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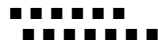
CSC Update

Highlights of the activities of
Centre staff, plus information
about our new web site



Centre for the
Study of Co-operatives

University of Saskatchewan



Co-operatives in the New Economy Strategic Alliances, Networks, and Agriculture

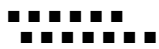
Strategic alliances and networks are terms most often associated with the corporate world, and like most jargon, they confuse more than they communicate. In essence, both are simply associations of people, or organizations, who join together for mutual benefit.

Strategic alliances and networks have been important in the business world for some time. The same economic pressures and global influences that have made these effective strategies for business are increasingly coming to bear upon agriculture as well. There has been a lot of talk about the “new” agriculture. Farming is becoming more specialized and, at the same time, more integrated into the rest of the food system. How can farmers become more specialized and interconnected, while still maintaining their independence? One way is through the use of networks or strategic alliances.

There is an obvious link between strategic alliances and co-operatives. New Generation Co-ops can easily be conceived of as strategic alliances. But the more fundamental connection resides in the changing economic context. In the new agriculture, farmers will not be able to operate indepen-

dently either on the input or output side, nor in respect to each other. Only those who understand the need to co-operate will be successful. These alliances will have to be mutually beneficial, with a democratic sharing of power and a significant basis of trust. They will be relationships of equals. Some will be co-operatives, but even when they are not formally so, the values they espouse will be the same: trust, shared power, and democratic control.

A recent Centre publication, written by Mona Holmlund and Murray Fulton, funded by the Agriculture Institute of Management in Saskatchewan, and entitled *Networking for Success: Strategic Alliances in the New Agriculture*, will help farmers understand strategic alliances in the context of the new economy. It conveys three main principles: ‘Know Why’ — the background and theory explaining why alliances are a viable alternative in the emerging agricultural environment; ‘Know How’ — practical advice about how to form and maintain strategic alliances; and ‘Know Who’ — case studies of groups who are implementing these practices. The booklet also includes a guide to resources and contacts.



Networking for Success

Strategic Alliances in the New Agriculture

Know Why

The Transformation of Agriculture

Traditionally, agriculture has been a 'biological' process, characterized by uncertainty and instability. Increasingly, however, agriculture is becoming 'industrialized.' Computers and genetic engineering have rendered agriculture both predictable and consistent. As agriculture becomes more controllable, the structure of the industry changes. Food becomes increasingly engineered, and specialty products push out basic commodities. The main distinction between the 'two agricultures'—traditional and industrial—will be the profit margins. Commodity producers will operate at low cost and high volume, while the specialty producers will receive greater returns because more value is added. In the new agriculture, the entire farm-to-table process is important, not just one segment in the chain. In this new agriculture, information becomes very valuable. Whether it is information about consumer buying habits tabulated from grocery store checkout scanners, or the know-how to genetically modify cattle to produce low-cholesterol beef, the new agriculture is dependent upon knowledge.

The Knowledge Economy

The changes that are affecting agriculture are going on everywhere. In a

technological world, it is know-how that drives the economy. Unlike standard inputs, however, knowledge can be used over and over again; it can be used at the same time by any number of people, and it expands, rather than reduces, with use. Know-how is produced by recombining what we already know into new ideas. Although there are an infinite number of possible combinations, not every combination will produce meaningful information. Therefore the ability to cycle through the combinations and explore them as efficiently as possible is key. The most efficient means of doing this is via the network.

The Network

The Internet has facilitated networking, but the idea of working together certainly predates the information superhighway. Networks are a vast improvement upon old organizational structures. Many parts of our economy and society have been structured for the last hundred years upon the factory model: each element is a separate link in the chain, without any necessary contact between units, all governed by a single, over-riding management. Networks, on the other hand, have a radically different structure. In a network, the individual units are still autonomous, but they have free access to every other node in the network. Networks increase the opportunities for new know-how to emerge, and fur-

thermore, allow individuals to share that new knowledge. Unlike the old ways of doing business, networks allow for specialization and diversification at the same time; members specialize in their own area, but have access to the know-how of all the others.

As agriculture becomes increasingly dependent on scientific knowledge and research, it is less possible for farmers to see themselves as separate links in a chain. Those who try to remain as independent producers will in fact forfeit that independence to the increasing control of suppliers and processors. Only the most prosperous will be able to afford to invest in processing or input, and then only at a modest level. Large-scale involvement in these activities takes much more capital, time, and expertise than is available to any single farmer. Networks are one mechanism by which farmers can become part of the larger system. Some may find it difficult to adjust to the interdependent relationships that are required, but the new agriculture presupposes radical changes to how things are done. Networks are a new way of doing business. As a means of producing know-how, networks may have particular importance in western Canada; for a sparse and widely dispersed population, the advantages of connection are more important than ever.

The Strategic Alliance

Strategic alliances are one kind of network—simply people who have come together to undertake activities they could not undertake themselves. Both networks and strategic alliances are, in this sense, co-operative ventures. A strategic alliance can be thought of as a value-added partnership made up

of independent companies that, together, manage the flow of goods and services along the value-added chain. But being a member of a strategic alliance is more than being just another link in a chain. Strategic alliances represent the balance between independence and integration. Farmers can no longer see themselves as independent in the same way they always have. They must think of alliances and partnerships as the means to maintaining their independence in a much broader sense—by preserving their lifestyle as farmers. Although one autonomous operation cannot both diversify and specialize at the same time, it is possible to ally with others to form a large, profitable, and energetic entity made up of many autonomous parts.

Know How

So how would you put together a good strategic alliance? An alliance is 'strategic' when it is entered into by design, with forethought, in order to be of benefit. Throughout the four basic steps in forming a strategic alliance—strategic planning, choosing a partner, negotiation, and implementation—it is crucial to remember that a strategic alliance is more than just an arrangement—it is a relationship.

The first step is by far the most important. Strategic planning forms the foundation of an alliance. For an alliance to be truly effective, those involved must have a vision for their organization, know their strengths and weaknesses, and be committed to the plan. Most successful strategic alliances come down to personality and personal relationships.

Potential partners need to be opposites in resources, but similar in

organizational culture. Research has shown that for an alliance to be successful, three factors have to be different but complementary: resources, technology, and employees. In short, your partner should have what you lack and lack what you have. At the same time, however, partners must have a similar approach to problem solving, shared values, and a mutual understanding of their vision for the alliance. They must be partners who can work together both practically and personally.

The purpose of the negotiation phase is to assess mutual need, establish respect, and build trust. The main threats to a strategic alliance are opportunism and a lack of willingness to learn or change. In an alliance, the partners give up independence and lateral flexibility in decision making. For some people, independent, competitive behaviour seems to be more instinctive than co-operation. Certainly, the market system and our general culture encourage independent competition. But there is a cost to this behaviour. The benefits of independence and interdependence are mutually exclusive. To capture the advantages of a strategic alliance, some sacrifices must be made. It may be natural to want to maximize benefits and avoid costs, but we need to factor in the cost of independence—the dollar and 'sense' savings and benefits of a strategic alliance that will be lost to us if we do not co-operate.

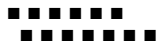
The keys to implementing a successful strategic alliance are threefold: commitment to a win-win partnership—the genuine desire to see the alliance work to mutual advantage; good communication that is frequent, open, and honest; and trust, which is the

single most important element. Successful alliances don't just happen; they require deliberate, conscious effort and commitment.

Know Who

There are numerous examples of successful alliances in the new agriculture. Farmers who want to produce specialty products for niche markets can learn from the example of Warburton's Bakery, which demonstrates vertical connections by entering into "identity preserved" contracts with the Canadian Wheat Board, elevator companies, and Manitoba farmers to deliver specific varieties of wheat for an up-scale bread market in the United Kingdom. The New Generation Co-ops of Renville, Minnesota, represent a complex network of production initiatives. In an interconnected web of alliances, farmers can simultaneously share in the profits of pork processing, fish farming, egg processing, feed milling, and sugar processing. Here in Saskatchewan, a grassroots approach to networking enabled the producers of Riverhurst Agricultural Products to tap into the know-how needed to market seed potatoes in the US. Pound-Maker Agventures is an example of both vertical integration and processing value-added—through strategic alliances, their feedlot links Lanigan farmers to the gasoline market.

The full text of *Networking for Success: Strategic Alliances in the New Agriculture* is available in print from AIMS or in electronic form on the Centre's web site at <http://coop-studies.usask.ca/strategic/home.html>



Winter/Spring Highlights

In addition to the workshop on strategic alliances described above, the Centre sponsored another well-attended conference in February titled "Co-operatives in the New Agriculture: Meeting the Challenge." Although Roger Herman was largely responsible for its organization, preparations involved the time and energy of almost every member of faculty and staff.

Co-operatives in the New Agriculture

This conference tackled the dramatic changes taking place in the agricultural landscape. Its purpose was to outline the changing nature of agriculture and to examine how co-operatives are responding to these changes. Special features included an in-depth analysis of how changes in the agricultural sector are changing co-operative structures, operations, and services; and personal accounts from

people who are working to transform their co-operatives. This last section, which drew presenters from high-profile co-operatives in both Canada and the US, was particularly interesting and instructive. Overheads from the presentations are available on our web site at <http://coop-studies.usask.ca>.

The Centre Planning Session and Retreat

Early January saw the advisory board, members of The Co-op Network from across the Prairies, plus Centre faculty and staff come together for an intense Contract Renewal Planning Session to discuss the role and focus of the Centre over the next five years. We discussed a number of broad issues such as faculty renewal, co-operative education, research priorities, a graduate program, outreach activities, international exposure, consulting work, and the profile of the Centre. The discussions indicated that the board would like us to do more of everything and perhaps to set out in new directions as well.

Faculty and staff then took part in a two-day retreat to formulate a vision for the Centre as well as a detailed, five-year, directional plan. Two issues in particular elicited a spirited response: the education initiative, which received general support during the planning session, and our vision for the Centre, which came up repeatedly during the planning session even though it was not an agenda item. We developed a proposal for an interdisciplinary graduate degree and also a set of courses for the undergraduate level that would be available to students across campus. We also generated a succinct, one-page document describing what we see as the Centre's role in the areas of teaching, research, extension, communications, and as a provider of resources to both researchers and the general public.

Discussions were lively, thoughtful, occasionally surprising, and most useful in helping us to define our strategic plan and vision for the Centre over the period of the next contract. We will be sharing the results with the sector in the fall.

UPDATE

Murray just completed a report on NGCs for the Department of Economic and Co-operative Development; has made presentations on the changing nature of agriculture to a number of conferences and industry groups; and with Roger, recently attended a national "Conference on Co-op Education," where participants discussed current co-op education initiatives and how they might better collaborate to meet the gaps. Murray is co-chair of the follow-up steering committee.

Brett recently returned from sabbatical in Germany, where he was researching the history of the country's co-operative movement. He has begun work on a book-length manuscript on the subject. He has also started a new research project on co-op development, the role of the state, and state-co-op sector partnerships, funded by the Co-operatives Sec-

retariat of the Government of Canada. The study will examine co-op development in the US and Australia, and compare it with that in Canada.

Lou is on leave from the Centre and has assumed responsibilities in her home college as an associate dean. She retains a strong interest and involvement in co-operatives and continues her connection with Centre activities on a limited basis.

Byron is on research leave in France and is continuing to prepare research papers in the area of online education.

Michael is on sabbatical in Costa Rica and Chile until July. During his time away, he will be studying the role of co-operatives in sustainable rural development.

Nora is collaborating with Brett and Ian MacPherson on a book to be published by the Centre this summer tentatively titled "Co-operatives in the Year 2000: Memory, Mutual Aid, and the Millennium." She will be doing the editing, design and layout, and print supervision.

Rachel recently launched the Centre's new web site, which has been completely restructured and redesigned to make it more informative and user friendly. Designed by Mona Holmlund, who is working on a contract with Murray, the site is bright, cheerful, and inviting, with links to more than two hundred co-op organizations around the world. Check it out at <http://coop-studies.usask.ca>.

Roger is working on educational program development targeting co-op managers, and also on co-op resource material design and delivery. He spent a lot of time this spring organizing Centre conferences. And in late April, at the annual Association of Co-operative Educators' Institute, he and Murray led a pre-institute workshop on changes in the content and delivery of co-op education.

The Centre currently has two interdisciplinary graduate students—Rochelle Smith, who is working on her PhD, and Peter Sprague, who is doing an MA.

CSC Developments is published periodically by the Centre for the Study of Co-operatives. This edition was written by Mona Holmlund and Nora Russell; Nora also did the editing and typesetting. Send correspondence to: Centre for the Study of Co-operatives, Room 196, 101 Diefenbaker Place, University of Saskatchewan, Saskatoon SK Canada S7N 5B8. Phone: (306) 966-8509 • Fax: (306) 966-8517 • E-mail: coop.studies@usask.ca or russelln@duke.usask.ca • Web site: <http://coop-studies.usask.ca>