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**NON-AGRICULTURAL COOPERATIVES
IN THE UNITED STATES:
ROLES, DIFFICULTIES, AND PROSPECTS**

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ABSTRACT

A wide variety of cooperatives outside the agricultural sector have been playing an important role in the nation's rural and urban areas by providing housing for the elderly and poor, affordable health care, child care, and education. These firms may constitute both business models that reduce the cost of operating a business and effective community development models that forge cooperation among local government and communities. However, limited information is available about how these non-agricultural cooperatives operate, how they were formed, or what are their problems or difficulties as non-traditional cooperatives. This study of 162 randomly selected non-agricultural cooperatives across the United States attempts to answer these questions and finds that even this small sample of non-agricultural cooperatives played an important role in various sectors of the nation's economy (e.g., retail), serving slightly less than half a million members in 1996. Most of these non-agricultural cooperatives had been in business for over 30 years, showing their tenacity in today's highly competitive world. Most of these cooperatives were professionally managed. While raising equity was the most difficult problem during their formation stage, competition in their major market (trade) area was the most difficult current problem. The problem of balancing the interests of cooperative members was a major problem for these non-agricultural cooperatives. According to these non-agricultural cooperatives, training and education of the cooperative board of directors, management, and employees is an important factor for cooperative success.

Key Words: non-agricultural cooperatives, formation, operation, factors affecting success

HIGHLIGHTS

Cooperatives are an integral part of the U.S. economy, in both agricultural and non-agricultural sectors. The objectives of this study were to examine the operating characteristics of non-agricultural cooperatives, analyze their difficulties during formation and current operation, assess their strengths and weaknesses as cooperative business organizations, and finally to examine their role as business entities in the economy. The primary tool of the study was a nationwide survey of non-agricultural cooperatives conducted in early 1997. Usable surveys from 162 cooperatives (35% of the sample) made up the data base for the study. The respondents represented 40 states; the states with the largest numbers of respondents were Wisconsin and Mississippi.

When asked whether they could have opened their business had it not been organized as a cooperative, the respondents were about equally divided between “yes” and “no.” This study also underscores the importance of member training and education, because during the formation stage of most of these non-agricultural cooperatives, their core members were their most important source of information. Members also played an important role in capitalizing these non-agricultural cooperatives; almost 70% raised their start-up debt capital from their members, rather than borrowing from commercial banks or other financial institutions.

Most of the non-agricultural cooperative respondents agreed that they opened their business as a cooperative to pool the resources of their individual members, reflecting a long standing reason for forming cooperatives. Another important reason for forming cooperatives, according to the respondents, was to provide necessary goods and services at a reduced cost. Thus, market failure combined with members' desire and ability to pool their resources through a cooperative form of business have resulted in the formation of most the non-agricultural cooperatives in this study.

Although some of these non-agricultural cooperatives had business entities, government agencies, or non-profit organizations as their members, the predominant type of membership among these cooperatives was individual memberships. Among the respondents, only 35 (22%) had more than one type of members. Another important characteristic of these cooperatives was that over 90% of them had an open membership policy. The degree of success of these cooperatives was statistically independent of their open- or closed-membership policy.

Most of the respondents in this study (over 73%) were either consumer (retail) cooperatives (e.g., food stores, clothing stores whose members are individuals) or service cooperatives (e.g., child care, residential care, rental services). The rest were almost equally divided among wholesale trade, finance, insurance and real estate (FIRE), and a miscellaneous sector (Misc.) containing some manufacturing and transportation cooperatives.

In the sample of 150 cooperatives, serving 322,908 members in 1996, the service sector cooperatives had the highest average number of members, followed by the retail sector

cooperatives in a distant second place. The amount of business to non-members among these respondents was substantial, slightly over 24% of respondents' 1996 revenue. The retail sector cooperatives had the highest level of non-member business with an average of 35.6% of revenue, followed closely by wholesale cooperatives (31.5%).

The economic contribution made by the non-agricultural cooperatives included in this study was substantial. Total revenues for 128 respondents were almost one billion dollars in 1996. The payroll of 117 responding cooperatives was almost \$166 million in 1996. However, most of the non-agricultural cooperatives taking part in this survey (over 62%) were small businesses with revenues of less than \$5 million a year. Only three respondents reported revenues over \$50 million in 1996. Regardless of their size, a majority (almost 61%) of the non-agricultural cooperatives were managed by professional managers.

The non-agricultural cooperative respondents faced various difficulties during their formation stages as well as during current operations. Raising equity was the most difficult problem faced by these cooperatives during formation. The second most difficult problem was raising debt capital. Among other important problems faced by these cooperative respondents during the formation stage was developing suitable marketing and business plans and obtaining information on legal issues related to cooperatives.

Although on average the cooperatives represented in this study had been in business for over 30 years, they still face difficulties in operating their business. These non-agricultural cooperative respondents most frequently reported problems with maintaining their marketing plan, identifying and selecting a board of directors (in principle, such members must come from the cooperative membership only), maintaining and managing cash flow, and identifying cooperative leaders. While some of these problems, such as maintaining or managing cash flow, are common to all kinds of business, cooperatives have some special problems, such as identifying and selecting a board of directors. Training and education for cooperative board members, management, and employees were considered as the most important and necessary services for success of cooperatives by the respondents in this study.

The non-agricultural cooperatives also identified several aspects of their businesses as their strengths. Most respondents identified customer relations, work force quality, being provider of a unique product or service, trust among members, low member turnover, board-management relations, and management quality as major strengths. These non-agricultural cooperatives had also clearly identified their role as cooperatives, e.g., they were able to reduce members' cost of doing business, or they were filling an important void by providing unavailable goods and services, or they were able to help members remain independent, among others. Among the weaknesses identified by the non-agricultural cooperative respondents, their inability to recruit board members, marketing their product or service, and availability of long-term debt capital topped the list.

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INTRODUCTION

This study examines a number of attributes of non-agricultural cooperatives, including their operating characteristics, difficulties encountered during formation and current operation, their perceived strengths and weaknesses as business organizations, and their role in their area economy. Cooperatives are user-owner and user-controlled businesses that return net income (or benefit) to users or patrons based on their patronage, whereas other business firms return net income to investors on the basis of investment. Cooperative activities range from supplying seed and fertilizer to selling multimillion dollars worth of recreational equipment per year. Among the top agricultural cooperatives, Farmland Industries or Land O' Lakes are household names. So are the Associated Press and True Value stores, but the latter two are non-agricultural cooperatives.

For many people, and particularly for rural residents, the term *cooperative* evokes images of the local cooperative grain elevators and farm supply outlets which have been developed to serve the needs of their farmer members. However, in a recent study of how people are using cooperative action to rebuild communities and revitalize the economy, Nadeau and Thompson (1996) show that the same cooperative principles of member-ownership and control for member benefit can be applied to building successful businesses that aim at reducing the cost of doing business for their members, providing housing for the elderly and poor, or providing affordable health care, among others. For example, the cooperative approach is gaining more attention in the health care sector, where cost-effective models or methods for delivering services are becoming increasingly necessary (e.g., Minneapolis, Minn., based HealthPartners Inc. and Group Health Cooperative (GHC) of Madison, Wis., are two of the many cooperative health care providers in the United States today).

Small businesses are the backbone of the U.S. economy, as they employ a majority of the nation's labor force. In an increasingly competitive world economy, more and more small businesses are finding that doing business, whether buying or selling, through cooperatives is an old, but effective, solution to a new set of problems. For instance, in the fast food and hardware retailing sectors, purchasing cooperatives have been formed by independent franchisees to deliver materials, equipment, employee training, and even insurance at a reduced cost. The Food Service Purchasing Cooperative based in Louisville, Ky., is a purchasing co-op for several thousand Kentucky Fried Chicken franchisees, and TruServ is the purchasing co-op of thousands of independent True Value and Coast to Coast hardware retailers. Another example is Independent Pharmacists' Cooperative based in Madison, Wis., which is a buying agent for independent

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member pharmacies aiming at reducing drug purchasing cost of its members, who ideally pass their savings to their customers. Nadeau and Thompson (1996) have described how the cooperative principle and approach has been used by people to revitalize the economy and rebuild communities across the nation.

A listing of examples of non-agricultural cooperatives in various sectors of the economy, and in both rural and urban settings, could become very lengthy. However, the examples mentioned give a glimpse of the potential of the cooperative approach to providing goods and services needed either by consumers or businesses in rural areas. In many rural areas, basic retail items such as those provided by clothing, grocery, and drug stores, and social services, such as health care, day care, and housing for the elderly, disabled, and poor, are becoming increasingly difficult to provide (Leistritz et al. 1987, Ayres et al. 1992, Leistritz and Hamm 1994). In light of these growing challenges, it may be appropriate for those concerned with rural economic development to examine the potential of the cooperative model to meet the needs of consumers, businesses, or local governments (Bhuyan 1996).

The literature on cooperatives is dominated by articles and reports dealing with agricultural cooperatives -- their characteristics, operation, structure, performance, problems, and prospects (Cobia 1989). On the other hand, relatively little has been written concerning non-agricultural cooperatives. The present study attempts to diminish this gap in the literature by providing information about the operation characteristics, successes and difficulties, strengths and weaknesses of non-agricultural cooperatives across the United States. The authors hope that this information will be useful to potential cooperative entrepreneurs by helping them identify potential problems. The study findings also may enhance understanding of the role of non-agricultural cooperatives in the economy.

ANALYTICAL FRAMEWORK

A mail questionnaire survey of non-agricultural cooperatives was the primary source of data. Survey questions were designed based on cooperative theory and practices. During the design process, several cooperative practitioners and developers in North Dakota and Minnesota were consulted, and some of these individuals also assisted in pre-testing the questionnaire. The pre-test was conducted in the Minneapolis--St. Paul area, with representatives of several non-agricultural cooperatives from the Twin Cities area participating.

The mailing list for the survey was developed using a national business directory called the *American Yellow Pages*. The 1996 edition of this data base was used, and the 'name' category was searched for the terms 'cooperative(s)', 'coop,' and 'co-op.' The listings thus identified were then screened to eliminate government offices (e.g., Minnesota Cooperative Extension Service), branch offices, and duplicate listings. Through this process, a list of more than 3,000 businesses was developed.

Once the list had been compiled, a stratified random sampling technique was used to obtain a representative sample of firms in various sectors of the economy (e.g., retail, wholesale, service). A sample of 1,000 non-agricultural cooperatives was selected, and questionnaires were mailed to these firms in February 1997. (For a copy of the questionnaire, see Appendix A.)

Of the 1,000 surveys that were mailed, 178 were returned blank with comments indicating that the addressee organization was not a cooperative. In addition, 366 surveys were returned unopened by the post office, with notations such as 'Address Unknown.' Of the 456 remaining questionnaires, 162 completed responses were received by the end of April 1997 (after two reminder notes). Thus, the effective response rate (after eliminating discarded surveys) was 34.8%. The 162 completed surveys constitute the data base for this study.

RESULTS AND DISCUSSION

Type of Non-agricultural Cooperatives

The 162 non-agricultural cooperatives participating in the survey reported here came from various sectors of the economy, such as retail; service; wholesale; finance, insurance and real estate (FIRE); manufacturing; construction; and transportation. Among the 162 respondents, there were 59 retail sector cooperatives (36.4% of the sample), 60 service sector cooperatives (37%), 15 wholesale sector cooperatives (9.3%), and 13 FIRE sector cooperatives (8%)(Table 1). The rest of the sample (15 or 9.3%) were classified as the miscellaneous sector (Misc.) which included construction, manufacturing, and transportation cooperatives.

Table 1. Sample Distribution by Industry of Non-agricultural Cooperatives, 1997 Survey Respondents

Industry/sector	Count	% of total
Retail	59	36.4
Service	60	37.0
Wholesale	15	9.3
FIRE	13	8.0
Misc.	15	9.3
Total	162	100.0

Note: FIRE = Finance, Insurance, and Real Estate; Miscellaneous includes construction, manufacturing, transportation and utility co-ops.

Geographic Distribution of the Sample

In terms of their geographic distribution, these 162 non-agricultural cooperatives represented 40 states, from Alabama to Wisconsin, and as far as Hawaii. The geographic distribution of the non-agricultural cooperative respondents is presented in Appendix Table B.1. Wisconsin was the state with the largest number of respondents, accounting for over 14% of the sample (or 23 respondents), followed by Mississippi (20 or 12.3% of the sample), and Minnesota (11 or 6.8%), while California and Maryland tied for the fourth place with 8 respondents (4.9%) in each.

Membership Type and Policy

Regarding the membership type of the sampled cooperatives, 55% reported individuals as their major type of members, 18% reported business entities as their members, 9% reported government/public agencies as their members, and finally 19% had non-profit organizations as members (Table 2). Among different types of cooperatives, most retail and service sector cooperatives had individuals as members. Among the responding cooperatives, only about 22% had more than one type of members. Many of the cooperatives with more than one type of member were in the retail category (16 out of 35). The total number of members in these 150 responding cooperatives was 322,908, of which 26% (or 85,216) were members of retail cooperatives, 9% (29,917) were members of service cooperatives, 49% (156,953) were members of wholesale cooperatives, 14% (45,529) were members of FIRE cooperatives, and 1% (4,429) were members of miscellaneous cooperatives.

Table 2. Membership Type of Non-agricultural Cooperative Survey Respondents by Industry, 1997

Type of Membership	Industry/sector					Total
	Retail	Service	Wholesale	FIRE ^a	Misc.	
Individual	38 (66.7)	28 (54.9)	4 (26.7)	8 (61.5)	4 (28.6)	82 (54.7)
Business entities	10 (17.5)	2 (3.9)	5 (33.3)	3 (23.1)	7 (50.0)	27 (18.0)
Govt./public agencies	1 (1.8)	10 (19.6)	1 (6.7)	0	1 (7.1)	13 (8.7)
Non-profit organizations	8 (14.0)	11 (21.6)	5 (33.3)	2 (15.4)	2 (14.3)	28 (18.7)
Total	57	51	15	13	14	150

Note: Numbers in brackets are column percentages; Source: Survey Question # 2.

^aFIRE -- finance, insurance, and real estate.

Although many cooperative leaders argue that cooperative principles encourage an open member policy, many cooperatives do not accept new members (i.e., they are closed cooperatives). Royer and Bhuyan (1994) have shown that for successful vertical integration by farmer cooperatives, the output of the downstream operations has to be restricted, and one way of accomplishing that goal is to restrict membership. Perhaps not surprisingly, many agricultural processing cooperatives in the United States are closed to new members. In this study, a question on the policy on accepting new members revealed that 90% of the respondents were open to new members. None of the closed cooperatives were in the retail sector. A chi-square test showed that there was no statistically significant relationship between the cooperatives' degree of success (as subjectively evaluated by the respondents) and their membership policy. In a related question regarding patronage by non-members, 62% of respondents reported non-member business, while 38% had no non-member business in 1996. Most retail (consumer) cooperatives (88%) reported non-member business.

Size Distribution and Length of Time in Business

In terms of their annual sales (revenue), the sample firms were divided into three groups based on the size classification standard used by the Small Business Administration (SBA) (i.e., small-size firms have less than \$5 million in sales, medium-size firms have \$5-\$50 million sales, and large-size firms have sales over \$50 million) (Table 3). Of the sample, 79% reported their 1996 sales. Among these, 62.5% were small firms, 35% were medium firms, and 2% (3 co-ops) were large firms. Among the three large firms with annual revenue of \$50 million or more, one was in the FIRE sector, while two were in the misc. sector. All of the retail and service cooperatives were either small- or medium-size firms.

Table 3. Size Distribution of Non-agricultural Cooperative Survey Respondents by Industry, 1997

Revenue	Industry					Total (N=128)
	Retail	Service	Wholesale	FIRE	Misc.	
Small (<\$5mil)	38 (69.1)	24 (63.2)	5 (35.7)	7 (70.0)	6 (54.5)	80 (62.5)
Medium (\$5-50mil)	17 (30.9)	14 (36.8)	9 (64.3)	2 (20.0)	3 (27.3)	45 (35.2)
Large (>\$50mil)	0	0	0	1 (10.0)	2 (18.2)	3 (2.3)
Total	55	38	14	10	11	128

Note: Numbers in brackets are column percentages; Source: Survey Question # 4.

Most of the firms in the sample had been in business for 20 years or longer (Table 4). Only 10.5% of the respondents had been in business for 10 years or less. The youngest cooperative among the respondents was established in 1995, while the oldest one was established in 1882. Most of the older non-agricultural cooperatives were in the retail and service sector. For the entire sample, these respondents had been in business an average of almost 33 years. The fact that almost 90% of these cooperatives had been in the business for 10 years or longer shows the stability of these cooperatives in today's competitive world. (Another explanation for the high percentage of respondents with 10 years or more operating history may be that the initial sample frame under-represented the newer start-up firms.)

Table 4. Length of Time in Business for Non-agricultural Cooperative Survey Respondents by Industry, 1997

Years in business	Industry					Total
	Retail	Service	Wholesale	FIRE	Misc.	
0-10	6 (10.2)	6 (10.0)	1 (6.7)	4 (30.8)	0	17
11-20	13 (22.0)	16 (26.7)	3 (20.0)	2 (15.4)	5 (33.3)	39
21-30	20 (33.9)	10 (16.7)	4 (26.7)	1 (7.7)	4 (26.7)	39
>30	20 (33.9)	28 (46.7)	7 (46.7)	6 (46.2)	6 (40.0)	6
Total	59	60	15	13	15	162

Note: Numbers in brackets are column percentages; Source: Survey Question # 1.

Type of Management

Most of the non-agricultural businesses in the sample (61%) were managed by professional managers (Table 5), while the rest were member-managed. While less than one-third of the retail cooperatives were member managed, the service sector cooperatives were equally divided between member-managed firms and professionally managed firms.

In a related question, nearly all (96%) considered their cooperative business either a major success (82%) or a minor success (13.5%), while only 2.6% considered their cooperative business a failure (Table 6). A chi-square test of significance revealed that there was a statistically significant relationship (at the 5% level) between type of management and the degree of success experienced by these non-agricultural cooperatives (i.e., professionally managed firms were more successful).

Table 5. Type of Management Employed by Non-agricultural Cooperative Survey Respondents by Industry, 1997

Type of management	Industry					Total
	Retail	Service	Wholesale	FIRE	Misc.	
Member	17 (29.8)	27 (50.9)	3 (21.4)	8 (61.5)	4 (28.6)	59 (39.1)
Professional (full time)	39 (68.4)	23 (43.4)	11 (78.6)	4 (30.8)	9 (64.3)	86 (57.0)
Professional (part time)	1 (1.8)	3 (5.7)	0	1 (7.7)	1 (7.1)	6 (4.0)
Total	57	53	14	13	14	151

Note: Numbers in brackets are column percentages; Source: Survey Question # 6.

Table 6. Degrees of Success of Non-agricultural Cooperative Survey Respondents by Industry, 1997

Degree of success	Industry					Total
	Retail	Service	Wholesale	FIRE	Misc.	
Major success	44 (78.6)	50 (86.2)	10 (71.4)	11 (84.6)	13 (86.7)	128 (82.1)
Minor success	10 (17.9)	5 (8.6)	3 (21.4)	2 (15.4)	1 (6.7)	21 (13.5)
Too early to tell	1 (1.8)	2 (3.4)	0	0	0	3
Failure	1 (1.8)	1 (1.7)	1 (7.1)	0	1 (6.7)	4
Total	56	58	14	13	15	156

Note: Numbers in brackets are column percentages; Source: Survey Question # 8.

Business as a Cooperative

Respondents were almost equally divided when asked whether they could have opened their business had it not been organized as a cooperative. Among those who responded to this question, 44 % reported No, while almost 38% reported Yes, and the rest (18%) either did not respond or did not know.

The source of information most frequently used by these cooperatives during their formation stage was their core members (i.e., founding leaders and members), followed by other cooperatives and private consultants (Table 7). This underscores the importance of member leadership and member support and participation in operating a cooperative business. In addition, cooperatives helping other cooperatives may be another way of demonstrating how cooperation works. Moreover, the responses reflect the growing need for and importance of private consultants (e.g., lawyers, accountants) in a complex business world.

Table 7. Ranked Major Sources of Information During Formation of Non-agricultural Cooperative Survey Respondents by Industry, 1997

Contributions	Industry					Total
	Retail	Service	Wholesale	FIRE	Misc.	
	(-----rank ^a -----)					
Private foundation	10	9	11	11	11	10
University specialist	6	7	6	10	9	8
Federal agencies	11	6	7	4	3	5
Local & state agencies	7	2	5	2	4	4
County extension agents	9	11	10	9	7	11
Lending agencies	4	8	4	6	8	6
Private consultants	3	4	2	3	2	3
Trade assoc.	5	10	9	8	5	9
Other coops.	2	3	3	5	6	2
Core members	1	1	1	1	1	1
Facilitator	8	5	8	7	10	7

^aRank based on the scale: 1 = major source, 2 = minor source, 3 = not a source (lowest mean score = highest rank). Source: Survey Question # 14.

The information sources that received low rankings included county extension agents (ranked 11th), private foundations (10th), trade associations (9th), and university specialists (8th). The low ranking received by county extension agents as information sources during formation of these non-agricultural cooperatives is not particularly surprising. Although the state agricultural extension services have traditionally played a major role in development of agricultural cooperatives, it is only in the last few years that some extension services have begun to expand their activities to include assistance to non-agricultural businesses. Similarly, university specialists received relatively low rankings. While many universities have been attempting to expand their role in business assistance and related economic development activities (Leistriz and Hamm 1994), most of this emphasis has occurred within the past 10 years, whereas only about 10 percent of the responding co-ops were formed during this period. Similarly, although over 45% of the respondents were members of one or more trade associations, such as the National Cooperative Business Organization, such trade associations played a minor role as the information source for the existing non-agricultural cooperatives. Given these findings, these organizations, which traditionally have been paying more attention to agricultural cooperatives or large non-agricultural cooperatives, may consider expanding their scope to include non-agricultural cooperatives of all sizes.

Although conducting a formal feasibility study is generally considered very important for success of any business venture, this survey of non-agricultural cooperatives revealed that more than 45% of the respondents did not conduct any formal feasibility study. While only 12% of these respondents confirmed conducting such studies, almost 41% of them did not know whether such studies were conducted when these cooperatives were formed (most firms had been in business for over 20 years). Among those cooperatives that did conduct the feasibility study as a part of their formation or establishment process, most were either in the retail sector or in the service sector. A chi-square test of significance revealed that there was no statistically significant relationship between the degree of success and whether a feasibility study was conducted by these cooperatives. (However, the reader should note that (a) 41 percent of respondents did not know whether a feasibility study had been conducted and (b) the sample consisted of firms that were still operating -- other firms with ill-conceived business plans may have failed.)

In terms of their future plans, 45% of the respondents reported future plans to increase their product or service line, while 55% had no plans to change their product or service line. Regarding the existing competition in their major market or trade area, a majority of the respondents reported over 30 competitors on average in their market area, while 22% reported no competition at all. The most numerous competitors were faced by the wholesale sector cooperatives – on average, they had 85 competitors in their market area. About 52% of the responding cooperatives reported competition from other cooperatives in their market area.

Regarding their start-up capital, almost 70% of the respondents identified their members as a major source of start-up debt capital (Table 8). Commercial banks ranked second as a source for start-up debt capital (for over 25%). Among minor sources, almost 12% of the respondents used the Banks for Cooperatives as a source for debt capital. Although the reasons for and the

impact of heavy reliance on members for start-up capital were not within the scope of this study, examining this issue may be useful in the future. Moreover, such reliance may also imply a lack of access to established capital sources, such as commercial banks, for the non-agricultural cooperatives. Although credit unions are cooperatives (part of the FIRE category in this study), none of the non-agricultural cooperatives in the sample obtained start-up funds from credit unions.

Table 8. Major Sources of Debt Capital for Non-agricultural Cooperative Survey Respondents by Industry, 1997

Sources	Industry					Total
	Retail	Service	Wholesale	FIRE	Misc	
Commercial bank	9 (13.0)	15 (24.6)	6 (35.3)	0	3 (17.6)	33 (18.8)
Bank for Cooperatives	8 (11.6)	5 (8.2)	1 (5.9)	3 (25.0)	2 (11.8)	19 (10.8)
Credit unions	0	0	0	0	0	0
Other cooperatives	5 (7.2)	3 (4.9)	0	0	2 (11.8)	10 (5.7)
Small Bus. Adm. (SBA)	0	1 (1.6)	0	0	0	1 (0.6)
Members	47 (68.1)	37 (60.7)	10 (58.8)	9 (75.0)	10 (58.8)	113 (64.2)
Total	69	61	17	12	17	176

Note: Numbers in brackets are column percentages; Source: Survey Question # 17.

According to the majority of the respondents (over 67 %), monetary grants were not important as an initial source of funds to establish or form their cooperatives. However, for those respondents (12%) who considered such funds as important for the initial stage of their cooperatives, various government agencies followed by individuals and private foundations were the important sources for grants.

Reasons for Opening and Operating the Business as a Cooperative

In addition to inquiring whether the responding non-agricultural cooperatives could have been opened as a business other than a cooperative (i.e., as an investor-oriented firm [IOF]),

respondents also were asked to identify their reasons for opening the business as a cooperative. The reason for forming the cooperative that received the highest ranking overall was that it “allowed members to pool their resources.” The second most important reason for forming these cooperatives was “prices of goods and services were too high,” followed by “goods and services were not available” (ranked 3rd), or “goods and services were of not desired quality” (ranked 4th). Clearly the last three reasons are an indication of market failure, either due to market power or due to the inability or lack of willingness of IOFs to provide necessary goods and services. Cooperative literature posits similar reasoning for formation and operation of agricultural cooperatives (Schrader, 1989). Table 9 also reveals that these non-agricultural cooperatives were not formed primarily to provide employment (ranked last), because it was easier to obtain financing, or to take advantage of technology. The latter may surprise many cooperative educators and practitioners, because there is a common perception among these groups that the cooperative approach (to pool individual resources) is necessary to take advantage of modern technology with large sunk costs.

Table 9. Ranked Importance of Factors in the Formation of Non-agricultural Cooperative Survey Respondents by Industry, 1997

Reasons	Industry					Total
	Retail	Service	Wholesale	FIRE	Misc.	
	(-----rank ^a -----)					
Goods and services lacked quality*	3	5	4	8	9	4
Prices too high	4	2	3	2	3	2
Unavailable*	2	7	2	3	1	3
New technology	11	10	12	13	10	11
Provide employment	12	13	11	12	13	13
Economic development*	8	12	9	4	4	9
Networking among members*	7	3	7	11	6	6
Cooperative tradition*	6	6	5	9	7	7
Pool resources	1	1	1	1	2	1
Reduced tax burden	10	8	7	5	8	8
Easier financing*	13	11	10	6	11	12
Prefer co-ops*	5	4	6	7	5	5
Vendors prefer co-ops	9	9	13	10	12	10

^a Rank based on mean score for the scale: 1 = strongly agree, 2 = moderately agree, 3 = neutral, 4 = moderately disagree, 5 = strongly disagree. Source: Survey Question #12.

*Significant difference among groups based on Chi Square test with 10% level of significance and 4 degrees of freedom.

The reasons for forming cooperatives varied among different types of non-agricultural cooperatives in the sample. While the principal reason for forming cooperatives for most types was “to allow members to pool their resources,” the second most important reason for both retail and wholesale cooperatives was “goods and services were not available.” The number two reason for both service sector cooperatives and FIRE sector cooperatives was “prices of goods and services were too high.” While such market-related problems were ranked higher as reasons for forming cooperatives in the retail, service and wholesale sectors, one of the important reasons for forming such cooperatives in the FIRE sector (includes credit unions) and misc. sector (includes a few manufacturing and utility cooperatives) was to “foster economic development” (ranked 4th in both sectors). This shows the social responsibility aspects of cooperatives which is a commonly acknowledged attribute of cooperative businesses.

A series of chi-square tests were conducted to examine which reasons for forming cooperatives were common across different types (industrial sector) of non-agricultural cooperatives. Based on test results, the following reasons for forming the cooperative were common in the sample: (i) prices of goods and services were too high, (ii) to take advantage of new technology, (iii) to provide employment, (iv) to allow members to pool their resources, (v) cooperatives have reduced tax burden, and (vi) vendors prefer dealing with co-op. Surprising among these common reasons for establishing cooperatives across the sample is that two of these common reasons (i.e., #ii and iii) were ranked among the lowest overall as the reasons for forming cooperatives (Table 9).

Difficulties Faced by Non-agricultural Cooperatives during Formation

Starting a new business, whether the business will be a cooperative or not, is not easy. In case of a cooperative, perhaps this task is more complicated because of their unique features such as their methods of allocating net income, handling equity, and selecting board members. Finding out the problems faced by the non-agricultural cooperatives in the sample may be an effective way to prepare cooperative entrepreneurs for potential problems they may face when they try to form a cooperative. The survey results show that raising equity was the most important problem overall during the formation stage of these non-agricultural cooperatives (Table 10). These non-agricultural cooperatives also had problems raising debt-capital (ranked 2nd overall) and developing a marketing plan (ranked 3rd overall). These are clearly serious roadblocks for any kind of business trying to establish itself and succeed. However, a sound marketing plan will, or at least should, make solving the capital problems easier. The insistence of bankers and market developers on a sound marketing plan reflects its importance. It was noted that, while the respondents knew what kind of product or service they wanted to provide (ranked as the least of their problems), they had more difficulty developing marketing (ranked 3rd) and business plans (ranked 5th). This is a common problem among entrepreneurs and underscores the need for business oriented training and education for members.

Table 10. Ranked Importance of Difficulties Faced by Non-agricultural Survey Respondents During Formation Stage by Industry, 1997

Difficulties	Industry					Total
	Retail	Service	Wholesale	FIRE	Misc.	
	(------rank ^a -----)					
Finding members	15	14	6	6	13	14
Finding mem. leaders*	11	11	11	4	9	11
Acquire org. funds	3	4	10	13	11	6
Develop plan	5	6	5	9	5	5
Develop mktg. plan*	6	3	4	5	6	3
Raising equity*	2	1	1	1	2	1
Raising debt*	1	2	2	7	4	2
Deciding products/services*	14	15	14	8	15	15
Finding mgr.	7	10	3	10	11	8
Finding consultants	12	13	12	14	8	13
Finding location*	9	8	15	11	14	12
Gov. agencies support	4	12	9	1	3	7
Assoc. support*	10	9	13	15	7	9
Coop. knowledge*	13	7	8	12	10	10
Coop. legal issues*	8	5	7	3	1	4

^aRank based on mean score for the scale: 1 = very difficult, 2 = moderately difficult, 3 = not difficult. Source: Survey Question #20.

*Significant differences among groups based on Chi Square test with 10% level of significance.

Another important problem identified by the respondents was that they had problems obtaining information on legal issues related to cooperatives. This problem is quite common among new entrepreneurs and may be more acute among cooperative entrepreneurs because of unique challenges of forming cooperatives. In addition, information concerning the legal aspects of forming cooperatives is not readily available even among attorneys (Cobia 1989). Further, from discussion with various cooperative entrepreneurs, it was observed that at the beginning, such entrepreneurs try to obtain information related to legal issues from free sources, such as the relevant department personnel in their state university. However, for various reasons, these sources are not always equipped with resources to answer questions related to legal issues. Because initially most cooperative entrepreneurs are not able to (or not willing to) hire private

consultants, their success as entrepreneurs might be enhanced if the basic information related to legal issues was easily available. Some other potential problems that a cooperative organizer may face include finding members, member leaders, a good location, or qualified consultants, among others. Such problems did not pose a major difficulty to the non-agricultural cooperatives in the sample (Table 10).

A series of chi-square tests were conducted to examine which problems were common across different types (industries) of non-agricultural cooperatives during their formation stage (Table 10). Based on test results, the following problems were common in the non-agricultural cooperatives: (i) finding member leaders, (ii) developing a marketing plan, (iii) raising equity, (iv) raising debt capital, (v) deciding what products/services to offer, (vi) finding a good location, (vii) support from trade associations, (viii) knowledge about cooperatives, and (ix) knowledge about legal issues related to cooperatives. Four of the nine common problems above were ranked as the top four difficulties faced by cooperative entrepreneurs during formation stage of their cooperatives (Table 10). For success of any cooperative development effort, due attention should be paid to such common problems.

Current Difficulties of the Non-agricultural Cooperatives

Once a business is established, whether it is a cooperative or not, the task is to manage it in such a way that it becomes successful. In the survey, an attempt was made to identify the problems currently faced by the non-agricultural cooperatives in the sample (Table 11). Competition in their major market or trade area was the most difficult factor of business for the respondents, followed closely by the difficulty associated with balancing the sometimes conflicting interests of cooperative members. While the first difficulty is generally common to all businesses, the second is very specific to cooperatives. For example, in today's competitive market, most cooperatives face the often conflicting choices of running the cooperative like an IOF to maximize returns, or be more member service oriented (Cobia and Dunn 1998). These two often conflicting choices make operating today's cooperative business more difficult.

Among other problems currently faced by the non-agricultural cooperatives, the following problems were highly ranked, and indicate changing political and market environments:

- ! support from government agencies – for instance, budget cuts at both federal and state levels are affecting the ability of government agencies to provide business grants or loans (e.g., Rural Business and Cooperative Development Services of the United States Department of Agriculture [RBCDS/USDA], or the Small Business Administration [SBA]);
- ! maintaining marketing plan – a common problem for all kinds of businesses;
- ! identifying and selecting board of directors – a common problem faced by cooperatives, according to many cooperative practitioners today;
- ! maintaining cash flow – again, a common problem faced by all types of businesses; and identifying cooperative leaders – for success of any cooperative, there is a need for leaders with business knowledge and foresight as well as a cooperative-oriented approach toward business.

As persistence of some of these problems may result in poor performance of the cooperatives, finding solutions to these problems should be given a high priority.

Table 11. Ranked Importance of Current or Existing Problems of Non-agricultural Cooperative Survey Respondents by Industry, 1997

Current/existing difficulties	Industry					Total
	Retail	Service	Wholesale	FIRE	Misc.	
	(-----rank ^a -----)					
Maintaining mktg. plan	10	8	4	6	9	9
Maintaining equity	4	5	2	8	5	4
Maintaining debt	7	9	9	9	10	10
Maintaining supplies*	11	6	10	13	13	11
Maintaining cash flow*	15	14	14	14	14	14
Maintaining mem. loyalty	5	3	11	10	6	6
Attracting & keeping mgrs.	8	10	5	7	7	8
Identifying coop. leaders	13	13	8	11	8	13
Selecting directors*	9	7	7	3	11	7
Gov. agencies support	3	11	6	4	12	5
Trade assoc. support	2	4	12	2	1	3
Crime*	12	12	13	12	4	12
Competition	1	1	1	1	3	1
Balancing member interests	4	2	3	5	2	2

^a Based on mean score for the scale: 1 = very difficult, 2 = moderately difficult, 3 = not difficult. Source: Survey Question #21.

*Significant differences among groups based on Chi Square test with 10% level of significance and 4 degrees of freedom.

As before, a series of chi-square tests were conducted to examine which current problems were common across different types of non-agricultural cooperatives. Based on test results, all potential current problems listed in Table 11 *except* the following few were common among the non-agricultural cooperatives in the sample: reliable source of supplies and services, maintaining cash flow, identifying and selecting board of directors, and crime in the neighborhood. Thus, regardless of their types, these non-agricultural cooperatives commonly faced problems such as maintaining a consistent customer base, maintaining equity and debt, maintaining member loyalty, and attracting and keeping managers, among others. Some of these problems are also common to IOFs.

Strengths and Weaknesses of Non-agricultural Cooperatives

Non-agricultural cooperatives participating in the survey were asked to identify their strengths and weaknesses as a cooperative business entity. Respondents were asked to identify whether certain aspects of the cooperative business, such as operation or members were a strength or weakness in a scale of 1 through 5, where 1 implies “major strength,” and 5 implies major weakness.” Results show that a cooperative’s role as the producer or provider of an essential product or service was its most important strength, while the issue of compensation of the cooperative board of directors was its major weakness (Table 12). These non-agricultural cooperatives also identified the following aspects as major strengths: customer relations, work force quality, cooperative as the producer or provider of unique product or service, trust among members, member retention, management-board relations, and management quality. Among the attributes receiving the lowest ratings were recruiting board members, marketing, availability of long-term debt, identification and management of risk, equity redemption, planning for the future, and member education or training.

The relationship between the strength and weakness aspects of these non-agricultural cooperatives and the types of cooperatives in the sample, and their degrees of success was examined. A chi-square analysis of the relationship between the types of cooperatives and their strength and weakness aspects revealed that most strength and weakness aspects of these cooperatives (23 out of the 25) were independent of their types; only the “managing cash flow” and the “recruiting board members” aspects were dependent on the types of cooperatives. The problems of managing cash flow were most often reported as a major concern by respondents in the FIRE and wholesale sectors. Recruiting board members was regarded as a moderate problem by firms in the misc. and FIRE sectors, but was rated quite low by respondents in other sectors. This implies that other than these two, the strength and weakness characteristics were common to all types of cooperatives in the sample.

A statistically significant relationship exists between the degrees of success among the industry groups and the following strength and weakness aspects of these non-agricultural cooperatives: producer of a unique product or service, quality of management, customer relations, balancing member interests, trust among members, member retention, and tenure of the board of directors. Conversely, the degrees of success of these non-agricultural cooperatives were independent of the remaining 18 strength and weakness factors.

Contributions of the Non-agricultural Cooperatives

In corporate America, names such as Farmland, Sunkist, or Ocean Spray in the food sector, and True Value, ACE Hardware, or the Associated Press in the non-food sector are synonymous with success (and quality). These businesses are excellent examples of the role and contributions of cooperative businesses to the U.S. economy. These organizations are examples of cooperation among entrepreneurs, working together collaboratively for mutual benefit. The respondents in this study were asked to agree or disagree with seven selected potential contributions of their cooperatives. Most of these selected contributions dealt with cooperative goals (e.g., “reduce members’ cost of doing business”) or the roles played by cooperatives in

Table 12. Ranked Strengths and Weaknesses of Non-agricultural Cooperatives as Reported by Survey Respondents by Industry, 1997

Attributes	Industry					Total
	Retail	Service	Wholesale	FIRE	Misc.	
	(-----rank ^a -----)					
Regarding Operations:						
Provider of unique prod./service	2	4	7	18	5	4
Provider of essential prod./service	4	1	1	8	3	1
Controlling operating cost	11	9	14	7	7	10
Management quality	8	11	2	2	2	8
Work force quality	5	2	4	6	1	3
Location	10	14	11	9	18	12
Marketing	17	21	19	25	25	23
Planning	18	15	16	19	22	19
Risk mgmt.	23	20	18	11	15	21
Customer relations	1	3	8	10	9	2
Managing cash flow*	9	13	3	1	11	9
Regarding Capitalization:						
Availability of long-term debt	22	24	12	24	8	22
Maintain equity	16	19	10	14	12	15
Equity redemption	19	22	23	17	19	20
Regarding members:						
Member educ.	20	10	24	21	20	18
Non-member business	14	18	20	22	23	17
Balancing member interests	13	12	15	20	21	13
Communication with members	12	6	10	12	17	11
Trust among members	3	5	5	3	13	5
Members retention	6	7	13	4	6	6
Regarding the Co-op Board:						
Recruiting members*	24	23	22	15	14	24
Relations with mgmt.	7	8	6	5	4	7
Business experience	21	16	17	16	10	16
Tenure	15	17	21	13	16	14
Compensation	25	25	25	23	24	25

^aBased on mean score for the scale: 1 = major strength, 2 = minor strength, 3 = neutral, 4 = Minor weakness, 5 = major weakness. Source: Survey Question #10.

*Significant difference based on Chi Square test with 10% level of significance and 4 degrees of freedom.

many communities (e.g., “agents for economic development”). Results, presented in Table 13, reveal that most respondents in this study agreed that cooperatives reduce members’ cost of doing business (ranked 1st), provide unavailable goods and services (2nd), and help members remain independent (3rd). Not surprisingly, survey respondents’ selection of these contributions by cooperatives correspond closely to some of the rationales behind forming cooperatives (Table 9). Among other potential contributions listed in Table 13, most respondents neither agreed nor disagreed with the notion that cooperatives were employment providers (ranked 7th). Among different types of cooperatives in the sample, retail cooperatives ranked their contribution of providing unavailable goods and services as the most important of all (ranked 1st), while service, wholesale, FIRE, and misc. types of cooperatives considered cooperatives’ ability to reduce members’ cost of doing business as the most important contribution of cooperatives.

Table 13. Ranked Importance of Contributions by Cooperatives as Reported by Non-agricultural Survey Respondents by Industry, 1997

Contributions	Industry					Total
	Retail	Service	Wholesale	FIRE	Misc.	
	(-----rank ^a -----)					
Reduce costs	2	1	1	1	1	1
Provide unavailable goods/service	1	3	3	6	3	2
Provide employment	7	6	4	7	5	7
Enhance community image	3	5	6	3	6	4
Help members remain independent	4	2	2	2	2	3
Promote democracy	5	4	5	4	4	5
Agents for econ. develop.	6	7	7	5	7	6

^a Rank based on mean score for the scale: 1 = strongly agree, 2 = moderately agree, 3 = neutral, 4 = moderately disagree, 5 = strongly disagree. Source: Survey Question #13.

Services for Success

From the information presented earlier, it is clear that cooperative entrepreneurs face a variety of hurdles that may considerably hinder cooperative development and success. One of the strategies for tackling problems faced by cooperatives (or cooperative entrepreneurs) is to develop programs and services which cater to the needs of these cooperatives at various stages of development, such as establishment and management of cooperatives. Respondents were asked to identify the importance of a few selected services that cooperatives may need to succeed (Table 14).

Table 14. Ranked Importance of Selected Services for Continued Success of Non-agricultural Cooperative Survey Respondents by Industry, 1997

Service	Industry					Total
	Retail	Service	Wholesale	FIRE	Misc.	
	(-----rank ^a -----)					
Technical assistance	2	2	2	3	1	2
Grants	5	4	5	5	5	5
Coop. discussions	3	3	3	2	4	3
Training	1	1	1	1	2	1
Coop. joint purchasing	4	5	4	4	3	4

^a Rank based on mean score for the scale: 1 = very important, 2 = somewhat important, 3 = not important. Source: Survey Question #22.

All types of cooperatives, except the misc. type, ranked the training of the cooperative board of directors, management, and employees as the most important service for the success of cooperatives (Table 14). While the misc. type of cooperatives considered services such as technical assistance (including developing marketing plans and market studies) as more important, retail, service, and wholesale cooperatives considered such services as the second most important. Services related to providing financial support or grants to develop business plans, conduct market studies, and undertake member recruitment were considered as less important services for cooperative success by the respondents. This was surprising because, during the course of this study, it was found that many entrepreneurs looking for cooperative business opportunities wanted to examine the feasibility of forming a cooperative and were looking for financial assistance (or grants) to conduct market studies, feasibility studies, and member recruitment drives.

SUMMARY AND CONCLUSIONS

Cooperatives are an integral part of the U.S. economy, in both agricultural and non-agricultural sectors. While the role and importance of agricultural cooperatives are well documented, there is not a definite source to even verify the number of non-agricultural cooperatives that currently exist in the United States, let alone to document their role and importance. The objectives of this study were to examine the characteristics of non-agricultural cooperatives, analyze their difficulties during formation and current operation, assess their strengths and weaknesses as cooperative business organizations, and examine their role as business entities in the economy.

The primary tool of the study was a survey conducted in early 1997 among non-agricultural cooperatives in the United States. A stratified sample was drawn from a data base of non-agricultural cooperatives created for this study from a national business directory (i.e., *American Business Yellow Pages*). Usable surveys from 162 cooperatives (35% of the sample) made up the data base for the study. The respondents represented 40 states. The states with the largest numbers of respondents were Wisconsin and Mississippi.

When asked whether they could have opened their business had it not been organized as a cooperative, the respondents were about equally divided between yes and no. This study also underscores the importance of member training and education, because during the formation stage of most of these non-agricultural cooperatives, their core members were their most important source of information. Members also played an important role in capitalizing these non-agricultural cooperatives; almost 70% raised their start-up debt capital from their members, rather than borrowing from sources such as commercial banks. It was also found that monetary grants were not important as an initial source of funds to start their cooperative business.

Most of the non-agricultural cooperative respondents agreed that they opened their business as a cooperative to pool the resources of their individual members, reflecting a long standing reason for forming cooperatives. Another important reason for forming cooperatives, according to the respondents, was to provide necessary goods and services at a reduced cost, because prices of goods and services were too high prior to the cooperative's entry. Thus, market failure combined with members' desire and ability to pool their resources through a cooperative form of business resulted in the formation of most of the non-agricultural cooperatives in this study.

Although some of these non-agricultural cooperatives had business entities, government agencies, or non-profit organizations as their members, the predominant type of membership among these cooperatives was individual memberships. Among the respondents, only 35 (22%) had more than one type of members. Another important characteristic of these cooperatives was that over 90% of them had an open membership policy, unlike many 'new generation' agricultural cooperatives. It was also found that the degree of success of these cooperatives was independent of their open- or closed- membership policy.

Most of the respondents in this study (over 73%) were either consumer cooperatives (e.g., food stores, clothing stores) or service cooperatives (e.g., child care, residential care, rental services), which may reflect the proportionate national distribution of such businesses in the economy. The rest were almost equally divided among the following sectors: wholesale trade, finance, insurance and real estate sector, and a miscellaneous sector containing some manufacturing and transportation cooperatives.

In the sample of 150 cooperatives, serving 322,908 members in 1996, the service sector cooperatives had the highest number of members, followed by the retail sector cooperatives in a distant second place. The amount of business to non-members among these respondents was

substantial, slightly over 24% of the 1996 revenue for the respondents. The retail sector cooperatives had the highest amount of non-member business, averaging at 35.6% of revenue, followed closely by wholesale cooperatives (31.5%). It may be useful to study how these cooperatives manage patronage refunds considering such a high volume of non-member business.

In terms of their business volume, 128 respondents had almost one billion dollars in revenue in 1996. Retail sector cooperatives earned the most (32.2% or over \$315 million), while the service sector cooperatives were second in revenue in 1996 (28.3% or almost \$277 billion). The payroll of 117 responding cooperatives was almost \$166 million in 1996; the service sector cooperatives had the largest payroll, over \$51 million. The non-agricultural cooperatives from 40 states included in this study show the substantial economic contribution made by such cooperatives in the United States.

The non-agricultural cooperatives also faced stiff competition in their trade or market area. For instance, the average number of competitors for these non-agricultural cooperatives in their market area was 33, and the most numerous competitors were faced by the wholesale cooperatives with an average of 85 competitors. In terms of their length of time in business, the average cooperative had been operating successfully since 1964 (or for about 33 years), the oldest since 1882 and the youngest since 1995. This kind of longevity in today's world of business shows the business acumen of their leaders and management. Among the different types of cooperatives, wholesale cooperatives were in business the longest time (44 years on average).

Most of the non-agricultural cooperatives taking part in this survey (over 62%) were small businesses earning less than \$5 million a year. Only three respondents reported revenues over \$50 million in 1996. Regardless of their size, a majority (almost 61%) of the non-agricultural cooperatives were managed by professional managers.

The non-agricultural cooperative respondents faced various difficulties during their formation stage as well as during their current operations. It was found that raising equity was the most difficult problem faced by these cooperatives during their formation stage. Not surprisingly, according to these respondents, the second most difficult problem they faced during the formation stage was raising debt capital, which becomes more difficult if an organization has problems raising equity. In this regard, agricultural cooperatives may have less problem because traditional financial institutions are familiar with agricultural cooperatives. Moreover, there are specialized financial institutions (e.g., CoBank) that finance agricultural cooperatives only. In order to facilitate development of non-agricultural cooperatives, cooperative entrepreneurs should have an easier access to financial resources as well as technical expertise. For those cooperative entrepreneurs who considered monetary grants as an important ingredient in establishing their cooperative, they mostly obtained their grants from various government agencies. Considering budget cuts at both federal and state levels, cooperation among cooperatives, which is currently lacking according to the findings, may facilitate the cooperative development process further. For example, existing and successful cooperatives could provide technical assistance to cooperative

entrepreneurs or could refer them to qualified attorneys and to consultants able to conduct market and feasibility studies or develop business plans.

Among other important problems faced by these non-agricultural cooperative respondents during their formation stage was developing suitable marketing and business plans and obtaining information on legal issues related to cooperatives. Providing such information at the least possible cost (or free of cost) to entrepreneurs interested in opening a cooperative form of business may reduce their burden substantially. Various state land-grant universities in coordination with relevant government agencies may be able to meet such needs.

Although on average the cooperatives represented in this study had been in business for over 30 years, they still face operating difficulties. These non-agricultural cooperative respondents had problems maintaining their marketing plan, identifying and selecting a board of directors (in principle, such members must come from the cooperative membership only), maintaining and managing cash flow, and identifying cooperative leaders. While some of these problems, such as maintaining or managing cash flow, are common to all kinds of business, cooperatives have some special problems, such as identifying and selecting a board of directors. A common dilemma faced by today's cooperatives is how to form a board of directors that is capable of running a business in today's competitive world without compromising cooperative principles, policies, or laws governing the cooperative organization. This is where training and education for cooperative board members, management, and employees become very important. Perhaps not surprisingly, such training and education were considered as the most important and necessary services for success of cooperatives by the respondents in this study.

The non-agricultural cooperatives also identified several aspects of their businesses as their strengths. Most respondents identified customer relations, work force quality, being provider of a unique product or service, trust among members, low member turn over, board-management relations, and management quality as major strengths. These non-agricultural cooperatives had also clearly identified their role as cooperatives, (e.g., they were able to reduce members' cost of doing business, or they were filling an important void by providing unavailable goods and services, or they were able to help members remain independent, among others). Among the weaknesses identified by the non-agricultural cooperative respondents, their ability to recruit board members, marketing their product or service, and availability of long-term debt topped the list. As mentioned before, while some of these weaknesses are specific to cooperatives, others are common to all types of businesses.

It is apparent that these non-agricultural cooperatives possessed some important factors or ingredients necessary for success in business as their strengths (e.g., good management quality). For most of the respondents, these factors were their strength. Moreover, these respondents were able to clearly identify their goals and their contributions as cooperatives. However for their success, like any other business, these cooperatives will have to continually adjust to the dynamic business environment, exploiting their strengths and minimizing their weaknesses. To be able to achieve such a balance, non-agricultural cooperatives will need cooperative leaders with

foresight, who understand the business world as well as the cooperative culture, who will be able to strike a balance between the interest of the members as well as that of the board of directors and/or management, and who will be able to build on the strengths of the cooperative organization. Not surprisingly, finding such leaders was identified as one of the major problems by the non-agricultural cooperatives in this study. Perhaps the old adage 'where there is a will, there is a way,' sums up the tasks ahead for these non-agricultural cooperatives. As for the potential cooperative entrepreneurs, they should try to find ways to overcome and/or avoid difficulties faced by these non-agricultural cooperatives during their formation and current stages of operation.

Finally, this study has shown that non-agricultural cooperatives have been successfully catering to the needs of both rural and urban areas, providing necessary goods and services ranging from daily groceries to hospital care, along with much needed employment. Although not much was known about these silent players in the U.S. economy, this study has shown the potential of the cooperative approach and difficulties and prospects associated with it in the business world.

This study has also showed that for their continued success, these cooperatives will require external facilitation and assistance to overcome their organizational and management problems. This is where various public institutions, such as government agencies and land-grant institutions, which have been paying more attention to the agricultural sector and agricultural cooperatives, can make substantial contributions toward non-agricultural cooperative development efforts. Such public institutions may be able to allocate some of their resources to meet the needs of the non-agricultural cooperatives in the form of training, education, consulting services, etc. and help these cooperatives overcome their difficulties at various stages of their life cycles.

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Appendix A

COOPERATIVE SURVEY

COOPERATIVE SURVEY

This survey is an attempt to identify solutions to problems and difficulties faced by your cooperative and how such problems were overcome. Your participation is completely voluntary. Your responses are very important to us and will be handled with **strict confidence**.

If you have any question, please contact Professor David Cobia at (701) 231-7446 or Dr. Sanjib Bhuyan at (701) 231-9591. Thanks for completing this survey. Your cooperation is appreciated.

About the Cooperative. This set of questions pertains to your business operation.

1. In what year did the cooperative begin its operation? _____
2. What among the following best describe the cooperative's membership? **(Please record the approximate number of membership by type)**
 - a. Individuals _____
 - b. Business entities _____
 - c. Government/public agencies _____
 - d. Non-profit organizations _____
 - e. Other **(Please specify)** _____
3. Are you accepting new members?
Yes _____ No _____
4. Approximate size of the cooperative in 1996.
 - a. Sales or revenue \$ _____
 - b. Payroll (wages and salaries) \$ _____
5. Percent of business/sales to non-members _____ %
6. How is the cooperative managed? **(Please check one)**
 - a. Member managed _____
 - b. Professional management (full-time) _____
 - c. Professional management (part-time) _____
 - d. Other **(Please specify)** _____
7. Do you plan a major change in your product/service line in the next five years?
Increase _____ Decrease _____ No Change _____

8. To what extent do you consider the co-op venture a success? **(Please check one)**
- a. A major success ____
 - b. A minor success ____
 - c. Not successful ____
 - d. Too early to tell ____
9. Regarding your competition in your major market/trade area:
- a. about how many other companies compete with your cooperative? _____
 - b. how many are cooperatives? _____
10. What are your cooperative's **strengths** and **weaknesses**? **(Please circle the appropriate value.)**

Factors	Major strength	Minor strength	Neutral	Minor weakness	Major weakness
Regarding operations:-					
Producer or provider of a unique product or service	1	2	3	4	5
Producer or provider of an essential product or service	1	2	3	4	5
Managing/controlling operating cost	1	2	3	4	5
Management quality	1	2	3	4	5
Work force quality	1	2	3	4	5
Location	1	2	3	4	5
Marketing	1	2	3	4	5
Planning for the future	1	2	3	4	5
Identification and management of risk	1	2	3	4	5
Customer relations	1	2	3	4	5
Managing cash flow	1	2	3	4	5
Regarding capitalization:-					
Availability of long-term debt	1	2	3	4	5
Maintaining equity	1	2	3	4	5
Equity redemption	1	2	3	4	5

Regarding members:-

Member education/training	1	2	3	4	5
Non-member business	1	2	3	4	5
Balancing interests of members	1	2	3	4	5
Communication between the co-op and its members	1	2	3	4	5
Trust among members	1	2	3	4	5
Member retention	1	2	3	4	5

Regarding the Co-op Board:-

Recruiting board members	1	2	3	4	5
Management-board relations	1	2	3	4	5
Business experience of the board	1	2	3	4	5
Tenure of the board	1	2	3	4	5
Compensation of the board	1	2	3	4	5

Reasons to Open the Business as a Cooperative. Why is this business operating as a cooperative rather than another business form?

11. Could owners have opened this or similar business had it NOT been organized as a co-op?
 Yes ____ No ____ Don't know ____

If YES, please explain why _____

12. How important were the following factors in the **formation** of your cooperative? (**Please circle the appropriate value.**)

Cooperative was formed because....	Strongly agree	Moderately agree	Neutral	Moderately disagree	Strongly disagree
Goods and services were not of desired quality	1	2	3	4	5
Prices of goods and services were too high	1	2	3	4	5
Goods and services were not available	1	2	3	4	5

Cooperative was formed because....	Strongly agree	Moderately agree	Neutral	Moderately disagree	Strongly disagree
To take advantage of new technology	1	2	3	4	5
To provide employment	1	2	3	4	5
To foster economic development	1	2	3	4	5
To increase networking among members	1	2	3	4	5
To continue the cooperative tradition	1	2	3	4	5
To allow members to pool their resources	1	2	3	4	5
Co-ops have reduced tax burden	1	2	3	4	5
Easier to obtain financing	1	2	3	4	5
Members prefer dealing with co-op	1	2	3	4	5
Vendors prefer dealing with co-op	1	2	3	4	5
Other (please specify) _____ _____	1	2	3	4	5

13. Please rate the following **contributions** of your cooperative. (Please circle the appropriate value.)

This co-op contributed in following ways....	Strongly agree	Moderately agree	Neutral	Moderately disagree	Strongly disagree
Reduce members' cost of doing business	1	2	3	4	5
Provide unavailable goods and services	1	2	3	4	5
Provide employment	1	2	3	4	5
Enhance image of the community	1	2	3	4	5
Help members remain independent	1	2	3	4	5
Promote democracy	1	2	3	4	5
Agents for economic development	1	2	3	4	5

14. How important were the following information sources in the **formation** of your cooperative? **(Please circle the appropriate value)**

Sources of information	Major source	Minor source	Not a source
Private foundations	1	2	3
University specialists	1	2	3
Federal agencies	1	2	3
Local and state agencies	1	2	3
County extension agents	1	2	3
Lending agencies, e.g., banks	1	2	3
Private consultants, e.g., accountants, lawyers	1	2	3
Trade associations	1	2	3
Other cooperatives	1	2	3
Core members of your cooperative	1	2	3
External facilitator	1	2	3

15. Of the above sources, please list the three most important ones that continue to provide important information regularly:

1. _____
2. _____
3. _____

16. Was a formal feasibility study conducted for your business during its formation?
 Yes _____ No _____ Don't know _____

17. Sources of start-up debt capital for your co-op? **(Please check all that apply)**

- a. Commercial bank _____
- b. Banks for cooperatives _____
- c. Credit unions _____
- d. Other cooperatives _____
- e. Small Business Administration _____
- f. Members/individuals _____
- g. Other **(Please specify)** _____

18. Were grants an important initial source of funds?
 Yes _____ No _____ Don't know _____

19. If YES, sources of grant or donation. **(Please check all that apply)**

- a. Private foundations _____
- b. Government agencies _____
- c. Individuals _____
- d. Other cooperatives _____
- e. Others (please specify) _____

Problems faced by the cooperative.

20. How difficult were the following factors **during formation** of the cooperative? **(Please circle the appropriate value)**

Factors	Very difficult	Moderately difficult	Not difficult
Finding members	1	2	3
Finding member leaders	1	2	3
Acquiring funds for feasibility study, business plan, etc.	1	2	3
Developing business plan	1	2	3
Developing marketing plan	1	2	3
Raising equity	1	2	3
Raising debt capital	1	2	3
Deciding what products/services to offer	1	2	3
Finding professional manager	1	2	3
Finding qualified consultants, e.g., accountants, attorneys, etc.	1	2	3
Finding good location	1	2	3
Support from government agencies	1	2	3
Support from trade associations	1	2	3
Knowledge about co-ops, e.g., what is a co-op, how it works, etc.	1	2	3
Knowledge about legal issues related to co-ops	1	2	3
Other (please specify) _____	1	2	3

21. What kind of difficulties/problems this cooperative is **currently** facing? (Please circle the appropriate value)

Factors	Very difficult	Moderately difficult	Not difficult
Maintaining:			
consistent customer base	1	2	3
marketing plan	1	2	3
equity	1	2	3
debt	1	2	3
reliable source of supplies and services	1	2	3
cash flow	1	2	3
member loyalty	1	2	3
Attracting and keeping managers	1	2	3
Identifying cooperative leaders	1	2	3
Identifying/selecting directors	1	2	3
Support from government agencies	1	2	3
Support from trade associations	1	2	3
Crime in the neighborhood	1	2	3
Competition in the major market/trade area	1	2	3
Balancing the interests of members	1	2	3
Other (please specify) _____	1	2	3

22. How important are the following services for continued success of cooperatives? **(Please circle the appropriate value)**

Services	Very important	Somewhat important	Not important
Technical assistance, such as developing business plan, market study, etc.	1	2	3
Financial support or grants to conduct business plan, market study, member recruitment drive, etc.	1	2	3
Discussions among cooperatives regarding their problems and prospects	1	2	3
Training of board, management, and employees	1	2	3
Cooperatives jointly purchasing goods and services	1	2	3
Other (please specify) _____ _____	1	2	3

23. Is your business a member of any state/national cooperative organization (e.g., NCBA)?
 Yes _____ No _____ Don't know _____

If YES, please name three such principal organizations

1. _____
2. _____
3. _____

24. Additional comments: _____

25. Respondent's position/job title in the cooperative _____

26. Would you like to receive a copy of the summary of this survey?
 Yes _____ No _____

Thank you for completing this survey. Please return it in the accompanying envelope.

Appendix B

APPENDIX TABLES

Appendix Table B.1. Geographic Distribution of Non-agricultural Cooperative Survey Respondents by Industry, 1997

State	Industry					State	Industry					Total
	Retail	Service	Wholesale	FIRE	Misc.		Retail	Service	Wholesale	FIRE	Misc.	
Alabama	1					Nevada	1					1(0.6%)
Alaska	1	1				N. Hampshire		3			1	4(2.5%)
Arizona		2				New Jersey				1	1	2(1.2%)
Arkansas					1	New Mexico	1	3				4(2.5%)
California	3	3		1	1	New York					1	1(0.6%)
Colorado	3	1				No. Carolina	1	1				2(1.2%)
Georgia		1		2		North Dakota	1					1(0.6%)
Hawaii	1	1				Ohio		2	2			4(2.5%)
Illinois	3			1		Oklahoma	1	4				5(3.1%)
Iowa	2	2	1	1		Oregon	1	3		1		5(3.1%)
Kansas	2					Pennsylvania		2	2	1	1	6(3.7%)
Kentucky	1	1	1		1	Rhode Island	1					1(0.6%)
Maryland	5	3				So. Carolina	1					1(0.6%)
Mass.		1				Tennessee		1			1	2(1.2%)
Michigan		1				Texas	1					1(0.6%)
Minnesota	5	3	1	1	1	Utah	1	3			1	5(3.1%)
Mississippi	10	5	2	2	1	Vermont	1					1(0.6%)
Missouri	1	1		1		Washington	1					1(0.6%)
Montana					1	West Virginia		5			1	6(3.7%)
Nebraska	2					Wisconsin	7	7	6	1	2	23(14.2%)
Total							59	60	15	13	15	162
							(36.4%)	(37.0%)	(9.3%)	(8.0%)	(9.3%)	(100.0%)