

# A REVIEW OF ALLIANCES AND COOPERATIVE BUSINESS MODELS: STRATEGIES FOR SUSTAINING PHILIPPINE COOPERATIVE ENTERPRISES

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## INTRODUCTION

Cooperativism has become a way of life in increasing productivity and income for its cooperative members in the whole of Asia and the rest of the world. According to the International Cooperative Alliance (ICA), the strong cooperative sectors of these countries contributed immensely to their respective economies.

As such, the sustainability of cooperatives is crucial if these entities are to continue serving the interests of its members. In contemporary cooperativism, the sphere of alliances and business models remains as one of the research gaps. Hopefully, this paper can shed light in this area.

## INTRODUCTION

To level off, the following definitions were used in this paper.

**Alliance** – an agreement between two or more individuals or entities stating that the involved parties will act a certain way in order to achieve a common goal; refers to two types of alliances: strategic alliances and joint ventures (Marxt and Link, 2002)

**Business Model** – a business concept that has been put to practice comprised of four elements: customer interface, core strategy, strategic resources and value network (Hamel, 2000)

**Sustainability** – defined in the context of the Triple Bottomline: "people, planet, profit (Elkington, 1994) which encompasses the social, environmental and economic objectives of organizations"

## OBJECTIVES

### GENERAL OBJECTIVE

To identify common patterns contributing to the sustainability and growth of selected Asian cooperatives over the long run relative to their various alliances and cooperative business models

## OBJECTIVES

### SPECIFIC OBJECTIVES

- To review alliances and cooperative business models of cooperatives under study;
- To compare and analyze the cases from the focal point of current alliances and cooperative business models; and
- To derive insights and findings which Philippine cooperative enterprises can use to strategize towards sustainability.

## METHODOLOGY

- Exploratory research design
- Comparative case analysis (adapted from Mair and Schoen's study framework, 2005)
  - selected cooperatives from India (IFFCO), Japan (JA Group), Korea (National Agricultural Cooperative Federation), Thailand (Tha-yang Agricultural Cooperative, Ltd.), Philippines (LIMCOMA)
- Secondary data primarily from online sources

## SELECTED CASES

### INDIA (IFFCO)

- world's largest fertilizer cooperative federation established in 1967; revenues:USD 3.84B (2010-2011)
- over 39,800 cooperative societies associated with it
- general insurance, fertilizer, rural telecom-related services, online multi-commodity exchange, risk management services, warehousing, coal-based power generation, food processing, agribusiness logistics/infrastructure, oil and mining
- local alliances; global ventures in Oman, Senegal, Jordan, Dubai, Canada, Peru, Argentina, Australia
- customer interface, core strategy, strategic resources, value network highly adaptable and responsive to the times
- network organization with sustainability embedded in core strategy (though main product lines are chemical-based)

## SELECTED CASES

### JAPAN (JA Group)

- top Global 300 cooperative federation in the agriculture and forestry category
- supply and delivery of agricultural and livestock products, feeds, fertilizer, grain distribution, distribution services, environmental preservation activities, polished rice wholesaling, fresh and processed meat products, egg production, online shopping mall, financial services, mutual insurance, public welfare, newspaper information, publication and cultural program, tourism
- local alliances; global ventures in USA, Australia, Thailand, China, Germany
- customer interface, core strategy, strategic resources, value network highly adaptable and responsive to the times
- network organization, with sustainability embedded in core strategy (has a company devoted primarily to green initiatives)

## SELECTED CASES

### KOREA (NACF)

- ranked 9<sup>th</sup> largest cooperative in the Global 300; 2.44 million farmer-members and 15.26 million associate members, established in 1961
- banking, agricultural marketing and supply, livestock marketing, supply and extension services
- local alliances; global alliances
- customer interface, core strategy, strategic resources, value network highly adaptable and responsive to changing times; recently was spun off into one federation, 2 holding companies for ease in management
- network organization with sustainability embedded in core strategy focusing more on social and economic objectives

## SELECTED CASES

### THAILAND (Tha-yang Agricultural Cooperative, Ltd.)

- established in 1974, it is one of the biggest multi-purpose agricultural cooperatives in the country with 2,145 members
- engaged in credit, deposit, banana export and central market services
- local alliances; global alliance with TCC of Japan
- customer interface, core strategy, strategic resources, value network adaptable and fairly responsive to the times
- budding network organization with strides towards sustainability evident (chemical-free, organic banana production for export)

## SELECTED CASES

### PHILIPPINES (LIMCOMA)

- established in 1970
- production of feeds, hogs, poultry and cattle; experimental breeding farm; animal diagnostic laboratory services, meat processing, veterinary drugs manufacturing and services and food store and distilled water bottling
- local alliances only
- customer interface, core strategy, strategic resources, value network fairly adaptable and responsive to the times
- budding network organization with a substantial asset stash (potential for exploring other ventures, lines of business); treading towards the economic sustainability path

## INSIGHTS AND FINDINGS

- Membership base of cooperatives in India, Japan, Korea was extensive (federation of cooperatives) and demonstrated strong commitment to these cooperatives. This appeared to be evident as well in the case subjects in Thailand and the Philippines (though not as extensive).
- Cooperatives in all five countries had highly diversified businesses which controlled most of the activities in their respective value networks. While these cooperatives started as agricultural cooperatives, these entities rapidly expanded their market reach and diversified into non-agricultural businesses as well such as insurance and financial services.
- The predominant organizational structure in all five case subjects is that of a network organization. This explains how flexible and readily adaptable these entities are to the changing business environment.

## INSIGHTS AND FINDINGS

➤ Cooperatives in India, Japan, Korea and Thailand established alliances both locally and internationally while for the case subject in the Philippines, only local alliances were evident. It is possible that such alliances were the offshoot of core strategy, strategic resources (e.g. core competencies, strategic assets and core processes) and customer interface (e.g. information and insight, relationship dynamics, order fulfillment and support) suggesting the importance of leadership and strategic planning.

## INSIGHTS AND FINDINGS

- The business model elements of customer interface, core strategy, strategic resources and value network were all addressed by all cooperatives but in varying degrees as seen in the diversity of business activities undertaken as well as specific geographic reach.
- Business models of cooperatives in India, Japan, Korea, Thailand were suggestive of flexibility, constantly evolving in apparent adaptation to the changing business environment. Over the course of their organizational life, these cooperatives were aggressive in pursuing opportunities, expanding market reach beyond national borders.
- Sustainability is embedded most specifically in the JA Group of Japan where green activities are undertaken.

## A FINAL NOTE

**Philippine cooperatives can learn from the experiences of established global cooperative federations. Some suggestions include strategies aimed at:**

- Strengthening leadership capability and membership commitment through more customized training in business management and entrepreneurship;
- Incorporating a culture of innovation within their organizations;
- Pursuing local and global alliance-building;
- Considering market penetration, development and expansion in their strategic plans in the context of value networks; and
- Reconfiguring their respective business models and organizational structures to the current situation based on regular strategic planning/management.