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Managing uncertainty and expectations: The strategic response of U.S. agricultural cooperatives to agricultural industrialization☆

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ABSTRACT

The 20th century industrialization of agriculture confronted U.S. agricultural cooperatives with responding to an event they neither initiated nor drove. Agrarian-influenced cooperatives used two metaphors, "serfdom" and "cooperatives are like a family" to manage uncertainty and influence producer expectations by predicting industrialization's eventual outcome and cooperatives' producer driven compensation.

The serfdom metaphor alluded to industrialization's potential to either bypass family farmers, the cornerstone of the economy according to agrarian ideology, or to transform them into the equivalent of piece-wage labor as contract growers. The "family" metaphor reflects how cooperatives personalized the connection between cooperative and farmer-member to position themselves as the exact opposite of serfdom. Hypotheses advanced by Roessl (2005) and Goel (2013) suggest that intrinsic characteristics of family businesses such as a resistance to change and operating according to a myth of unlimited choice and independence reinforced the risk of institutional lock-in posed by agrarian ideology.

To determine whether lock-in occurred, Woerdman's (2004) neo-institutional model of lock-in was examined in the context of late 20th century cooperative grain and livestock marketing. Increasingly ineffective open markets prompted three regional cooperatives to develop their own models of industrialized pork production. Direct experience with producer contracting allowed cooperatives to evade institutional and ideological lock-in.

1. Introduction

Recent fluctuation in global financial markets led a panel of cooperative leaders to identify uncertainty as the primary managerial difficulty anticipated by cooperatives in the future (Boland, Hogeland, & McKee, 2011). Likewise, the 20th century industrialization of agriculture confronted cooperatives with the challenge of responding to an event they neither initiated nor drove. When the environment is highly uncertain and unpredictable, Oliver predicts that organizations will increase their efforts to establish the illusion or reality of control and stability over future organizational outcomes (Oliver, 1991: 170). This study argues that cooperatives used two metaphors, "serfdom" and "cooperatives are like a family" to manage uncertainty by predicting industrialization's eventual outcome and cooperatives' producer-driven compensation.

These metaphors are agrarian. Recent research highlights the impact of agrarian ideology on cooperatives. Foreman and Whetten (2002: 623) observe, "co-ops have historically sought to reinforce the traditions and values of agrarianism through education and social interventions. Indeed, for many members these normative goals of a co-op have been preeminent." These authors studied the tension within rural cooperatives produced by a normative system encompassing family and ideology and a utilitarian system defined by economic rationality, profit maximization and self-interest. They argue that this split in values implies that cooperatives are essentially two different organizations trying to be one. To capture the tension between these multiple identities, they focused on a potential family/business divide in cooperatives, basing this on a duality often noted in cooperative community and trade publications.

The authors found that respondents wanted their local co-op to be more business oriented and at the same time, expected co-ops ideally (e.g., as an ideal organizational form) to be more family focused. These conflicting expectations suggested that multiple-identity organizations need to be assessed in terms of the

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individual components of their identity and the tension (or interaction) between them. Foreman and Whetten regard dual or multiple identity organizations as hybrids. There are consequences to hybridity: many members of a hybrid organization will identify with both aspects of its dual identity, "and thus find themselves embracing competing goals and concerns associated with distinctly different identity elements" (Foreman and Whetten, 2002). They conclude that competing goals and concerns foster competing expectations with consequences for organizational commitment (and I would add, performance).

The split focus observed by Foreman and Whetten can be regarded as a contemporary expression of a value conflict beginning early in the 20th century over how production agriculture should be organized. Decentralized, autonomous, and typically small, family farmers used their skill at deciding the "what, when, where, how and why" of production and marketing to reduce the risk of being a price taker at open, competitive markets. Farmers also diversified the farm enterprise to spread price risk over several commodities. Corporate-led industrialized agriculture (integrators) by-passed both markets and independent farmers. Integrators coordinated supply and demand internally based on top-down administrative control over production and marketing decisions. They engaged in production contracting with growers who were held to competitive performance standards and paid according to their productivity. In contrast, family farmers were accountable only to themselves.

2. Study overview

Foss (2007) observes that the beliefs organizations hold about each other or the competitive environment are a key aspect of strategic management which have been understudied. Beliefs, which include norms and expectations, are important because they can be wrong. Cooperatives are often considered to have an ideological component but how such ideology develops and persists also has been understudied. This study addresses that gap by examining how agrarian language and assumptions shaped cooperatives' reaction to 20th century agricultural industrialization. During this era, industrial methods transformed the production and marketing of processing vegetables, poultry, beef, and pork and were initiated for dairy and grains. An historical and institutional perspective is used to examine how two contrasting metaphors brought cooperatives to the brink of institutional lock-in. The study spans the entire 20th century from beginning to close.

The study opens with a brief discussion of metaphors and norms then presents a theoretical model of lock-in. Discussion of the overarching role of agrarianism follows. Discussion then addresses why the cooperative alternative to corporate-led industrialization – the 1922 model developed by Aaron Sapiro – was not palatable to agrarian-influenced cooperatives (this section also defines agrarian-influenced cooperatives).

Discussion then turns to considering how the disturbing implications of serfdom paved the way for the agrarian-influenced norm, "cooperatives as a competitive yardstick" and the cooperative metaphorical norm, "cooperatives are like a family." Producer expectations triggered by "serfdom" and "cooperatives are like a family" are addressed. Parallels are briefly drawn between neighborhood exchange in late 19th century rural California and behavior implied in "cooperatives are like a family." Parallels are then drawn between family business traits and cooperative and producer experience in livestock and identity-preserved grain markets. This provides a foundation for examining in greater detail how well cooperative experience in pork and grains corresponded to Woerdman's four part model of lock-in (2004). Study conclusions and suggestions for future research follow.

3. Importance of ideology, metaphor and norms

Economists have begun studying how cognition and discourse affect cooperative outcomes (Fulton, 1999). This study continues that line of inquiry by considering how a dominant ideology like agrarianism produced words and associations that, for most of the 20th century, arguably had a deterministic effect on farmer and cooperative perceptions of the future. Even today, few guidelines or predictions exist that suggest how organizations can manage ideological conflict (Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011). Moreover, the difficulties of escaping a hegemonic ideology have seldom been recognized (Spencer, 1994).

Metaphors are a pithy word or expression meant to evoke a comparison. They are used to understand one thing in terms of another (Lakoff & Johnson, 1980: 5). Understanding what metaphors represent and how they emerge and persist can offer a window into the salient factors influencing farmer and cooperative decision-making. Moreover, as in this text, metaphors "allow for the sorts of story in which overwhelming evidence in favor of one interpretation of the world can be repeatedly ignored, even though this puts the assets of the firm and the position of the decision-makers at extraordinary risk" (Schoenberger, 1997: 136).

Much of what Pfeffer and Salancik (2003) say about norms also applies to how metaphors are used in this study. For example, these authors observe that an important function of norms is to provide predictability in social relationships so that each party can rely on the assurances provided by the other. Consequently, norms stress the meeting of expectations in an exchange relationship. Certainly, the metaphor, cooperatives are like a family, can be understood in the same manner. Defining norms as commonly or widely shared sets of behavioral expectations, Pfeffer et al. also indicate that norms develop under conditions of social uncertainty to increase the predictability of relationships for the mutual advantage of those involved. Once they cease to serve those interests norms break down.

4. Theoretical framework

Twentieth century U.S. agricultural transformation was profound. Early 20th century agriculture was labor intensive, employing almost half the U.S. workforce on a large number of small diversified farms (Dimitri, Effland, & Conklin, 2005). "From 1900–2005, the number of farms fell by 63 percent while the average farm size rose 67 percent" (Dimitri et al., 2005). Productivity-enhancing technological change which made farmers redundant also contributed to farm decline[1] (Hogeland, 2013). "Farm operations became increasingly specialized – from an average of about five commodities per farm in 1900 to about one per farm in 2000 – reflecting the production and marketing efficiencies gained by concentration on fewer commodities" (Dimitri et al., 2005: i).

The core question considered by this study is, "Why does institutional inertia persist despite indications that change is urgently required?" (Haase, Roedenbeck, & Sollner, 2007: 1). Agrarian-influenced cooperatives did not consider how family farming could be adapted to capture some of industrialization's benefits until close to the end of the 20th century, a delay indicative of institutional lock-in. Lock-in has been defined as getting stuck with traditional styles of thinking and acting in a manner that is hard to escape (Haase et al., 2007: 17; North, 1990).

[1] Hogeland (2013) notes that agrarians attributed farmer decline to the decline in open markets, not to productivity increases that made farmers redundant. It is possible that the rapid increases in four-firm concentration ratios in the red meats industries some two decades after the industrialization of the beef industry overshadowed the impact of productivity increases on farmer attrition.

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