

Exploring the impact of mental frames on cooperatives and their communities

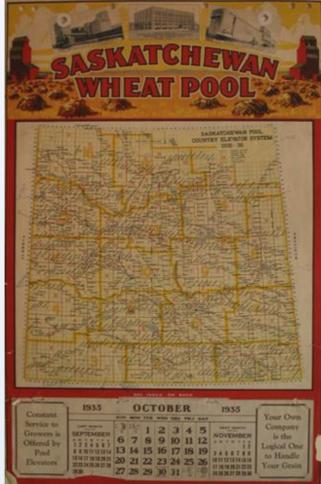


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1. Saskatchewan Wheat Pool (SWP)



- SWP was founded as a coop in 1924.
- Gradually it became a major grain handling, agri-food processing and marketing company in Canada.
- It had a dominant market position and solid member support.

“...the producers for the last thirty years have made the decision to deliver to the local SWP elevator, and they have never had to revisit that decision...” (SWP senior manager)

- A series of ill-conceived strategies lead to its takeover in 2007 by its competitor, Winnipeg-based Agricore United. The merged company, Viterra became defunct in 2013.

2. The changing Canadian grain industry

The 1990s were marked by several changes in the Canadian grain industry:

- ratification of NAFTA (1993)
- deregulation of the rail industry (1995)
- rail-line abandonments (throughout 1990s)
- ongoing liberalization of agricultural markets (WTO)

3. SWP reaction

A new SWP CEO took office in 1994 and started initiating a series of aggressive strategies involving rapid expansion and facility modernization - the main project was called project Horizon.



Traditional wooden elevator

Project Horizon

It involved a shift from operating hundreds of small wooden elevators to a few dozen concrete high-throughput elevator (HTE) terminals. Management assumed that coop members would definitely support this initiative.

Mental frame: unconditional member commitment



Modern HTE terminal

“[SWP] had enjoyed tremendous producer support and strong cooperative loyalty for such a long period of time that in the analysis that they were doing when they closed down wooden elevators and opened up HTE elevators, they explicitly included in their assumptions that their producers would go to the HTE elevators...” (SWP senior manager)

SWP share conversion



SWP converted its retained member equity to tradable “Class B shares” and in 1996 entered the Toronto Stock Exchange as a publicly traded enterprise (TSX: SWP.B).

Adopting commercial orientation

“...one of the worst reflections of seeking validation from the market, rather than from internal analysis, was when I got to SWP, when you entered the building in the morning, there was a little kiosk in the front that had a little ticker tape in neon lights coming across everyday showing you the fluctuations in the SWP share values. I just thought that was totally inappropriate for a company that exists on the basis of the annual crop and its annual dealings with farmers”

(SWP senior manager).

4. A changing image

“[the new CEO] had this...\$100,000 car because as part of the executive you were given a car allowance so [he] chose this sports car and he would trip out to some farm meetings in rural Saskatchewan where there was a whole bunch of gray hairs and roll up in this sporty little car when everybody is talking about low grain prices... It doesn't work, and then you try and pitch them on the deal that you need to increase the tariffs. He didn't understand his customer and quite frankly they did everything in the world to piss them off, they could not have done it better”(SWP senior manager)

Member alienation

Mental frames

There is a natural psychological need to:

- Impose a pattern on all incoming information.
- To simplify and rationalize the environment



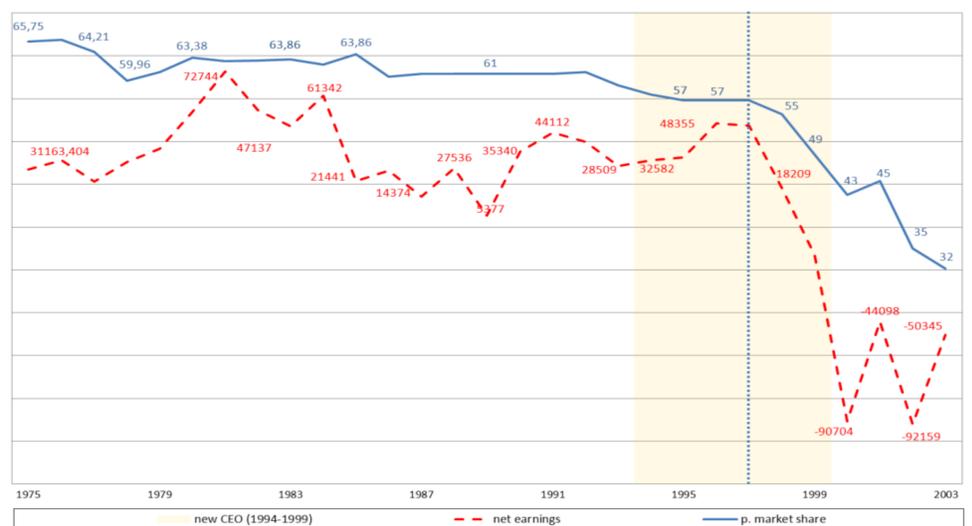
Mental frames are powerful mental structures that shape the way we see the world.

For the case of SWP: market share and member commitment were perceived as given, rather than being negotiated.

5. Evaluating the SWP strategies

The coop initiated a series of strategies that alienated the organization from its members, while at the same time the coop management was relying on this particular relationship for the successful conclusion of these efforts. The result was a sharp decrease in its provincial market share and net earnings.

p. market share and net earnings (1975-2003)



SWP's provincial market share (p. market share) (%) and net earnings (1975-2003); new CEO; vertical dashed line signals the announcement of the Project Horizon (1997).

Source: SWP Annual Reports (Consolidated Balance Sheets), (several years).

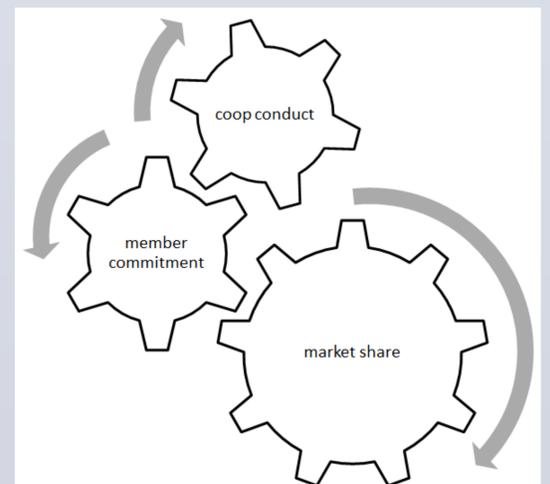
6. What went wrong?

Project Horizon required the closure of numerous small facilities across the Saskatchewan Province, something that upset many of the coop's members, since for several rural communities the elevators served both an economic and a social role.

CEO overconfidence

“... [the SWP CEO] committed a fundamental error in choosing to believe the membership would stick with them, yet they were doing everything in my opinion to distance themselves from the membership...” (SWP manager)

A large and robust coop market share can be a result of high member commitment that on its own is contingent on members' perceptions regarding their coop.



Market share is contingent on coop conduct and member commitment.

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