



Cooperatives Face a Changing Landscape



Cooperatives have been an important part of the business landscape since the mid-19th century, and with more than 2,100 ag co-ops in the U.S. today, are an integral part of our agricultural economy, helping farmers and ranchers purchase supplies, market products and deliver essential financing. In the rural communities many of our farmers and ranchers call home, electric, telephone and water cooperatives deliver essential services.

As they work to support their members, cooperatives are also facing a changing business and economic landscape. Low commodity prices, uncertain trade policies and rapidly evolving technologies are just some of the challenges stressing the status quo. Recognizing and responding to this dynamic marketplace will be essential for each cooperative's long-term success.

FCC Services is embedded in the cooperative realm, supporting Farm Credit financial cooperatives as well as agricultural, electric and other rural cooperatives. Our consultants are experts in their fields, and through their focus on cooperatives and extensive interactions with co-op leaders, have developed deep insight into the current environment, emerging trends, governance practices and changes to come.

Consolidation

Looking to gain efficiencies and economies of scale in an increasingly competitive market, cooperatives have been seeking strategic mergers over the past decade, a trend that is expected to continue. There is also considerable consolidation in the supply chain, and mergers of mega-companies are making it more difficult for cooperatives to maintain their margins and retain profitability. "Cooperatives impacted by the supply chain consolidation should consider shifting their resources to differentiating themselves by becoming more sophisticated advisors and consultants rather than simply sellers of inputs," says Bill Wilson, Vice President of Agribusiness Consulting. "It's also beneficial to build strong relationships with supply chain partners."

Consolidation is a trend among producers as well, creating larger operations that offer opportunities to ag cooperatives. Bill recommends that cooperatives undertake market segmentation research to identify niche opportunities, whether that be large operations or smaller, specialty producers.

These larger, merged organizations create greater complexity for leadership and governance of the organizations. Directors and leadership teams need to develop greater understanding of their increasingly complex organizations including their risks, financials and human capital.

Market Changes

As our national demographics and geographical distribution of population changes, cooperatives need to think more broadly about their offerings and their customer base, considering diversity and inclusion so their staff is optimal for interacting with the new marketplace. Responding to this changing environment can take many forms, and it's up to each cooperative to recognize its opportunities. As an example, Farm Credit organizations that have traditionally served a rural market are now including urban agriculture in their portfolios.

"It's critical that boards of directors spend more time in strategic discussion and forward thinking, and provide their input and guidance about trends and future direction in discussions with senior leadership," says Leslie Hilton, FCC Services Vice President of Governance/Board Development. "Of course they need to pay attention to what's happening in the current environment, but they also need to keep their eyes on the future. Research

shows that most boards today don't spend enough time in strategic discussion and this is an opportunity for them to develop competitive advantage."

Technology

More and more, the generations coming into the workplace and onto the farm have a need to be constantly connected to others and the world around them. Cooperatives need to consider how to leverage this trend within their organizations and when communicating to their members.

Technology is also constantly changing, which is both a challenge and an opportunity: keeping up with current technology can be a drain on resources, but it can also enhance product offerings and how they're delivered. Hiring savvy staff, being willing to embrace continuing change and creating a culture of continuous learning will be essential to riding the technology wave successfully.

"With the continuous development of new technologies, the complexity of our world is changing," says Jean Cantey Segal, FCC Services Senior Vice President of Organizational Effectiveness Consulting. "Organizations need employees who are highly competent in the digital world, including social networking, and willing to embrace and recognize the opportunities in technologies as they become available."

Talent Acquisition and Retention

In a time when technology is taking over more mundane and repetitive tasks, the value of educated, innovative, responsive and thoughtful employees cannot be understated. The competition for such talent is strong, and high-value employees are in a position to choose where they work; many are being drawn to our cities rather than our rural areas.

"Everyone is looking for experienced and talented employees, but they're becoming harder and harder to attract, especially in more rural areas," says Jay Lux, FCC Services' Vice President of Organizational Effectiveness Consulting. "Given the challenges in the market, it's imperative that employees also be insightful and attentive listeners so they can identify new customer needs through their interactions with them and be adaptable to an environment of change as the cooperative continues to evolve. We are also seeing a trend of organizations focusing on recruiting for the competency of 'inquisitiveness'."

Complicating the situation is the long tenure in many cooperatives, which means younger people may struggle to rise through the ranks and may not see their opportunities for growth, which can lead to turnover. To combat this, cooperatives should engage with and help facilitate the professional growth of employees, looking outside the traditional hierarchy and fostering an environment of lifelong learning, offering training and new challenges to invigorate their staff, and instituting mentoring programs that leverage employees at all levels to share knowledge and insights.

"Cooperatives have the opportunity now to invest in future generations, either on the job or even before they enter the job market," says Jean. "Demonstrating this willingness will make the cooperative more attractive as an employer."

Generational Shift

With the aging of the American farmer and the next generation taking on a management role in farming operations, cooperatives are facing a different demographic in their membership as well as their employees. "The younger generations may not immediately see a cooperative as a modern opportunity, and may see it as their 'parents thing'," says Jean. "To reach this new market segment, cooperatives should highlight the resilient, democratic nature of the business model, focusing on the cooperative principles and how cooperatives make a difference in peoples' lives, and look at other successful cooperatives for ideas on how to make the co-op 'cool' and interesting to the new market."

Leslie agrees, adding, “Because we’re in a time of pretty significant mistrust of corporations, cooperatives have an opportunity to tell a different story that can be attractive to a new generation that wants to feel like they have control over their own destiny.”

Access to Information

The Internet has revolutionized the business landscape as people can obtain information and purchase products and services easily from wherever they are. Competition is increasing, as geographical boundaries become irrelevant, and as new companies meet traditional needs through digital technology, such as web-based banking services or new ways to purchase crop inputs.

In addition, because of the vast amount of information available, co-ops, like other businesses, are facing more competition for attention from members and prospective members. Carefully targeted messaging delivered via the appropriate platforms is needed to cut through the clutter.

Communication

With new online options and access to virtually unlimited information, combined with a new generation that seeks information when they want it, cooperatives need to get better at telling their story. Demonstrating the transparency of cooperatives to their members and their involvement within their communities can go far to attract the younger audience, both employees and customers. Cooperatives have a strong resource in their membership and mission, and can capitalize on their most supportive members to share their experiences and the difference the cooperative has made in their operations and their lives.

“Utilizing your employees and members as your greatest advocates to tell your hero story is critical to growing your organization and recruiting employees,” says Stephanie Barton, Vice President of Marketing and Strategic Account Management, FCC Services. “Take advantage of digital channels and look to these advocates to help amplify your message.”

Success into the Future

For any business, a strong balance sheet will be imperative for responding to market fluctuations and to be positioned to respond to new opportunities and challenges. As well, businesses need to run efficiently, provide quality customer service and continually find ways to add value. Boards of directors need to maintain a focus on the future rather than spending the majority of their time looking backwards at past results. Strong leadership that embraces change and drives innovation will enable quick response, and engaged and talented teams will position the cooperative to deliver effective results.

With the board, management and employees embracing the potential of the future, rural cooperatives should also rethink and embrace an increased digital literacy to appeal to a new generation, and use modern communication channels to share their unique stories to their evolving audiences.

“There’s no question that cooperatives are facing a time of rapid change and uncertainty,” says Scott Binder, FCC Services CEO. “By having the right attitude and focus now, making careful strategic decisions, and developing their human resources, they can position themselves to thrive in the new marketplace.”