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Assessing Organizational Effectiveness of Member-owned Enterprises in the northeast United States

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ABSTRACT

Organizational effectiveness (OE) is the concept of how effectively an organization achieves its goals. For example, for a for-profit business organization such a goal may include making profit or achieving a certain growth rate while such goals for a non-profit or an educational institution would be different. Given the importance of OE in managing an organization, it is surprising that the issue of OE is ignored or overlooked in both management literature and the literature related to member-owned enterprises, such as on cooperatives. Despite their widespread participation in U.S. economy, little is known about the organizational effectiveness of these member-owned enterprises. Using survey-based primary data, we assess OE in member-owned enterprises in the northeast United States. Our results show that most of the member-owned enterprises were effective in achieving most of their multidimensional goals. Such results give insights into the organizational effectiveness of member-owned enterprises and how they could be more effective in reaching their organizations' missions and goals. It was clear from this exercise that there is no single approach to evaluate organizational effectiveness in member-owned enterprises. This research addresses gaps in both business management and the literature related to member-owned enterprises, such as cooperatives and mutuals.

I. Introduction

Any organization, whether for-profit or non-profit, is considered effective when it achieves its desired goals (e.g., profitability, employee satisfaction, high graduation rates, higher production rate, etc.) with minimum waste of resources (e.g., time, money, human resources, etc.). According to

Pedraza (2014), organizational effectiveness (OE) can be defined as “the efficiency with which an association is able to meet its objectives.” (p.1). Thus, OE is a concept about how effectively an organization achieves its goals and is an on-going concern in all types of organizations across the world. For example, this type of goal for a business organization include making profit or achieving a certain growth rate, but organizational goals of a non-profit or an educational institution might be different, e.g., increase graduation rates. Thus, depending on the views of the user, the meaning of OE varies from organization to organization.

Member-owned organizations play an integral role in the production and distribution of goods and services around the world. At the fundamental level, these organizations are

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member-owned and member-used organizations with democratic principles. As organizational forms, member-owned enterprises are prevalent in various sectors in the U.S. economy, including insurance, agriculture, food distribution and retailing, childcare, credit unions, housing, healthcare, energy and telecommunications. In the United States, many of these member-owned enterprises are organized as cooperatives and together they contributed almost \$740 billion USD to the U.S. economy in 2013 (ICA, 2015). Despite their widespread participation in the economy, little is known about the organizational effectiveness of these member-owned enterprises. According to the ICA, member-owned enterprises worldwide employ 250 million people, and generate \$2.2 trillion USD in turnover while providing the services and infrastructure that society needs to thrive. Given the importance of OE in managing an organization, it is surprising that the issue of OE is ignored or overlooked in both management literature and the literature on member-owned enterprises, such as on cooperatives.²

In terms of management issues faced by member-owned organizations, they face major problems acquiring investments because the return on capital is not necessarily the principal goal of these organizations. Since member-owned organizations, such as cooperatives, are not the most attractive ventures for investors due to a poor return on investment, they are becoming increasingly outnumbered by investor owned firms (Biswas 2015). In addition to acquiring funds, trust and member satisfaction are key contributors to how well these member-owned organizations function. If members do not trust each other or members do not trust their leadership, then management inefficiencies are created within the organization that can adversely impact prosperity and profitability (Bhuyan, 2007). Therefore, member-owned organizations must be vigilant when it comes to effectively managing their organizations in order to compete in the real world.

Assessing organizational effectiveness in member-owned organizations is critical to ensure the longevity and success of these firms. The primary goal of this research is to assess OE in member-owned business enterprises in the northeast United States. This research will address a gap in both management literature and literature on member-owned enterprises by empirically analyzing management behavior in such enterprises located in the northeastern part of the United States. Results of this study are expected to aid practitioners in the field to guide such enterprises to be more effective in reaching their organizations' missions and goals.

I. How do we measure OE?

Organizational success could be defined by a wide range of criteria, whether that be related to revenue, sales, or employee satisfaction. Although there is no consensus in the management literature on the criteria to judge OE, there has been a general

consensus among researchers that there are five main approaches to view or measure OE (Schermerhorn, et al., 2004): (i) the internal process approach, which measures OE in terms of an organization's ability to offer a harmonious and efficient internal environment, e.g., trust among workers, shared governance; (ii) the system resource approach, which defines OE as the ability of an organization to acquire the necessary resources to ensure its viability, e.g., ability of a non-profit to obtain funds to continue its mission; (iii) the goal approach, which measures OE as the degree to which an organization has achieved its goals, e.g., profitability; (iv) the strategic constituency approach, which focuses on assessing how well an organization is able to satisfy all of its strategic constituencies. For example, in an academic institution, while administrators may consider a highly research-focused department as effective, the same department may be considered ineffective by students in terms of that department's teaching, but both of these assessments would be legitimate; and (v) the competing values approach, which integrates all other approaches of measuring OE and measures the changes of those effectiveness criteria over time, e.g., measuring profitability over time, measuring a non-profit's ability to attract funding over time, measuring a sports team's ability to win games or championships, measuring the research productivity of a faculty member in a research university, etc. These five approaches are discussed below.

2.1 Internal Process Approach

The first OE theory is the Internal Process Approach. This approach emphasizes that organizations that can offer a harmonious and efficient internal environment are viewed as effective and successful operations (Chelladurai 1987). This approach places increased value on how well employees get along with each other as well as management. In terms of a member-owned enterprise, it is critical that there is a fluid work environment that is adaptable and conflict-free in order to focus on the bigger picture of sustaining the organization. Furthermore, the internal process approach accounts for decision making abilities by management, formal or informal training received by members or employees of the organization, the qualifications of management, methods of communicating to the public and members. Overall, the internal process approach theory encompasses a wide range of features in an organization which contribute to success and efficiency.

2.2 System Resource Approach

The second framework of organizational effectiveness is the system resource approach. This approach proposes that for an organization to be successful it must be effective at exploiting its environment in order to acquire necessary resources (Yuchtman and Seashore 1967; Russo and Fouts, 1997; Daft 2010). Applying this theory to member-owned enterprises is important because of the difficulty these organizations have

² Not all member-owned enterprises are organized as cooperatives, e.g., Mutual of Omaha.

when it comes to acquiring members and investors. Thus, a member-owned enterprise can be defined as successfully using the system resource approach if it can attract ample amounts of investors to keep expanding and keeping up with market competition.

2.3 Goal Attainment Approach

The earliest OE framework is the goal attainment approach (Eydi 2015). This approach defines the effectiveness of an organization by how well it can achieve its goals (Price 1968). In terms of member-owned enterprises, such goals may include increasing membership, increasing membership base, increasing sales, etc. The focus of this theory is more on the bottom line. It ignores the trust and loyalty of members within a member-owned organization and the internal factors which have major contributions to the success of such organizations. Additionally, this theory fails to consider organizations with numerous concurrent goals that may conflict with each other (Eydi 2015). Due to the limited scope of the goal approach, this research is not concerned with it.

2.4 Strategic Constituencies Approach

The fourth approach is the strategic constituencies approach and it deals with satisfying all of an organization’s constituencies both external and internal. According to Eydi (2015), this approach grew out of work by Connolly, Conlon, and Deutsch (1980). In terms of a member-owned enterprise, the constituencies would be members, employees, managers, board of directors, and any other businesses that are strategic allies. All of these constituencies would have different perspectives of the member-owned enterprise in terms of what the objectives should be and how they should be accomplished. Therefore, under this approach, a member-owned enterprise is considered successful if it could satisfy all of the aforementioned constituents.

2.5 Competing Values Approach

The Competing Values Approach (CVA) is a complex approach integrates competing views on how to examine OE. According to Balduck and Buelens (2008), the CVA emerged from the efforts by various organizational theorists and researchers to measure OE in for-profit organizations. Originally proposed by Quinn and Rohrbaugh (1983) to address disagreements and competing views points about what constitutes effectiveness and how to measure it, this approach acknowledges that effectiveness can be measured in different ways for different organizations, and that the process is dynamic, i.e., it changes with the need of the organization. For example, some organizations may emphasize the human resources and relations in their organization (e.g., by educational institutions, or philanthropical organizations), while some others may focus on profitability and productivity (e.g., for profit corporations), or some others may focus on stability in the organization after an internal turmoil, or some organization may focus on resource gathering to aid the needy (e.g., relief organizations), and so on.

The above discussion is summarized in Table 1. Here we try to employ all five approaches to measure the OE of member-owned organizations in the northeast United States.

Table-1: Summarizing the Organizational Effectiveness Theories

Organizational Effectiveness Theory	Defined Effectiveness	Effectiveness Criteria
<i>Internal Process</i>	Harmonious workplace environment	Happiness, morale, trust
<i>System Resource</i>	Ability to gather scarce resources from environment	Resource acquisition
<i>Goal Attainment</i>	Goal achievement	Productivity, efficiency
<i>Strategic Constituency</i>	Satisfaction of all constituencies, both internally and externally	Constituents’ satisfaction
<i>Competing Values</i>	Integration of all of the above definitions of effectiveness	Incorporation of all of the above criteria

Source: modified from Lewin and Minton (1986).

III.Data

We focused our research on the northeast United States because the home institution of the authors is in this region. Thus, our study area consisted of the six New England states (Maine, Vermont, New Hampshire, Massachusetts, Rhode Island, and Connecticut) and four Mid-Atlantic States (New York, New Jersey, Pennsylvania, Maryland, and Delaware). Using information on member-owned enterprises that is publicly available as well as a list made available by a Federal agency (i.e., a central government agency), we created a sample frame that include following types of member-owned enterprises: (i) consumer (e.g., in housing, healthcare, banking), (ii) producer (e.g., agricultural production and marketing), (iii) purchasing (e.g., consumer and agricultural supply), and (iv) worker (e.g., iron works, printing). The process of creating the sample frame was laborious and it involved checking the addresses and names of each member-owned enterprises in the compiled list to ensure that these enterprises were still in operation in the spring of 2016.

The final sample frame included 1,055 consumer-owned enterprises (e.g., credit unions, housing cooperatives, grocery cooperatives), 161 member-owned enterprises focused on production (these were mostly agricultural cooperatives), 116 enterprises focused on purchasing (e.g., grocery/produce wholesalers, hardware wholesalers), and 43 worker-owned enterprises. Thus, our sample frame for the study area had a total of 1,357 member-owned enterprises among the four types of member-owned enterprises mentioned earlier. We used a self-administered questionnaire-based online survey method (via Qualtrics) to administer our survey to the entire sample frame (we acknowledge that our sample frame was probably

incomplete due to member-owned enterprises that we were not able to identify or locate in the study area).

The online survey was designed to be completed by a person who was involved in the governance of the enterprise (e.g., a member of the board of directors); we cross-checked the stated (revealed) position of the respondent in the completed survey to ensure that an appropriate person responded to our survey. Using Table 1 as our guideline, we asked the respondents about their respective enterprises' resource acquisition issues, profitability, member satisfaction, morale and trust, etc. Using emails of the member-owned enterprises, we sent out an online survey (designed in Qualtrics) to the 1,357 member-owned enterprises in the study area at the end of March 2016 followed by a reminder every four week until end of August. By the end of August 2016, 109 respondents completed the online survey. The response rate of our online survey was 8.03% which was below our expectation (due to resource limitations, we were not able to provide any incentive to respondents to complete the survey or hire a professional data collection agency, both of these could have increased the response rate). However, a breakdown of the responses shows that that we received responses from all four types of member-owned enterprises in the study area (Table 2), and therefore, the low response rate may not matter as much. We used SPSS 24 to analyze the data.

Table-2: Response Rate by Type of Member-Owned Organizations

Type of member-owned enterprise	Number of completed surveys returned
Consumer	37 (33.9)
Producer	20 (18.3)
Purchasing	12 (11.0)
Worker	31 (28.4)
Did not identify	9 (8.3)
<i>Total</i>	<i>109</i>

Note: percentage of the total (109) is in parenthesis.

IV. Results and Discussions

Given there is no unanimous agreement on how to measure OE, we employ the five approaches discussed earlier to measure the OE of member-owned organizations in the northeast United States. We describe our sample in section 4.1 and then we present the results of the OE assessment of member-owned organizations in section 4.2.

4.1 Description of the Sampled Member-owned Enterprises

Among the 109 valid responses, there were 37 (or 33.9%) member-owned consumer enterprises, 20 (18.3%) producer enterprises, 12 (11%) purchasing enterprises, 31 (28.4%) worker enterprises, and 9 (8.3%) enterprises did not identify their type. In terms of their years of operation, the youngest

member-owned enterprise was only four years old while the oldest one was over 90 years old. Almost half of the responding member-owned enterprises, or 49 out of 100 that responded to our question, were 30 years or older and were either owned and operated by workers, producers (farmers), or consumers in the housing and food retailing sectors.

In terms of their membership size, only 59 out of 109 responded to our question; among these 59, most (30 or 27.5%) had less than 50 member-owners while 12 of them (11%) had more than 200 member-owners; those enterprises with large number of members were owned and operated by consumers in the housing and food retailing sectors.

In terms of their revenue, 88 out of 109 respondents provided information on their 2014 fiscal year revenue, and almost 64% (or 56 out of 88) member-owned enterprises had less than US \$5 million in revenue. Out of these 56, almost half of them (or 23) were owned and operated by consumers in the housing and food retailing sectors, and the rest were distributed among other types of member-owned enterprises defined earlier.

4.2 Measuring OE in the Targeted Enterprises

Given that there is no universal or unanimously acceptable measure of organizational effectiveness, we try to employ all five approaches to the extent permitted by data availability.

4.2.1 The Internal Process Approach

According to Ostroff and Schmitt (1993), an organization is considered effective when there is an internal harmony that shows the existence of team spirit, group loyalty, positive work climate, and trust and confidence in the organization. In this study, the criteria used to assess OE under this approach included happiness, morale, trust and culture in the organization. Although our data limited us from assessing happiness and morale in these organizations, we were able to examine some of the key trust issues in these member-owned organizations. We looked at whether the member-owners trust each other, whether there was solidarity among them, and whether they trust their leadership.

We found that trust among the member-owners was prevalent across all types of member-owned enterprises and in overall 84% (79 out of 94) of the respondents disagreed that there was a lack of trust among the members of these enterprises (Table 3). Not surprisingly perhaps, we also found that almost 80% of the respondents (78 out of 98) mentioned that there was solidarity or camaraderie among the member-owners (Table 4). We also found that member-owners trust their leadership (such a Board of Directors) in 81 out of 93 (or 87%) of these enterprises.

Table-3: Trust among Member-owners

Statement: <i>There is a lack of trust among the members of this member-owned enterprise</i>					
Type of Enterprise	Strongly Disagree	Slightly Disagree	Neutral	Basically Agree	Total
Consumer	18	10	0	7	35
Purchasing	9	1	2	0	12
Worker	21	6	0	2	29
Producer	8	6	0	4	18
Total	56	23	2	13	94

Table-4: Solidarity among Member-owners

Statement: <i>There is a 'camaraderie' among members of this member-owned enterprise</i>					
Type of Enterprise	Slightly Disagree	Neutral	Basically Agree	Strongly Agree	Total
Consumer	7	6	11	13	37
Purchasing	0	0	6	6	12
Worker	0	0	14	15	29
Producer	2	5	8	5	20
Total	9	11	39	39	98

Table-5: Member-owners' Trust of their Board of Directors (BOD) of their Enterprise

Statement: <i>Members of this member-owned enterprise trust their elected representatives</i>					
Type of Enterprise	Slightly Disagree	Neutral	Basically Agree	Strongly Agree	Total
Consumer	2	4	17	12	35
Purchasing	0	2	2	8	12
Worker	0	2	7	17	26
Producer	2	0	5	13	20
Total	4	8	31	50	93

For effective functioning of the governance of the member-owned organizations, there must be a strong culture of active participation by the member-owners (Bhuyan, 2007). We, therefore, examine member participation in annual meetings in the targeted member-owned enterprises. A majority of the member-owned enterprises in our study had below 75% member attendance rates in their annual meetings (Table 6). Among the four types of such enterprises, only the members in the worker enterprises had the best attendance rate.

Table-6: Attendance Rate of Members in the Annual Meetings of the Sampled Member-Owned Enterprises

Type of Enterprise	Members' attendance rate			
	Below 50%	51-75%	Above 75%	Total
Consumer	23	2	12	37
Purchasing	7	3	2	12
Worker	4	0	27	31
Producer	8	7	5	20
Total	42	12	46	100

4.2.2 The System Resource Approach

As Daft (2010) explained, under this approach, an organization is considered effective if it is able to obtain and manage the valuable resources it needs. In this study, we

examine a very crucial resource – money - that these member-owned enterprises needed for start-up, for current operations, and for expansion, as well as their strategic plans for the future.

Financing of member-owned enterprises, including cooperatives, is typically done through equity and debt (USDA, 1994). Perhaps due to the lack of institutional memory of the respondents, only 38 (out of 109) member-owned enterprises responded to our question about sources of funds for the formation of their enterprises. In Table 7 we see that most of these organizations relied on either member-owners (member equity) or government sources (typically grants). Trailing behind these two sources included grants from non-profits and foundations, and loans.

In terms of the funding for their current operations, 81 out of 109 member-owned enterprises responded to our question and their sources of funding for current operations in ascending order were retained earnings, sales proceeds, member equity, loans, and non-profit or foundation grants (Table 8). Keeping part of the profit to build funds for capital expenditure (for maintenance and/or expansion) is a common strategy among such organizations, so it is not surprising that our sampled organizations were using the same strategy. It was surprising to see that three of the respondents were not aware of how their enterprises were financing their current operations.

Table-7: Source of Funding for the Formation of Sampled Member-Owned Enterprises

Type of Enterprise	Members' Investment	Government (Federal, State) Sources	Foundations, Non-Profit Grants	Loans (Co-Bank, Private, Personal)	Do Not Know	Total
Consumer	7	0	3	2	0	12
Purchasing	0	2	3	0	2	7
Worker	3	1	6	0	2	12
Producer	0	0	3	0	4	7
Total	15	10	3	2	8	38

Table-8: Source of Funding For the Current Operations of Sampled Member-Owned Enterprises

Type of Enterprise	Retained Earnings	Sales Or Revenue	Members' Investment	Loans (Co-Bank, Private, Personal)	Foundation, Non-Profit Grants	Do Not Know	Total
Consumer	7	4	7	5	2	0	25
Purchasing	7	1	4	0	0	0	12
Worker	5	15	3	0	0	3	26
Producer	3	5	3	7	0	0	18
Total	25	22	17	12	2	3	81

Table-9: Source of Funding For the Expansion of Sampled Member-Owned Enterprises

Type of Enterprise	Sales Or Revenue	Loans (Co-Bank, Private, Personal)	Retained Earnings	Members' Investments	Government (Federal, State) Sources	Foundation, Non-Profit Grants	No Expansion Plans	Do Not Know	Total
Consumer	10	2	4	5	0	2	2	0	25
Purchasing	0	0	0	7	0	0	0	2	9
Worker	6	3	3	11	2	0	2	1	28
Producer	7	5	2	3	0	0	0	0	17
Total	26	23	10	9	2	2	4	3	79

In response to our question about their source of funding for the expansion of their operations, we received response from 79 out of 109 (Table 9). Because expansion typically requires more capital than maintenance including, current operations, it is not surprising that our respondents were relying on loans and sales proceeds, and retained earnings as the primary sources for their planned expansion. Respondents of seven enterprises either did not have any expansion plan or did not know about such plans for their respective enterprises.

4.2.3 The Goal Attainment approach

According to Strasser et al. (1981), this approach is the oldest and most commonly used criteria to measure OE because all organizations have some specific goals or objectives to achieve. For example, one of the goals of any member-owned enterprises may be to increase membership every year. In addition to looking at membership growth over 2013-2014 for our targeted enterprises, we also ask the respondents of these member-owned enterprises whether their respective organizations achieved their profitability goals, and whether their current accounts (i.e., accounts receivable and accounts payable) are current, i.e., whether these accounts are cleared within 30 days (which is a sign of a financially healthy organization).

Among the 54 member-owned enterprises which responded to our question about membership growth between 2013 and 2014, 25 reported negative growth (i.e., lost members) and most of these enterprises were member-owned consumer enterprises in housing and retailing sectors (Table 10). Sixteen enterprises reported positive growth and they were either producer-owned enterprises (mostly agricultural cooperatives) or worker-owned enterprise (mostly worker cooperatives).

Table-10: Direction of Membership Growth in the Sampled Member-Owned Enterprises

Type of Enterprise	Positive Growth	Negative Growth	No Growth	Total
Consumer	0	7	11	18
Purchasing	0	0	7	7
Worker	7	6	2	15
Producer	9	0	5	14
Total	16	25	13	54

We asked the following question to the targeted member-owned enterprises: "Has this cooperative reached its profitability goals in the last two fiscal years?" and received responses from 90 out of 109 which responded to our survey. Table 11 shows that among these 90, a majority (66 or 73.3%) responded positively, 22 (or 24.4%) negatively, and somewhat

surprisingly, the rest did not know whether their organization was profitable or not.

Table-11: Fulfillment of Profitability Goals in the Sampled Member-Owned Enterprises

Type of Enterprise	Yes	No	Don't know	Total
Consumer	8	23	2	33
Purchasing	2	8	0	10
Worker	10	19	0	29
Producer	2	16	0	18
Total	66	22	2	90

Finally, we collected information on the financial health of the member-owned organizations by asking them whether their accounts payable and accounts receivable were cleared within 30 days. Results in Table 12 show that the accounts payable and accounts receivable were current across all types of member-owned enterprises in the study area.

Table 12: Financial Health of the Sampled Member-Owned Enterprises

Type of Enterprise	Accounts Receivable (N=84)		Accounts Payable (N=87)	
	Current ¹	Not Current ²	Current ¹	Not Current ²
Consumer	29	2	33	0
Purchasing	12	0	12	0
Worker	19	5	23	3
Producer	13	4	16	0
Total	73	11	84	3

Note:

1. Current (Accounts are Cleared within 30 Days)
2. Not Current (Accounts are not Cleared within 30 Days)

4.2.4 The Strategic Constituency Approach

Under this approach, OE is measured by an organization’s ability to satisfy its constituents (e.g., its customers, its members, its employees, its shareholders, its management, etc.) and be able to strike a delicate balance in achieving that – not an easy task by any standard. As Hall (1991) commented, each constituent of an organization will see the organization’s effectiveness from his/her own perspective and depending on how powerful he/she is in the organization, would like to see his/her version of the effectiveness criteria fulfilled. Given we targeted member-owned enterprises, we focused on the following criteria to assess OE of these organizations under this approach: member satisfaction with their organizations and the satisfaction of the leadership in such enterprises.

Our questions regarding member satisfaction with their enterprises included whether members had any voice in the management of the enterprises they owned, whether they were able to express their issues and concerns freely to the leadership of their organizations and whether they were satisfied overall with their organizations. Our findings (Tables 13-15) show that across various types of member-owned enterprises, their member-owners were satisfied with their role in their

organizations and how their organizations were managed and were also satisfied in overall with their organizations.

Table 13: Member Voice in Management of the Member-Owned Enterprises

Type of Enterprise	Members have a voice in the management of this enterprise		
	Agree	Disagree	Total
Consumer	35	0	35
Purchasing	12	0	12
Worker	29	0	29
Producer	18	0	20
Total	74	0	96

Table-14: Members’ Ability to Express Concerns or Issues to the Management

Type of Enterprise	Members are able to express their concerns or issues to the leadership of their organization		
	Agree	Disagree	Total
Consumer	35	2	37
Purchasing	9	0	12
Worker	27	0	29
Producer	18	0	20
Total	89	2	98

Table-15: Members’ Overall Satisfaction with their Organizations

Type of Enterprise	Members of this enterprise are overall satisfied with how their enterprise is run/managed		
	Agree	Disagree	Total
Consumer	21	4	25
Purchasing	9	0	9
Worker	24	0	24
Producer	14	0	14
Total	68	4	72

Our questions for the leadership of these member-owned enterprises included whether they take member interests into consideration when making strategic business decisions and their overall satisfaction with their job. Respondents of the sampled member-owned enterprises reveal that the management of these organizations take members’ interest into account when making business decisions (Table 16) and they also find their job rewarding (Table 17).

Table 16: Board Consideration of Members’ Interest when Making Strategic Decisions

Type of Enterprise	Board of Directors of this enterprise considers its members’ involvement, loyalty, satisfaction, and their trust in the organization when making strategic decisions		
	Agree	Disagree	Total
Consumer	22	2	24
Purchasing	9	3	12
Worker	21	2	23
Producer	13	1	14
Total	65	8	73

Table 17: Satisfaction of the Board Members (Leadership of these Organizations) with their Work

Type of Enterprise	The directors find the task of managing their member-owned enterprise rewarding		
	Agree	Disagree	Total
Consumer	31	2	33
Purchasing	9	3	12
Worker	22	3	25
Producer	9	2	11
Total	71	10	81

4.2.5 The Competing Values Approach (CVA)

This approach integrates the criteria from other approaches to evaluate OE and blends them into a hybrid approach. In the context of this study, thus, the CVA has taken into account:

- i. whether there is an harmonious workplace environment in an organization (the Internal Process Approach emphasizing organizational stability; discussed in Section 4.2.1),
- ii. whether an organization is able to attract investors and other necessary resources (the System Resource Approach emphasis focusing on current operations and future growth; discussed in Section 4.2.2),
- iii. whether an organization is able to grow its member base, is profitable and in good financial health (the Goal

Approach emphasizing efficiency; discussed in Section 4.2.3), and

- iv. whether the principal constituencies of the organization were satisfied (the Strategic Constituencies Approach emphasizing satisfaction of members and management of the targeted enterprises; discussed in Section 4.3.4).

Any business organization, regardless of how effective an organization it is, faces challenges in a market economy. If these organizations do not foresee such challenges and are not prepared to address them, they could become daunting and may lead to the demise of an organization. For example, a business organization could be highly effective in creating a harmonious workplace environment, however, if it is not consistently profitable (for a for-profit organization) then it will not survive in the long-run. Considering the fact that the member-owned organizations we targeted were business organizations, we wanted to examine the key challenges they faced, how they manage these challenges, and how they plan to face the future challenges.

In response to our question about the key challenges they faced during and immediately prior to the study period, 94 out of 109 member-owned enterprises responded (Table 18). Most of the challenges they identified were about the market for their products or services (e.g., getting access to the market, having long term market assurance, reaching new market) followed by the challenge to acquire new skills (for its employees and management), and increase their purchasing power.

Table-18: Key Challenges Faced by the Targeted Member-Owned Enterprises

Type of Enterprise	What are the key challenges faced by this enterprise?					Total
	Access to market	Long term market assurance	Reach new markets	Acquiring new skills	Increasing purchasing power	
Consumer	9	6	7	11	2	35
Purchasing	3	3	0	2	4	12
Worker	5	10	4	5	3	27
Producer	5	2	8	0	5	20
Total	22	21	19	18	14	94

Table-19: Managing the Key Challenges Faced by the Member-Owned Enterprises

Type of Enterprise	How did you or how are you managing the key challenges faced by your enterprise?						Total
	Improving planning and management	Maintaining or improving employee relationships	Increasing funding / profitability	Increasing B2B relationships	Increasing brand /product marketing	Ensuring market access	
Consumer	8	2	4	0	3	0	17
Purchasing	4	3	0	0	0	0	7
Worker	4	4	0	2	0	0	10
Producer	2	1	3	3	2	2	13
Total	18	10	7	5	5	2	47

In terms of how these member-owned enterprises faced or managed the challenges they faced, the most common strategy

was to improve planning and management, followed as a distant second by maintaining or improving employee relationships

(Table 19). Among other strategies adopted by these enterprises were increasing funding and profitability, increasing B2B (business to business) relationships, increasing brand or product marketing, and ensuring market access.

We also inquired about these member-owned enterprises' strategic plans for the near future. Out of the 109 respondents, 79 (or 72.5%) responded to our inquiry, and we present the elements of such strategic plans for these enterprises in Table 20. There were some commonalities between the strategies these organizations adopted to face their challenges and the elements in their strategic plan for the near future. It is not

surprising that finding new markets for their products or services was the top element in these member-owned enterprises' strategic plans regardless of their type. Increasing their funding and profits and making changes to management and/or policy were the other two main elements for the strategic plans of these organizations. These enterprises are also considering changes in their membership and/or employees and forming partnership with other similar enterprises. We were surprised to find that 11 out of 79 (about 14%) member-owned enterprises did not have any strategic plan to face market challenges.

Table-20: Strategic Plan Elements to Face Challenges in the Future

Type of Enterprise	What are the principal elements in the strategic plan for your enterprise for the next 5 years?						
	Find new markets	Increase funding /profits	Make management and/or policy changes	Make membership and/or employee changes	Form partnerships with other similar enterprises	No plan	Total
Consumer	5	9	6	2	4	0	26
Purchasing	5	2	2	2	1	0	12
Worker	5	3	7	0	2	6	23
Producer	4	0	0	6	3	5	18
Total	19	15	14	10	10	11	79

Conclusions

Organizational effectiveness (OE) is the concept of how effectively an organization achieves its goals. OE could be multidimensional. For example, for a for-profit business organization such a goal may include increasing sales and/or profits or achieving a certain growth rate, while for an educational institution its goal could be to increase its 4-year graduation rate. The concept of OE is complex and quite contentious. Nonetheless, all agree that defining it and measuring it is important for any organization because it allows the organization to assess itself. Given the importance of OE in managing an organization, we were surprised to find that the literature on OE has overlooked the member-owned enterprises, such as cooperatives and mutuals. Similarly, the literature on member-owned organizations also overlooked using the OE concepts in such organizations. In this study, we try to define and measure organizational effectiveness of member-owned enterprises in the United States because despite their widespread participation in U.S. economy, little is known about their organizational effectiveness. Using survey-based primary data, we target four different types of member-owned enterprises in the northeast United States to assess their organizational effectiveness using five approaches commonly used in assessing OE in organizations.

Based on our findings, we conclude that these member-owned enterprises were effective in providing an environment where member-owners trusted each other and their leadership. Trust is key in the success of any organization and it may have contributed to the longevity of many of these member-owned enterprises. However, these enterprises were not effective in

creating a culture where their member-owners actively participate in their organization's governance. Lack of effectiveness in such an important area needs attention because it may create conflict between members and the management of these member-owned organizations in the near future.

We also conclude that the member-owned enterprises in the study area were successful or effective in garnering the needed financial resources they needed to form, to operate, and to expand. Although these enterprises were not effective in member-retention and new member acquisition, they were able to meet their profitability goals. The enterprises were also effective in keeping their members and their management satisfied. Additionally, the financial health of these organizations were sound as far as their bill payments and receipts were concerned, i.e., they were effective in managing their financial health.

Like any other business in a market-driven economy, these member-owned enterprises faced some common market challenges, including those that require these organizations to acquire new skills to stay competitive. The member-owned enterprises tackled the key business challenges they faced by improving their business planning and management as well as by addressing the improvement of employee relationships within their organizations. Most of these member-owned enterprises had strategic plans to face the future market challenges. Thus, these organizations showed their organizational effectiveness by facing the market challenges successfully and having specific elements in their strategic plans to face future market challenges and stay viable as businesses that cater to the needs of their member-owners.

It was clear from this analysis that there is no single approach to evaluate organizational effectiveness in member-owned enterprises. These organizations differ widely in terms of their organizational goals (e.g., difference between the goals consumer-owned enterprise vs. worker-owned enterprise), and therefore they cannot be placed in any specific approach when measuring their organizational effectiveness. This exercise also shows that the concepts of OE can be applied to member-owned organizations, but it is imperative to do so with an open mind.

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