure success against measurable standards.
- Cooperatives must adapt to a rapidly changing membership and marketplace.

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- “There is nothing about the cooperative form of business that prevents it from creating value for it’s members, **except** the ability of the board and management to develop and execute a successful business plan!”

THANK YOU!