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*International Journal of*  
**CO-OPERATIVE ACCOUNTING  
& MANAGEMENT (IJCAM)**

Exploring a wide range of topics related to accounting and management in co-operatives, credit unions, and mutual organizations, including:

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## Letter from the Editors

**WE ARE PLEASED** to publish our second volume of IJCAM which was formed through the merger of the Journal of Co-operative Accounting and Reporting and the International Journal of Cooperative Management. Prior editions of these journals may be accessed from the CEARC website. This volume features five papers and one book review.

The Journal starts with a paper by Maureen McCulloch from Oxford Brookes Business School. Maureen's paper explores the possibility of developing a cooperative oriented format for financial accounting and reporting which would enable cooperatives to differentiate themselves from investor owned businesses and not for profit organisations. In the second paper Senta Breuning and Reiner Doluschitz from the University of Hohenheim-Stuttgart, analyze three key issues: Which values shape German society? Which values are attributed to the cooperative as a form of enterprise? To what extent are there similarities or differences between the societal and cooperative values in their rankings.? The third and fourth papers are written by graduates of Saint Mary's University's Masters of Management in Co-operatives and Credit Unions program, Wayne Schatz, Vice president of The Co-operators Insurance and Eric Gosselin, co-founder of a multistakeholder community bike shop, Coop Vélo-Cité. Wayne's paper explores five critically important learnings to help guide co-operative staff, managers and leaders (particularly those new to co-operatives) in their day-to-day operational and strategic planning and

decision-making. Eric's paper examines the newly developed Cooperative Performance Indicator (CPI) tool on three community bicycle shop cooperatives (Bike Coops) in order to examine its applicability to micro, non-profit coops. We also feature review of a new book by Tom Webb, entitled "*From Corporate Globalization to Global Co-operation: We Owe It to Our Grandchildren*". The review was written by Jeff Power, Saint Mary's University. The volume concludes with our first French language paper by Claude-André Guillotte, Professeur, École de gestion, Université de Sherbrooke. This paper describes how in the context of profound changes in the agricultural sector, Quebec dairy co-operative, Agropur has put mechanisms in place to ensure the continuity of the cooperative relationship with its members.

### ***Special Issue 2020 – Social and Environmental Performance of Co-operatives***

We are excited to announce a special issue for 2020 that will focus on social and environmental performance of co-operatives. This is a timely topic in light of the ICA's adoption of the United Nations Sustainability Development Goals. Papers related to management topics should be submitted to Peter Davis and those focusing on accounting and reporting should be submitted to Daphne Rixon.

*Daphne Rixon*  
Editor-in-Chief

*Peter Davis*  
Senior Editor



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Dec/19

## Editorial Board

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## Accounting for Co-operative purposes: reclaiming the conversation. Concept paper on a SORP for co-operatives

Maureen McCulloch, Senior Lecturer, Oxford Brookes Business School and Instructor, Co-operative Management Education Programme, Saint Mary's University

**Abstract:** Co-operatives, built on mutuality, present a challenge to the dominant paradigm of the investor-oriented business. It is difficult, if not impossible, to understand and explain co-operative activities properly in the language of returns on financial investment. This paper argues that we need to develop an accounting which facilitates understanding co-operatives on their own terms; an accounting which would allow co-operatives to reclaim the conversation about the sort of society we want to build together from the debates about returns on investment.

This paper sets out to explore and champion the possibility of the co-operative movement developing a specifically co-operative oriented format for financial accounting and reporting which would allow co-operatives to differentiate themselves from both investor-oriented businesses and philanthropic organisations: a statement of recommended practice (SORP) in accounting and reporting for co-operatives. Reporting under such a SORP would allow co-operatives to recognise their fundamental principles of participation, mutuality, democracy and community through membership as opposed to investor supremacy or philanthropy whilst still complying with international financial reporting standards (IFRS).

This paper uses the SORP in accounting and reporting for charities in the UK as an example of how a very different approach to accounting (concentrating on the organisational purpose) can be, and actually is, accommodated under IFRS in order to explore what can be learnt for co-operatives.

Maureen McCulloch is Senior Lecturer in Accounting in the Oxford Brookes Business School, UK and an instructor in the Co-operative Management Education Programme at Saint Mary's University. Her research focuses on accounting for non-profit and social enterprises including co-operatives. Prior to joining the staff at Oxford Brookes Business School, Maureen was finance director for a number of non-profit organisations, consultant for several others and a visiting lecturer at several UK universities covering accounting for purposes other than profit. Maureen is a Chartered Accountant (UK) and is currently completing her PhD at Sheffield Business School.

**Keywords:** co-operative accounting, Statement of Recommended Practice, IFRS, membership

### Introduction

Co-operatives, built on mutuality, present a challenge to the dominant paradigm of the investor-oriented business. It is difficult, if not impossible, to understand and explain co-operative activities properly in the language of capitalism. This paper argues that we need to develop an accounting which facilitates understanding co-operatives on their own terms; an accounting which would allow co-operatives to reclaim the conversation about the sort of society we want to build together from the debates about returns on investment (Holloway, 2010).

This paper sets out to explore and champion the possibility of the co-operative movement developing a specifically co-operative oriented format for financial accounting and reporting that would allow co-operatives to differentiate themselves from both investor-oriented businesses and philanthropic organisations: a Statement of Recommended Practice (SORP) in Accounting and Reporting for Co-operatives. Reporting under such a SORP would allow co-operatives to recognise their fundamental principles of participation, mutuality, democracy and community through membership as opposed to investor supremacy or philanthropy whilst still complying with International Financial Reporting Standards (IFRS).

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The paper builds on the work of the Centre of Excellence in Accounting & Reporting for Co-operatives at Saint Mary's University, Canada (see Appendix 1). It uses the SORP in Accounting and Reporting for Charities in the UK as an example of how a very different approach to accounting (concentrating on the organisational purpose) can be, and actually is, accommodated under IFRS in order to explore what can be learnt for co-operatives.

The paper concentrates on financial accounting and reporting. There are many initiatives to develop specifically co-operative performance indicators and any format for financial statements developed for co-operatives would need to be compatible with these (see Appendix 2) but that is, for the moment, outside the scope of the project outlined in this paper.

### What is a co-operative?

A co-operative is

*an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically-controlled enterprise. (ICA, 1995)*

*Co-operation is first and foremost about people coming together to meet common aspirations and needs; that a business enterprise is involved and that the business might need financial capital are ancillary. (Chieh & Weber, ICA, 2016:16)*

*The joint stock company is a union of money units, each of which carries a vote. The co-operative society is a union of persons. These persons do not, like the shareholders in a joint stock bank, join together to earn a profit out of others. (Wolff 1907:50 cited in Birchall 2010:3)*

### What is a SORP?

*SORPs are sector-driven recommendations on financial reporting, auditing practices or actuarial practices for specialised industries, sectors or areas of work, or which supplement FRC (Financial Reporting Council) standards and other legal and regulatory requirements in the light of special factors prevailing or transactions undertaken in that particular industry, sector or area of work that are not addressed in FRC standards. SORPs also address matters that are addressed in FRC standards, but about which additional guidance is considered necessary. When there are policy options in FRC standards, a SORP may recommend the most appropriate option to the particular industry or sector. (FRC, 2018:3, emphasis added).*

Currently in the UK there are several sectors which use a SORP – further and higher education, authorised funds, social housing, limited liability partnerships, investment trust companies and venture capital trusts, pension schemes and charities. This paper will discuss the charity SORP as an example of how accounting and reporting for purposes other than profit can be accommodated in UK legislation and under IFRS.

Although the UK's Co-operatives and Community Benefit Societies Act 2014 is supposed to formally unite co-operatives, many are set up as limited companies and consequently report to Companies House while others are registered charities and report to the Charity Commission. Co-operatives currently find themselves accounting and reporting under formats designed either for commercial investor-oriented businesses or for philanthropic organisations. Neither format takes the membership-based co-operative purpose and principles into account. This makes it difficult for co-operatives to demonstrate, even to members, how different their purposes and *modus operandi* are to those of companies who seek primarily to make returns for their financial investors or to those of charities who are legally required to apply their resources to the benefit of others.

## Accounting for co-operative purposes: reclaiming the conversation

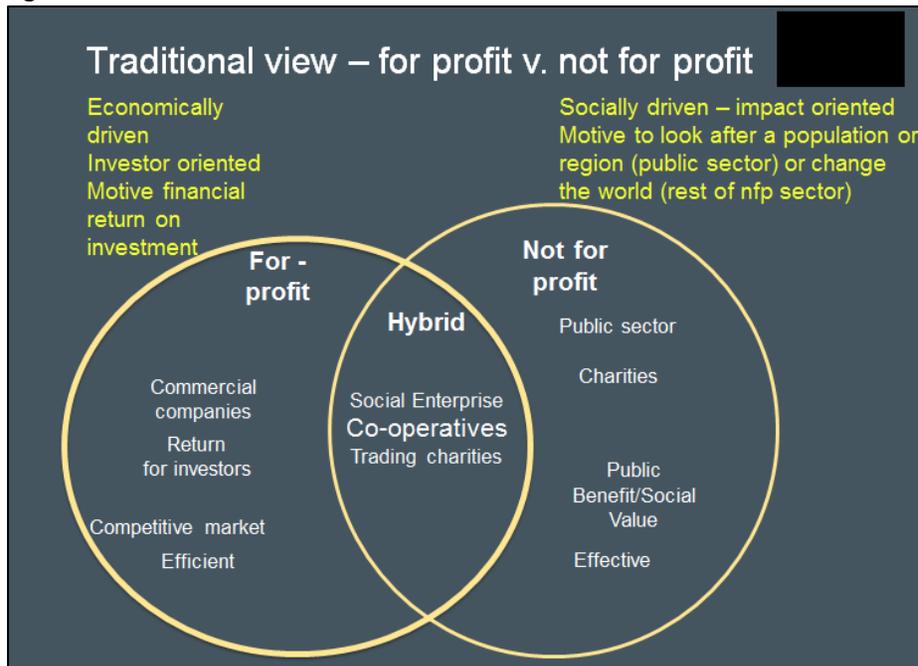
The argument of this paper is that co-operatives need a SORP for two main reasons. The first is that they currently cannot use their financial statements to demonstrate and explain how the financial aspects of their activities tie into and support their co-operative purposes. The second, which follows from the first, is that they are invisible *qua* co-operatives under our current accounting rules, being classed either as investor-driven or philanthropic.

### Current situation

Currently we have two possible accounting formats for organisations which are not part of government – for-profit financial reporting for investor-oriented organisations and not-for-profit financial reporting for philanthropic organisations. The perspectives behind these formats are very different from one another, demonstrating that the format of financial statements can be adapted to better serve the potential users of those statements even under IFRS.

Figure 1 illustrates how social enterprises including co-operatives sit between organisations that are entirely commercially motivated and those that are entirely for public benefit.

Figure 1



Nicholls (2010) argues that the two paradigms – for-profit and not-for-profit – are fighting it out in the hybrid area of social enterprise. However, the not-for-profit format is at a disadvantage because it is defined in terms of the dominant paradigm (Gray et al, 2006) not on its own terms. This paper argues (using charities as an example) that not-for-profit accounting is better understood as accounting for-purpose. The real distinction should not be between for-profit and not-for-profit but between the pursuit of “returns to equity” and the pursuit of “purposes beyond returns to equity”. The need for an accounting format which allows for purposes beyond “return on investment” is common to the entire social economy. It is potentially an area where co-operatives could lead amongst organisations in the social economy.

However, co-operatives are at a further disadvantage. They are a special case within social enterprises because they adhere to the co-operative purposes and principles based on mutuality. Co-operative accounting needs to be accounting specifically for co-operative purposes which, it could be argued, are not just hybrids of commercial and philanthropic objectives but are fundamentally different from the two approaches we already have, based as they are on mutual interest and benefit.

Unless they are registered as non-profit distributing public benefit entities, co-operatives adopt the for-profit format. If they are registered as for public benefit, they adopt the not-for-profit/charity format. Reporting in different formats, each designed for organisations with different purposes to co-operatives, obscures the membership-based co-operative purpose and splits the co-operative economy, making it harder to recognise and understand as a whole.

This binary opposition can be seen at work in the recent debates about how to classify the social economy for National Accounts purposes. The definition put forward by Salamon & Sokolowski (2018), which is to be adopted by the UN *Handbook on Nonprofit Institutions in the System of National Accounts*, broadened to cover the social economy as well as the third sector, uses the absence of profit distribution as a proxy for public benefit. This definition of the social economy draws a line directly through the co-operative movement placing those that allow profit distribution to members in the commercial field and those that do not in the social economy. The repercussion is that the co-operative economy will be split in National Accounts and therefore much harder to see, study or legislate for as a whole.

The argument developed here is not that co-operatives should adopt charity accounting but that co-operatives should argue for an accounting format which recognises the cooperative (as opposed to charity/philanthropic) purposes and *modus operandi* beyond the pursuit of return on financial investment.

Because of the difficulties other social enterprises (e.g. mutuals, B Corps) face in tying their financial statements to their social purposes, and because purpose is defined by each organisation in its own way through its aims and objectives and, as such, is generalised, co-operatives might be able to work with other parts of the social economy on developing a for-purpose SORP. This would indeed be a way to challenge, and maybe eventually change, the dominant investor-oriented paradigm.

### For-profit and for-purpose (not-for-profit) accounting

This section comprises a brief history of the bodies responsible for the different types of accounting based on the UK experience (within the European Union) and a second section which looks at the differences between for-profit and not-for-profit accounting. The argument is made that not-for-profit accounting is better understood as for-purpose accounting. Understood as for-purpose accounting, it can offer a model upon which a format for accounting for co-operatives that recognises the co-operative principles might be negotiated as acceptable under International Financial Reporting Standards.

### For-profit financial reporting – International Accounting Standards Board

The International Accounting Standards Committee (IASC) was established in 1973 to oversee the project of harmonising financial reporting globally. The project was, from the outset, concerned with companies whose shares are traded publicly through stock exchanges, i.e., listed companies. In 2001 the IASC was replaced by the International Accounting Standards Board (IASB). The IASB adopted the International Accounting Standards that had been issued by the IASC and developed them into International Financial Reporting Standards (IFRS). The IASB also started a project to develop a conceptual framework to underpin and give coherence to the work on issuing accounting standards. This conceptual framework explicitly states that the primary purpose of financial reporting is to give information to current and potential financial investors. The IASB sees the main users of financial reports as:

*present and potential investors, lenders and other creditors, who use that information to make decisions about buying, selling or holding equity or debt instruments and providing or settling loans or other forms of credit. [F OB2] (IASB, 2010:9).*

It is, therefore, not at all surprising that co-operatives have great difficulty fitting into the IFRS format. These difficulties mostly turn on definitions of equity, membership and participation and what corporate performance is and how it should be measured, which for IFRS are financially based and defined purely from an investor perspective. The fundamental assumptions about the identification of the primary readers of the statements (shareholders or

participating members) and what they want the information for are different because the organisational purposes are so different.

The IASB is a private, not-for-profit corporation operating as the technical arm of the IFRS Foundation. It has a board of fourteen experts in accounting for listed companies, public markets and large banks, drawn from practice and academia. The IASB develops and reviews IFRS, which are then adopted by countries through national legislation or as stock exchange regulation governing conditions which listed companies must meet. The European Union adopts IFRS automatically since agreeing to do so in 2005. In the UK, IFRS feeds into company law through the convergence of UK Generally Accepted Accounting Practice (GAAP) with IFRS under the auspices of the Financial Reporting Council (FRC), which took over responsibility for UK accounting standards from the Accounting Standards Committee (ASC) in 2012. The FRC is currently under review (Kingman, 2018).

### For-purpose (not-for-profit) financial reporting – the Charities SORP Committee

In a survey for the Institute of Chartered Accountants in England & Wales (ICAEW), Bird and Morgan-Jones (1981) concluded that reporting by charities in the UK was not at all consistent, even amongst those charities which fell under the Companies Acts and consequently under company accounting regulation. They concluded that a unified approach to charity accounting that allowed for how different charities are from commercial companies was needed. In response, the ASC set up a working party to look into charity accounting and the first recommendations, as regards standardising charity accounts with an emphasis on charities' public benefit objectives, were released in 1988.

The responsibility for drawing up the charity SORP devolved to the SORP committee of the charity regulator, the Charity Commission in England & Wales, in 1990, so subsequent SORPs have been drawn up by this committee and agreed by the ASC, which has now been replaced by the FRC. The SORP became the Statement of Recommended Practice, Accounting and Reporting for Charities in 2000 in recognition of the growing importance of the narrative explanation of the figures within charity accounting (Hyndman & McMahon, 2010).

The SORP Committee is the technical committee operating under the auspices of the Charity Commission drawing up, regularly reviewing and issuing guidance on implementation of the SORP for charities. Like the IASB, it is made up of experts drawn from practice and academia, but, for the charity SORP committee, they are experts in accounting for charities. Since the development of IFRS, the SORP Committee regularly reviews charity accounting to ensure that it is still compatible with IFRS and negotiates this with the FRC. The Charity SORP committee is recognised as a "SORP-making body" by the FRC. Charity Financial Statements which comply with the SORP are acceptable under IFRS.

The charity SORP feeds into UK legislation through charity law. This means that complying with the charity SORP is not voluntary in the UK. Organisations which are registered as charities must comply with the core of the SORP. Guidance from the Charity Commission indicates which parts are voluntary and which are compulsory. Failure to comply can result in de-registration with the concomitant loss of the tax advantages available to charities.

### Charity accounting as accounting for purpose

In order to register as a charity in the UK, an organisation must demonstrate that it is set up for "public benefit". The benefit must be to the public or a section of the public, and any private benefit must be incidental. The charity must set out its objectives on registration and review them regularly. The Financial Statements under the SORP are designed to show how charity resources have been raised and used in pursuit of the charity's aims and objectives. Whilst it is obviously true that charity accounts under the SORP are not-for-profit, this description misses the essential point about them, which is that they are designed to demonstrate how financial resources have been raised and used to fund activities to achieve the charity's purpose. Co-operatives need an accounting format which will allow them to demonstrate how resources have been raised and applied through and towards fulfilment of co-operative purposes.

Appendix 3 shows extracts from the Financial Statements of the National Trust (NT), a member-based organisation, one of the largest charities in the UK, described at Co-operatives Congress in 2011, by the then CEO, Fiona Reynolds, as a “*co-operative in all but ownership*”. The NT Financial Statements show how the organisation’s resources have been used in pursuit of the NT’s purpose.

The Profit and Loss Account of a commercial company is replaced in a charity by a Statement of Financial Activities that sets out how resources have been raised – through fundraising or trading in order to support the main activities of the organisation, or through the main activities themselves, which in many cases, as here with the NT, are based on trading with members and non-members. It also shows how the resources have been used – which activities they have supported. For justification of the activities (their relationship with the purposes of the organisation and their effectiveness in achieving the objectives), we have to go into the narrative reports and non-financial indicators. These Financial Statements can accommodate multiple purposes recognising how some purposes (fundraising to support the main purposes for instance) can be subsidiary. They recognise that finance is subsidiary in itself – that the purposes of the organisation are primarily non-financial; finance is a tool to help achieve them, as noted by Chieh & Weber above.

The for-profit format is designed to show the financial impact of the organisation’s activities. The not-for-profit format sends the reader out from the financial statements for justification of the ways in which resources are raised and used – to see how effectively the funds have been applied to change the world in the direction agreed in the charity’s objectives, its purpose. This is why it is argued that this sort of accounting is better understood as for-purpose.

The Balance Sheet of the NT is similar to the Statement of Financial Position (SFP) for commercial companies as regards assets and liabilities, but the Equity/Capital part of the SFP is replaced by a section covering the Funds carried forward. This section can also accommodate share capital as evidenced in the Balance Sheet of Greenwich Leisure Limited (GLL) (Appendix 4), a worker-controlled co-operative with exempt charity status.

### Co-operatives and the potential of for-purpose accounting

The following section is offered as suggestions for how co-operatives could potentially apply the concept of for-purpose accounting. The ideas are quite embryonic. They require development.

If co-operatives were to adopt a for-purpose format for their Financial Statements, they could set out the co-operative purposes of their organisation as embodied in the areas of activity in which they would be raising and to which they would be applying funds. To do this, they would need to clearly map the co-operative principles against the activities in the narrative accompanying the report.

One of the main problems co-operatives face when accounting under the for-profit format in IFRS is the classification of members’ equity. If the equity is withdrawable, it must be classed as a liability for the co-operative, thereby eroding the ownership base and making co-operatives appear more financially fragile than they actually are. This treatment of members’ funds also serves to separate the co-operative as an entity from part of its membership.

Charity accounting – as demonstrated in the previous section – concentrates on the purposes for which financial resources have been raised and to which they are applied. It goes further, classifying financial resources (funds) themselves by purpose. It divides funds into those that can be used for any purpose agreed by the organisation within its aims and objectives and those that are restricted to specific uses. For charities, restricted funds are characterised by conditions imposed by the external donor while unrestricted funds are those which the charity can use for any activity covered by its purposes. Within unrestricted funds, the charity itself can designate certain funds for specific purposes. If co-operatives were to adopt a form of co-operative fund accounting, restricted funds would be those whose use is restricted by external forces, such as legislation. Designated funds would be those the co-operative has set aside for specific purposes by its own decree – which would be decided through the democratic governance process within the co-operative – and could therefore cover discretionary withdrawable funds. General unrestricted funds would be whatever does not fall into the other two strands.

## Accounting for co-operative purposes: reclaiming the conversation

It is possible for charities to account in this way because they do not have to deal with the question of ownership in the Balance Sheet. Nonetheless, the funds section of the Balance Sheet plus long-term liabilities (which would be amounts owed to non-members) would still represent the capital employed, as can be seen from the GLL example (Appendix 4). The funds section would represent the members' financial interest in the co-operative, and this could be analysed between indivisible, non-withdrawable and withdrawable. Fund accounting allows for a more nuanced categorisation than the overly simplistic division into equity or liability. Little thought has, as yet, been given to a for-purpose approach to co-operative accounting. Much more research is needed into the potential of for-purpose fund accounting for co-operatives and how this might address the equity/liability problem posed under IFRS.

Fund accounting might also address the problem of distinguishing between member participation and trade with non-members by splitting the Statement of Financial Activity (SoFA) into Members' Participation Funds and General Funds. So, the revenue raised from operating facilities in the NT SoFA could be split on the face of the SoFA into Members' Participation and trading with non-members.

### Practical Research Agenda to develop a SORP for co-operatives

Much work has already been done by the Centre of Excellence in Accounting and Reporting for Co-operatives at Saint Mary's University in Halifax, Nova Scotia, Canada on the problems co-operatives encounter under IFRS and, based on this, the possible content of an international SORP for co-operatives. This paper is arguing for a Co-operative SORP which is designed to account for co-operative purposes not just as a reaction to investor-oriented accounting, but as a vehicle to articulate co-operative purposes and distinctiveness, both to the co-operative movement itself and to wider society.

More research is needed into how the perspective of for-purpose accounting might inform a co-operative SORP as well as the ongoing research into the problems that are caused for co-operatives under IFRS designed for investor-oriented organisations. Research is also needed into the practicalities of the proposition of developing a co-operative format which would be acceptable under IFRS – as the UK charity SORP is.

It is suggested that a co-ordinated, two-pronged approach be pursued at the international and national level – continued research into an international SORP, and a practical programme to develop a UK Co-operative SORP that would be acceptable under IFRS and could eventually be incorporated in UK legislation in the same way as the UK Charity SORP is. This suggestion is made because the framework for formulating and adopting SORPs, parts of which are legally binding, is well developed in the UK and accepted under IFRS. Developing a UK co-operatives SORP would be a way to work within the space allowed for negotiation under IFRS and within a tradition which is used to undertaking such negotiations.

The UK SORP could, then, act as a base (recognised as acceptable under IFRS) for international co-ordination of co-operative accounting. The UK charity SORP is closely aligned with Generally Accepted Accounting Practice for not-for-profits and there is currently a movement developing towards international alignment of national practices in not-for-profit accounting (Crawford et al., 2018). In practice, the international SORP would be international Generally Accepted Accounting Practice guidelines for co-operatives, which would be aligned with the UK SORP if the two projects are well co-ordinated as both are developed.

The international research would continue to be co-ordinated by CEARC and would inform the work of a committee of experts within the UK, which would need to be set up with the agreement and under the auspices of the FRC, as a "SORP-making body" to work towards the development and adoption of a UK SORP for Co-operatives. It should be recognised that the development of a co-operative SORP will take several years (at least five) and require at least some funding.

## Practicalities

*The FRC will consider authorising the development of a SORP in support of FRC standards if the circumstances warrant it, for example if one or more of the following factors are present:*

- (a) there are indications that issuing a SORP will lead to higher quality financial reporting, auditing or actuarial work or conversely a risk of unacceptable quality if a SORP is not issued;*
- (b) there is evidence or a risk of inconsistent practice across different entities overall or within a particular industry leading to an unacceptable lack of comparability;*
- (c) there is an industry or sector specific need;*
- (d) changes within a particular industry or sector mean that an FRC standard requires additional application guidance; or*
- (e) there is a recognised need in the public interest to establish a benchmark for accountability of professionals. (FRC, 2018:4)*

It can be argued that there is a clear need for a SORP-making body to research accounting for co-operatives under headings a, b and c above, and possibly under d. These arguments need to be compiled and presented to the FRC and other interested bodies (see below).

It is very important that the proposed SORP committee is representative of the UK Co-operative sector.

*The FRC may recognise bodies for the purpose of developing and issuing SORPs. Bodies will only be recognised where the following criteria are met:*

- (a) the industry or sector represented by the body in question has special financial reporting, auditing or actuarial issues and the application or interpretation of FRC standards requires clarification in order to deal with those issues;*
- (b) the body in question represents the whole or a major part of the industry or sector;*
- (c) the body shares the FRC's aim of: (i) high-quality financial reporting proportionate to the size and complexity of the entity and users' information needs; or (ii) high-quality auditing work proportionate to the needs, size and complexity of the entity; or (iii) high-quality actuarial work.*
- (d) the body agrees to abide by this Policy in developing its SORP;*
- (e) the body commits to reviewing its SORP in line with this Policy; and*
- (f) when an industry or sector is regulated or financed by another body, the regulator or financing body has confirmed in writing that it is content for the body seeking recognition by the FRC as a SORP-making body to promulgate SORPs for that industry or sector. (FRC, 2018: 5, emphasis added)*

It is also imperative that the proposed SORP committee discusses the project with, and gains the agreement of, the regulators who currently oversee the different areas which may be covered by the new SORP, currently the FCA and the Charity Commission. The agreement of the FRC is required before a body starts to develop a SORP.

## Accounting for co-operative purposes: reclaiming the conversation

It is worth noting that the Kingman Report, a review of the FRC (2018), concentrates on the FRC's role as the audit and actuarial regulator, notes only in passing that the FRC has a responsibility for accounting standards and fails to mention SORPs at all. This would indicate that the responsibility for SORPs is rather peripheral for the FRC.

### Proposition

It is proposed that Co-ops UK, as the umbrella body for UK co-operatives, would be the lead organisation for the development of a UK Co-operatives SORP.

The initial feasibility study comprises several strands which need to be undertaken simultaneously. The steps suggested are:

- a) To undertake a survey similar to that conducted by Bird & Morgan-Jones in 1981 on charity accounting for the ICAEW, on co-operative accounting within the UK. The support of co-operatives and maybe that of the Employee Ownership Association should be sought. It may be advantageous to involve the main accountancy bodies as well if possible.
- b) As part of the survey, or maybe building on the results, to canvass opinion in the wider co-operative movement about the relevance of the project.
- c) To open a dialogue with the FCA and FRC about establishing a co-operative SORP committee and setting its terms and remit. The UK government has recently promised to explore how to improve regulatory clarity for societies and Community Interest Companies through non-legislative means. Clarifying accounting standards would contribute to this work.
- d) Find suitable people prepared to serve on the committee. It is suggested that the committee should draw members from the co-operative accounting world, ensuring a balance of those used to dealing with IFRS and those used to dealing with reporting under the charity SORP. It should also include, if possible, even if only as advisers, people with experience of developing the charity SORP.
- e) Draw up an activity plan for the project and establish how to fund it adequately over the several years it will take to achieve its objectives. Ideally, this work would be funded mostly by the UK co-operative movement, but it may be possible to obtain grant funding for some of it.

### Conclusion

Co-operative accounting under IFRS cannot adequately demonstrate the use of resources in pursuit of the membership-based co-operative purposes and *modus operandi*. For-purpose accounting, as in the charity SORP in the UK, obscures co-operative principles because it concentrates on "public benefit" understood as altruistic benefit for others. However, the idea of for-purpose accounting and the use of a SORP to allow for different purposes could be a useful model for co-operatives to explore in developing a way of accounting which can make the co-operative difference (mutuality and participation) clear.

A co-operative SORP is necessary for accounting for co-operative purposes to be acceptable under IFRS, which is automatically adopted throughout the EU including the UK. Research has already started into the possibility of an international SORP for co-operatives. It is suggested that a two-pronged approach be adopted, one focused on developing a UK SORP for accounting and reporting for co-operatives using the way that charities account for very different purposes as a model, and another strand that continues to develop international support for international alignment of co-operative accounting. The two strands should collaborate so that developments are aligned.

The first steps of the UK strand would be to undertake a survey of the current state of co-operative accounting within the UK and then to establish support for the project researching a potential SORP. It is suggested that Co-operatives UK, as the umbrella body for the UK, play the lead role in this phase of the project.

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### Appendix 1

It should be noted that this paper is not the first attempt to develop a co-operative SORP. In fact, the Centre of Excellence in Accounting and Reporting (CEARC), over the period 2007 to 2011, developed the following SORPs to provide guidance on a wide array of issues:

- iSORP 1 - Objectives, scope and purpose
- iSORP 2 - Reporting co-operative members' funds
- iSORP 3 - Reporting payments to members
- iSORP 4 - Reporting on membership
- iSORP 5 - Environmental sustainability reporting guidelines
- iSORP 6 - Discussion Paper - Co-operative non-financial reporting

<https://www.smu.ca/academics/sobey/cearc-isorp-project.html>

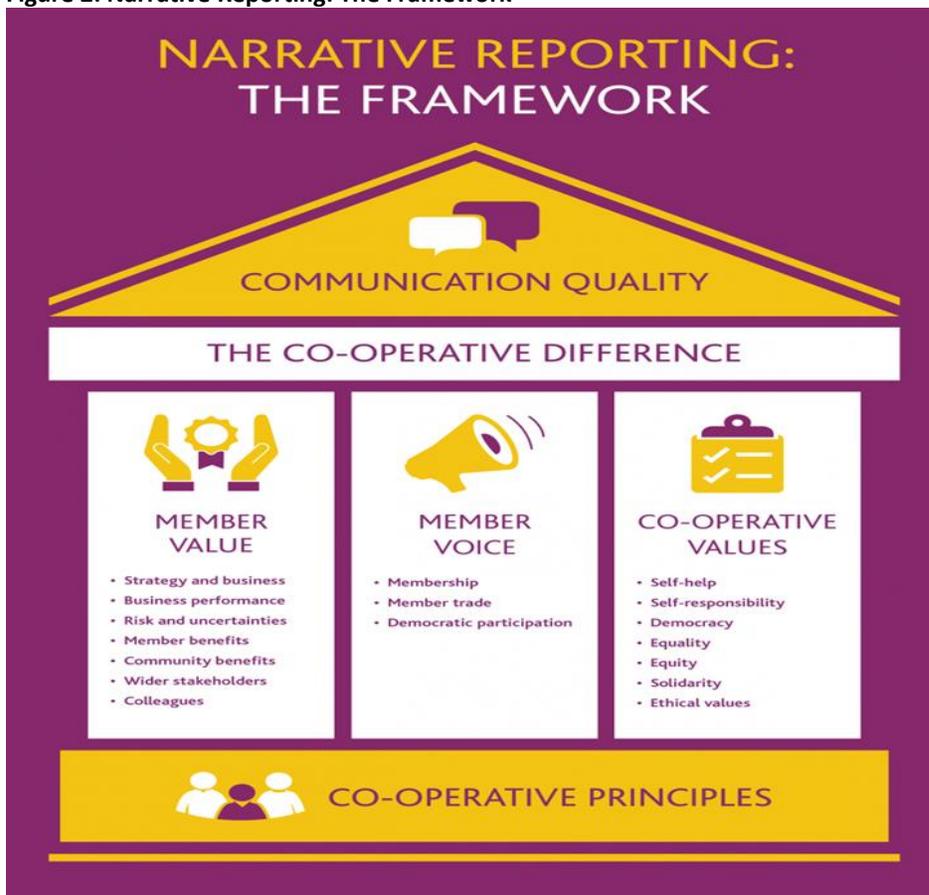
## Appendix 2

'Non-financial' or performance reporting also plays an important role in telling the full story of a co-operative's performance. There are several co-operative performance reporting projects that are currently ongoing that focus on the wider co-operative performance outcomes. For example, CoopsUK has recently introduced a narrative reporting initiative which focuses on three main areas:

- Member value: how it is delivering value to its members
- Member voice: how its members have directed the co-op
- Co-operative values: how it is living up to the co-operative values

The narrative reporting framework provides guidance on how co-ops might structure their annual report to members, and also includes a framework through which co-ops can view their wider communications with members throughout the year. The essence of narrative reporting is reflected in Figure 2 (<https://www.uk.coop/newsroom/new-framework-and-guidance-help-co-ops-report-members>).

**Figure 2: Narrative Reporting: The Framework**



Another example of a co-operative reporting framework is the Co-operative Performance Indicators (CPI) project led by the Centre of Excellence in Accounting and Reporting for Co-operatives, based at Saint Mary's University, Nova Scotia, Canada. The CPI is currently in the pilot phase and its focus is to develop a series of measures that reflect the seven principle of co-operatives. The ultimate aim of the CPI is to develop benchmark data that will enable co-operatives to compare and evaluate their performance (<https://www.smu.ca/academics/sobey/co-operative-performance-indicators.html>).

## Appendix 3

National Trust Consolidated Statement of Financial Activities y/e 28<sup>th</sup> Feb 2018

	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total 2018 £'000	2017 £'000
<b>Income and endowments from:</b>					
<b>Donations and legacies</b>					
Appeals and gifts	1,815	11,366		13,181	11,525
Legacies	33,944	17,876	118	51,938	61,693
Operating grants and contributions	115	5,706		5,821	6,144
<b>Other trading activities</b>					
Enterprise and renewable energy income	73,412			73,412	72,852
Hotel income		8,368		8,368	8,135
<b>Investments</b>	6,962	8,291	13,914	29,167	25,540
	116,248	51,607	14,032	181,887	185,889
<b>Charitable activities</b>					
Membership income	219,765			219,765	200,741
Project grants and contributions		12,214		12,214	11,770
Direct property income	142,818	36,959		179,777	170,904
	362,583	49,173	-	411,756	383,415
<b>Other</b>					
Other income	631	531	70	1,232	22,438
<b>Total income</b>	<b>479,462</b>	<b>101,311</b>	<b>14,102</b>	<b>594,875</b>	<b>591,742</b>
<b>Raising funds</b>					
Fundraising costs	3,601			3,601	3,315
Enterprise and renewable energy costs	52,642			52,642	53,832
Hotel costs		8,226		8,226	8,066
Investment management costs	1,798	1,974	3,523	7,295	5,522
	58,041	10,200	3,523	71,764	70,735
<b>Charitable activities</b>					
Property operating costs	208,506	69,722		278,228	255,611
Expenditure on property projects	83,758	54,586	41	138,385	139,304
Acquisitions	8,031	3,434		11,465	10,030
Internal conservation and advisory services	50,993	1,536		52,529	46,183
Membership costs	52,883	205		53,088	45,543
	404,171	129,483	41	533,695	496,671

Maureen McCulloch

<b>Total expenditure</b>	<b>462,212</b>	<b>139,683</b>	<b>3,564</b>	<b>605,459</b>	<b>567,406</b>
Net (expenditure)/income before gains on investments	17,250	(38,372)	10,538	(10,584)	24,336
Net gains on investments	15,103	17,252	30,722	63,077	190,302
<b>Net income</b>	<b>32,353</b>	<b>(21,120)</b>	<b>41,260</b>	<b>52,493</b>	<b>214,638</b>
Transfers between funds	4,341	17,710	(22,051)		
Actuarial gains/(losses) on defined benefit pension scheme	83,592			83,592	(94,864)
<b>Net movement in funds</b>	<b>120,286</b>	<b>(3,410)</b>	<b>19,209</b>	<b>136,085</b>	<b>119,774</b>
Fund balances brought forward	189,720	473,665	581,495	1,244,880	6
<b>Fund balances carried forward</b>	<b>310,006</b>	<b>470,255</b>	<b>600,704</b>	<b>1,380,965</b>	<b>1,244,880</b>
					<b>0</b>

## Appendix 4

## GREENWICH LEISURE LIMITED

## CONSOLIDATED BALANCE SHEET AT 31ST December 2017

	31.12.17 Total funds	31.12.17 Total funds	31.12.16 Total funds	31.12.16 Total funds
	£	£	£	£
<b>FIXED ASSETS</b>				
Intangible assets		325,833		423,572
Tangible assets		56,412,858		57,230,641
Investments		12		12
Investment property		1,003,090		1,200,869
		<u>57,741,793</u>		<u>58,855,094</u>
<b>CURRENT ASSETS</b>				
Stocks	504,625		520,753	
Debtors (within one year)	38,607,219		29,809,897	
Debtors (longer than one year)	6,908,622		7,573,816	
Cash at bank and in hand	22,725,435		21,597,312	
	<u>68,745,901</u>		<u>59,501,778</u>	
<b>CREDITORS</b>				
Amounts due within one year	<u>(69,667,876)</u>		<u>(57,285,266)</u>	
<b>NET CURRENT ASSETS</b>		<u>(921,975)</u>		<u>2,216,512</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>				
		56,819,818		61,071,606
<b>CREDITORS</b>				
Amounts due after one year		<u>(20,666,227)</u>		<u>(26,395,923)</u>
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>				
		<u>36,153,591</u>		<u>34,675,683</u>
<b>PENSION LIABILITY</b>				
		43,334,000		45,149,000
<b>FUNDS</b>				
Unrestricted funds	(8,034,169)		(11,443,207)	
Designated funds	395,481		411,296	
Total unrestricted funds		(7,638,688)		(11,031,911)
Restricted funds		414,779		516,409
Share Capital		43,500		42,425
<b>TOTAL FUNDS</b>		<u>(7,180,409)</u>		<u>(10,473,077)</u>
<b>TOTAL FUNDS EXCLUDING PENSION LIABILITY</b>				
		<u>36,153,591</u>		<u>34,675,923</u>

## Societal Values in Germany – an Aspect of Cooperative Management?

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**Abstract:** In a changing world in which megatrends have an impact on framework conditions, values convey a sense of orientation, security and stability. With the help of a solid bedrock of values, companies, individuals or societies, can likewise face the challenges these megatrends present. Companies with the legal form of a cooperative can make strategic use of values to enhance their unique selling points. Also, a solid bedrock of values can enhance a company's success in a sustainable manner.

Given its numerous cooperatives along with their membership totalling some 22 million, Germany is seen as a “country of cooperatives”. This study covers German society and provides insight into its values and its attitude towards cooperatives. Three key issues are analysed. Which values shape German society? Which values are attributed to the cooperative as a form of enterprise? To what extent are there similarities or differences between the societal and cooperative values in their rankings? The results are based on an online survey of the German population that was conducted in November 2017, (n=1,008).

A semantic differential was used to depict convergences and deviations. Liberty showed the biggest difference between the societal and cooperative values. The statistical analyses produced the following results: there are significant differences between the societal and cooperative value in terms of gender and age structure. Women rate values as being more important for them personally but also in conjunction with cooperatives than men. Generation Y is shaped by attitudes to values that differ from those of other generations.

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**Keywords:** values, society, cooperatives, strategic management, corporate culture

### Introduction

In a rapidly changing world, in which megatrend developments such as individualisation, globalisation and digitisation influence individual, social and economic conditions (Schmidt, 2016; Horx, 2014), values can offer individuals and companies orientation, security, stability and differentiation (Hattendorf, 2013; Hemel, 2007; Kobi, 2008; Scholl, 2013; Bauschke, 2014). Companies, as well as individuals or societies, can face these various challenges with the help of a stable and solid foundation of values (Scheuer, 2016).

A special form of enterprise that stands out particularly against the background of social and economic change and has proven itself over decades as an economic self-help organization is the registered cooperative (Blome-Drees et al., 2016; Gros, 2009; Ringle, 2016). Cooperatives distinguish themselves from other forms of enterprise mainly through the concept of collective self-help (Ringle, 2016).

The legal form of a registered cooperative in Germany can look back on a long tradition (Deutscher Bundestag, 2018). Due to its history, it should be noted that cooperative hereditary assets are based on principles, values and attitudes of the founding fathers such as Friedrich Wilhelm Raiffeisen or Hermann Schulze-Delitzsch (Ringle, 2010; Hakelius, 1996; Radakovics & Rößl, 2016) that are much stronger than those of other legal forms. For example, values in cooperatives and their corporate culture can be used in strategic management to strengthen unique selling points, such as membership, together with the aid of the “mission statement” tool (Münkner, 2008). Furthermore, values can lead to improvements in internal and external target group-specific communication (Bentele, 2014; Mast, 2011) and the traditional core of values can be promoted (Hill, 2015). A solid foundation of values (Ringle, 2012) can sustainably increase the company's success (Kobi, 2008) and set it apart from its competitors (Duncker & Brandt, 2015) when a clear distinction cannot be made readily.

With 7,320 registered cooperatives and around 22.56 million members (as of 31 December 2017), Germany can be described as a “cooperative country” (DGRV, 2018; Stappel, 2017). Approximately every fourth German citizen is a member of a cooperative. This leads to the assumption that cooperatives play an important role in Germany.

Against this background and the extensive challenges, cooperatives can be recommended to set priorities. A potential focus of cooperatives can be on the implementation of values (e.g. in corporate culture, in corporate social responsibility as well as in strategic management) due to their long traditions, the advantages mentioned and the multitude of functions.

With a view to sustainability and even, accordingly, to the law of cooperatives, cooperatives are very interested in retaining their members and acquiring new ones (Rößl, 2008). A prerequisite for the use of values in cooperative corporate culture and in strategic management is the knowledge and relevance classification of these values.

The present study was performed to facilitate the use of the advantages and functions of values in the forms of cooperatives, corporate culture and strategic management, and to apply them using tools such as mission statements. The study represents German society in terms of its attitudes, assessments and perceptions of values. The analysis refers, on the one hand, to the attitude of the individual and personal values of German society and, on the other hand, to the assessment and perception of the values towards cooperatives. Personal values can be defined as follows: they influence one's own behaviour and decisions and also shape one's own character. Under expectation of likely differences, the results are presented focussing on gender-specific perception, on the determinant generation, and on the German population distribution in East and West Germany.

The aim of this article is initially to develop a ranking order based on the set of common values that has been identified in order to find out how important the individual values are from the point of view of German society. In the second step, a prioritisation is established, describing how the same values are assessed by the population in view of cooperatives. Finally, both rankings are analysed from the viewpoint of overlaps and differences in order to draw conclusions for cooperatives and their corporate culture as well as for strategic management.

To achieve this goal, the following three central questions were analysed:

1. Which values shape German society?
2. What values are attributed to the cooperative as a form of enterprise?
3. To what extent are there similarities or differences between the societal and cooperative values in their rankings?

### A definition of societal and cooperative values

Values research is anchored in interdisciplinary science and can be found in various scientific disciplines such as psychology, sociology and economics (Schönborn, 2014). To begin, a working definition of the term values is given based on a wide variety of definitions, rich in scope and facets. Here, the following literature sources are considered authoritative: Kluckhohn, 1951; Maag, 1991; Davis & Worthington, 1993; Hillmann, 2003; Fenner, 2008; Neidinger et al., 2013; Davis, 2014; Girbig, 2014; Huxhold & Müller, 2014; Sass, 2014; Standop, 2016.

#### *Working Definition – Values*

##### **Values**

... shape the core of culture, are closely intertwined with ideas, ideologies and religions.  
... have both an ethical-moral and a material-financial character.  
... are shaped by everyday actions, education and experiences.  
... implicitly or explicitly distinguish an individual, group or society.  
... can be an important support in life situations.

In general, values are regarded as determinants of behaviour and attitudes, thus defining orientation standards. Values can be converted into validity standards and principles.

Fenner illustrates that principles are uniform, universally valid maxims, which are on the same level as values (Fenner, 2008). In order to shape the cooperative corporate culture, values can be applied that are operationalised with the help of principles (ICA, 2018). To shed more light on this, the International Cooperative Alliance (ICA) has drawn up a comprehensive guide to the cooperative principles in which, for example, voluntary membership and democratic member control are dealt with in detail (ICA, 2015).

#### *Values and principles in cooperatives*

Engel and Blackwell have defined values as follows: "All humans have sets of values. These values change with time, but slowly and not without resistance; they are rooted in one's subconscious, and affect individual options relating to all everyday decisions" (Engel & Blackwell, 1982). Nilsson adds that cooperative values "consist of values or norms inherent in the mind of the members" (Nilsson, 1996). The values and principles that emerged in cooperatives in the 19th century are still valid today (Ringle, 2012). While values are flexible in their use and validity (Sommer, 2016), principles embody the "cultural core" of cooperatives (Bonus, 1994). The ICA is consulted to establish a vague demarcation between cooperative values and principles; it recognises the "Cooperative Principles as guidelines for the implementation of cooperative values in practice" (Münkner, 2008).

The main principles in Germany are the three S-principles: collective **self-help** solves economic and social problems by its own means, through **self-administration** and thus, with democratic participation in collective **self-responsibility** (Hofmann, 2013; Ringle, 2012; Ringle, 2013a). Principles and values are a characteristic feature of cooperatives, both in the start-up phase and in day-to-day business operations (Pleister, 2001).

As an example, collective self-help should be mentioned here, which is also based on a set of values and this can be constructed from the following values: solidarity, democracy, liberty, equality, honesty and accountability (in

## Societal Values in Germany – an Aspect of Cooperative Management?

accordance with Nilsson, 1996). The selected values of solidarity, democracy and liberty will be brought more closely into the context of cooperatives hereafter.

Solidarity and the principle of solidarity which goes with it are considered to be at the heart of cooperative work (Klemisch & Boddenberg, 2019) and constitute the distinctive character of the cooperative system (Klemisch & Vogt, 2012). A special characteristic of solidarity in cooperatives is that members personally vouch for the commitments of their cooperative (Klemisch & Vogt, 2012) and that a common objective is pursued which goes beyond the payment of returns (Klemisch & Boddenberg, 2019).

Democracy and the principle of democracy will be respected through the election of representatives and will be based on the principle of self-government (Klemisch & Boddenberg, 2019). In addition, in the sense of neutralising personal capital, each member has only one vote regardless of the amount of capital invested in accordance with the slogan "One Man – One Vote" (Blome-Drees, 2012a). A difficulty is posed by large cooperatives, in which a reduced democratic co-determination has been seen in the past (Reichel, 2012).

Liberty and the associated principle of voluntary membership is linked to the values of equality, justice and fairness (Nilsson, 1996). A characteristic of liberty is that the legal form of German cooperatives enables members to enter and leave freely. Furthermore, the members voluntarily commit themselves to self-imposed rules. The voluntary principle can also mean that voluntary civic commitment is given and that members voluntarily take over charitable services (Ringle, 2016).

In contrast to the precisely formulated three S-principles, Ringle (2013b) explains that there is no uniform value basis in cooperatives (Ringle, 2013b). On the contrary, a large number of values currently prevail in cooperatives (Ringle, 2013b) – which can also be defined as value pluralism (Kock, 2008). On this basis it can be deduced that cooperative values are not homogeneous and universal, but rather individual and shaped by background, founding history, sector of the cooperative or membership structure.

Two formative values or principles, which are mainly used in the international context, should be emphasised. These are compassion and education. Education and compassion are not found in the selected values, because they do not appear in the German social value studies. Nevertheless, they are so important that they are mentioned and described here.

**Education** is one of the founding principles used by ICA to describe the character of cooperatives. Cooperatives offer not only their members or employees, but also managers and elected representatives, training and education to contribute effectively to the development of the cooperative. Another important point is the communication of knowledge and information to the public in order to convey the nature and the benefits of cooperatives, especially to young people and opinion leaders. Education is fundamental to transforming lives and a key to enlightenment and social progress (ICA, 2015).

The value **compassion** can be assigned to the 7<sup>th</sup> ICA principle "concern for community". It can supplement elements such as self-help and self-responsibility or honesty, openness, social responsibility and caring. Compassion arises when cooperatives have evolved from communities that conduct joint business activities. Such communities work together because they are affected by grievances, problems or difficulties (ICA, 2015). The principle of the cooperative and also of the founding fathers such as Raiffeisen, true to the maxim "what one cannot do on his own, many can do", is applied here (Mussler, 2018).

It is clear that cooperative corporate culture has a multitude of societal values (Klein, 1991; Ringle, 2012). Ringle criticises the development of a "not to be overlooked increase in values propagated in the cooperative sector" (Ringle, 2013b). This statement is confirmed by the fact that after the financial and economic crisis in 2007, there was a steady increase in the values communicated in cooperatives and in the literature about cooperatives (Ringle 2013b). However, an overload of values is not conducive to cooperatives, their business success or their differentiation from competitors (Ringle, 2013b).

## Methodology and sample structure

To ensure the completeness of the empirical survey, the methodological approach was divided into two phases.

Secondary data analysis formed the **first phase**, which was carried out with the help of two extensive literature reviews on societal and cooperative values. The goal of the secondary data analysis was to identify a common set of German societal and cooperative values. The societal values (item: **soc\_values**) were identified based on three value studies of German society. These are the Eurobarometer, the Values Index and the Society for Consumer Research (Grown from Knowledge (GfK) association).

The **Eurobarometer** is a six-monthly public opinion survey of the countries of the European Union, which has been carried out by the European Commission on a representative basis since 1978. Between 1,000 and 2,000 citizens per Member State are surveyed on a variety of points, including 12 values (European Commission, 2018).

The **Values Index** maps the value cosmos of German Internet users. Surveys have taken place in 2009, 2012, 2014 and 2016. The aim of the Values Index is to filter basic societal values from around four million public opinions (Wippermann, 2018).

The most-recent study deals with the theme "Transformation the Meaning of Values" and was conducted by the **Society of Consumer Research** in 2010, 2011, 2015 and 2016. Thirteen different values from 1,080 respondents were assessed (GfK-Verein, 2010).

The three values studies are representative, performed regularly, and have a total of 35 heterogeneous values. There are three matches in this group of values: *liberty*, *security* and *solidarity*.

The **second phase** of the extensive literature review focuses on cooperative values. The cooperative values (item: **coop\_values**) were elucidated with the aid of an extensive national and international literature review in accordance with Mayring (2010), based on a qualitative-content analytical procedure and a review of all the material. The scope of material examined consisted of 121 scientific documents. The societal and cooperative values analysis was thus completed.

The aim of the secondary data analysis was to develop an intersection and thus a common value foundation for the **soc\_values** and **coop\_values** based on the frequency with which the individual values were named in the selected literature and social studies. This intersection of the most important values from German society and the national and international cooperative literature contains 16 values, which are arranged in the following equal and alphabetical order:

<b>accountability</b>	<b>honesty</b>	<b>respectfulness</b>	<b>sustainability</b>
<b>democracy</b>	<b>justice</b>	<b>safety &amp; security</b>	<b>tolerance</b>
<b>equality</b>	<b>liberty</b>	<b>solidarity</b>	<b>transparency</b>
<b>helpfulness</b>	<b>predictability</b>	<b>stability</b>	<b>trust</b>

Based on the results of the secondary data analysis, primary data collection was carried out in the second phase of the research project. In November 2017, data was collected from a representative sample of the German population to assess societal and cooperative values using a nationwide online survey. In order to ensure representativeness, the market research institute GfK SE was commissioned to disseminate the questionnaire nationwide. The computer assisted web interview (CAWI) method was selected for the variety of different instruments because it can be coded in such a way that all representative characteristics such as gender, age, state, income and school education must be completed. In contrast to the University's Research Centre of Cooperatives, the market research institute has a huge pool of test persons and can therefore ensure representativeness.

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The quantitative survey was implemented using a structured questionnaire. This was divided into five chapters covering the subjects of general information on cooperatives, current problems in society, societal values, cooperative values and demographic issues. Consisting of closed questions to be answered using a Likert scale (1=completely unimportant, 2=unimportant, 3=rather unimportant, 4=rather important, 5=important, 6=very important), the questionnaire was placed online using CAWI. The six-level Likert scale was deliberately used to exclude the problem of social desirability bias (Menold & Bogner, 2015).

The answers from 1,008 volunteers aged between 14 and 70 years, of whom 52% were male and 48% female, were used for the evaluation. The collected data were then statistically analysed and aggregated using univariate analysis of the mean values, a t-test for independent samples, and a simple analysis of variance (ANOVA). In the statistical evaluation, a significance level  $\alpha=0.05$  was assumed.

Table 1 shows the traits of the sample analysed in this article. The traits of gender, generation, population distribution and cooperative membership are representative in the sample in comparison to the population structure in the Federal Republic of Germany. To analyse representativeness, the data of the Federal Republic of Germany were selected based on the Federal Statistical Office and Statista and compared with the sample structure using relative figures.

**Table 1: Overview of representativeness in the sample structure based on the traits to be analysed.**

Target group, test persons	German Society			
Survey period, duration, location and type	November 2017, 1 week, Germany, CAWI Online Survey			
trait	Specification n=1,008	Germany		Representativeness
Sex	Men	52%	49%	✓
	Women	48%	51%	
Generation	Traditionalists	8%	} 23%	✓
	Baby Boomers	24%		
	Generation X	38%	~24%	
	Generation Y	19%	16%	
	Generation Z	11%	9%	
Population distribution	West Germany	85%	86%	✓
	East Germany	15%	14%	
Cooperative member	Yes	32%	30%*	✓

Source: Author's calculation and presentation compared with Stappel, 2017; DGRV, 2018; Destatis, 2017; Destatis, 2018; Statista, 2019; \*Age 14 to >65 years. Legend: ✓ = representative.

In terms of gender, 52% of the sample consists of men, compared to 49% men present in Germany. However, a deviation of three percentage points does not affect representativeness. In the area of generation, deviations of up to 14 percentage points occur (Generation X) but are still approximately representative. The other traits are all highly representative. For example, the population distribution in the West Germany sample is 85%, i.e., almost the same as the actual distribution in Germany, which is 86%.

In the statistical evaluation, which was carried out using the program IBM® SPSS® Statistics® Version 24, analytical methods such as the t-test for independent samples and the ANOVA were applied, in addition to the descriptive statistics. Due to the large sample (n=1,008), an approximate normal distribution of the mean values can be assumed (Hatzinger & Nagel, 2009). Initially, a principal component analysis was performed using orthogonal rotation to maximise the variances within a factor. Linear combinations of the variables were generated (Brosius, 2013). Subsequently, a univariate analysis of the mean values was carried out in order to create the value ranking order based on the frequency distributions.

The individual characteristics were analysed using appropriate methods. The determinants of gender and population distribution were analysed using a t-test for independent samples to identify significant differences between men and women and between East and West Germany.

Subsequently, the German population structure was divided into five clusters based on age and age cohorts. These were traditionalists (before 1945), baby boomers (1945 to about 1964), Generation X (Gen X) (1965 to about 1980), Generation Y (Gen Y) (1980 to about 1995) and Generation Z (Gen Z) (1995 to 2010). A simple analysis of variance was used to test whether the mean values of several independent groups, in this case the five generations, differed significantly.

The analysis focuses on gender and generations. Other variables such as income and location size were also examined using statistical methods, but no significant differences were found. A limiting factor of the study may be the lack of class analysis. However, the focus is deliberately on Generation Y, which can be counted as a strength of the study, as Generation Y will occupy 75% of jobs worldwide by 2025 (PWC, 2011).

## Results

### *Results of the factor analysis*

Firstly, it is assumed that it is not known exactly whether and in what way the variables correlate with each other, but certain facts are accepted (Brosius, 2013). For this reason, the 16 values of the common set (so the 16 societal and 16 cooperative values; in sum 32 values) were condensed into two factors with the aid of a factor analysis. The Kaiser-Meyer-Olkin measure is 0.971, so the variables can be regarded as appropriate and suitable for factor analysis (Kaiser & Rice, 1974; Eckey et al., 2002). The Bartlett test is highly significant ( $p \leq 0.001$ ). A principal component analysis with Varimax rotation shows that factors with eigenvalues greater than 1 are considered. The analysis of the screen plot also justifies the classification of two factors and explains 61.39% of the variance. The classification is based on excellent consistency, with Cronbach's Alpha ( $\alpha$ ) equalling 0.947 for societal values and  $\alpha$  equal to 0.965 for cooperative values. This justifies proceeding further with the items *soc\_values* and *coop\_values*.

### *Values of German society*

The first research question aims to determine which values shape German society. For this purpose, the entire sample was analysed and the values were prioritised based on the mean values to establish a ranking for the 16 *soc\_values* (Table 2).

**Table 2: Prioritisation of values from the perspective of German society.**

Rank	soc_values	$\bar{x}$
1	liberty	5.34
2	honesty	5.33
3	trust	5.32
4	justice	5.27
5	safety and security	5.23
6	respectfulness	5.22
7	democracy	5.10
8 / 9	helpfulness	5.08
8 / 9	accountability	5.08
10	tolerance	5.04
11	stability	4.94
12	solidarity	4.87
13	transparency	4.83
14	sustainability	4.80
15	equality	4.66
16	predictability	4.51

Source: Author's research.

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The mean values of *liberty* ( $\bar{x}=5.34$ ), *honesty* ( $\bar{x}=5.33$ ), *trust* ( $\bar{x}=5.32$ ) and *justice* ( $\bar{x}=5.27$ ) are very close to each other and are classified as 'important' to 'very important' on the Likert scale. The values *transparency* ( $\bar{x}=4.83$ ), *sustainability* ( $\bar{x}=4.80$ ), *equality* ( $\bar{x}=4.66$ ) and *predictability* ( $\bar{x}=4.51$ ) lie in the lower quarter of the ranking order. These mean values are classified in the range 'rather important' to 'important'.

In summary, all the mean values of the *soc\_values* lie in a range of 'rather important' to 'important' on the Likert scale. This allows key aspects for further analyses to be identified. One important point is that German society currently regards values as being very important, and therefore this research project examines the right idea at the right time. Additionally, the ranking confirms that the values selected are relevant and highly regarded in society. Since the question is specifically a personal assessment of values, it can be concluded that this ranking reflects individual values in German society.

### *Gender-specific differences among societal values*

The t-test for independent samples is used to analyse whether there are significant gender differences between men and women in terms of the *soc\_values*. Two main findings should be noted. Firstly, it becomes clear that 12 of the 16 *soc\_values* show significant differences. Of these, seven are highly significant differences ( $p \leq 0.001$ ): *equality* ( $t=-4.087$ ), *helpfulness* ( $t=-4.652$ ), *respect* ( $t=-5.007$ ), *safety & security* ( $t=-3.996$ ), *solidarity* ( $t=-4.669$ ), *tolerance* ( $t=-4.278$ ) and *responsibility* ( $t=-4.414$ ). The four non-significant values are: *liberty*, *democracy*, *transparency* and *predictability*. This means that men and women agree on their personal assessment of the importance of these four values.

The second important result of the analysis in terms of *soc\_values* and gender demonstrates that all *soc\_values*, except *predictability*, are considered more important by women than by men. In summary, it can be stated that the assessment of the importance of the values can be differentiated according to gender. Three-quarters of the *soc\_values* show significant differences between men and women and are consistently perceived as more important by women.

A possible explanation for why women consider the *soc\_values* more important could be the tendency to act more emotionally. Another assumption may be that men are more performance and power oriented, while women may be more communication and compromise oriented, with values providing a solid foundation. With regard to cooperative corporate culture and strategic management, it should be borne in mind that women may focus on other values and perceive them as more important than men. This possibility should be reflected in the cooperative corporate culture in the long term in order to recruit more women in the future both as potential members and as employees or in leadership positions (Perilleux & Szafaraz, 2015) in cooperatives.

### *Generation-specific differences among societal values*

The mean values of the determinant generation were evaluated using an ANOVA test. As already mentioned, the determinant was subdivided into five clusters. These were classified in the sample as follows: 8% traditionalists, 24% baby boomers, 38% Gen X, 19% Gen Y and 11% Gen Z. The ANOVA shows that 15 of the 16 *soc\_values* show significant differences between the individual generations. Only the *soc\_value* *equality* shows no significant difference between the individual generations. From this, it can be concluded that *equality* between the generations has approximately the same value. Why the value *equality* between the generations shows no significant differences can be explained, for example, by Article 3 of the Basic Law of the Federal Republic of Germany, which states that (1) all people are equal before the law and (2) men and women are equal. From this, it can be concluded that this Basic Law is firmly anchored in all generations.

Continuing from here, the results of the analysis focus on Gen Y keeping in mind that Generation Y will occupy around 75% of jobs by 2025. It becomes clear that between Gen Y and the previous generations, traditionalists, baby boomers and Gen X, there are a large number of significant differences in the *soc\_values* (exception: *equality*). This means that Gen Y has a significantly different perception and sense of the importance of *soc\_values* when compared

with previous generations. A detailed mean value analysis shows that Gen Y has consistently lower mean values and thus classifies all values as less important. This can be an indication of the change in values in German society. It can definitely be concluded that Gen Y has a lower appreciation of the soc\_values than the other generations. In summary, it can be stated that, in the mean value comparison, there are significant differences between Gen Y and the other generations with regard to the perception of values.

For corporate culture and corporate social responsibility as well as for the strategic management of cooperatives, this result means that the change in value perception of Gen Y must be taken into account in the future. This can be implemented through various approaches. For example, cooperatives should particularly address Generation Y with "their" values, or, in other words, the values that are personally important to them. Furthermore, cooperatives should orient their strategic management in such a way that Generation Y is mobilised to participate as a member or as an employee. Cooperatives can support this, for example, through flexible working hours, home offices or family friendliness.

***Differences in the perception of societal values between East and West Germany***

The first research question concludes with an examination of the population distribution within Germany. With the help of the t-test for independent samples, it should be determined whether and which differences in the perception of values exist between East and West Germany. Contrary to expectations, there were no significant differences with regard to the societal values between East and West Germany with the exception of *helpfulness* (p=0.042; t=-2.049). On the basis of a more precise average value analysis, it can be said that the soc\_value *helpfulness* is rated more highly in East Germany than in West Germany. Thus, for cooperatives and their management, it can be concluded that there is no need for a differentiated value approach for the populations in East and West Germany. The examination of the variables income and city size also revealed few significant differences.

***Values of German cooperatives***

In the investigation of the second research question, "What values are attributed to the cooperative as a form of enterprise?", the test persons assigned the 16 given values to the legal form of cooperative. In the first step, the mean values were analysed in order to be able to present a clear order of priority (table 3).

**Table 3: Value order of the cooperative values.**

Rank	coop_values	$\bar{x}$
1	solidarity	4.47
2	trust	4.42
3	accountability	4.40
4	stability	4.37
5	safety & security	4.34
6	helpfulness	4.29
7	honesty	4.27
8	respectfulness	4.24
9 / 10	justice	4.23
9 / 10	equality	4.23
11	democracy	4.16
12	transparency	4.15
13	predictability	4.06
14 / 15	sustainability	4.01
14 / 15	tolerance	4.01
16	liberty	3.81

Source: Author's research.

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The higher the mean values, the more likely society is to attribute the corresponding value to the legal form of cooperative. The values *solidarity* ( $\bar{x}=4.47$ ), *trust* ( $\bar{x}=4.42$ ), *accountability* ( $\bar{x}=4.40$ ) and *stability* ( $\bar{x}=4.37$ ) represent the upper quarter. It is not surprising that *solidarity* is ranked as number one, because from the very beginning the motto "what one does not manage alone, many do" has been practised and applied in cooperatives. Furthermore, the values *stability* and *safety & security* (rank 5) were increasingly communicated in relation to bank cooperatives during and after the financial and economic crisis from 2007 onwards. In particular, these three values *solidarity*, *stability* and *safety & security* were frequently used in the public relations work of cooperatives. Therefore, it is not surprising that these values are in the top ranks. The lower quarter contains the values *predictability* ( $\bar{x}=4.06$ ), *sustainability* ( $\bar{x}=4.01$ ), *tolerance* ( $\bar{x}=4.01$ ) and *liberty* ( $\bar{x}=3.81$ ). German society tends to associate these values less with cooperatives. Here, too, the reasons may be public relations efforts, as well as internal and external communication, which may be inadequate with regard to these values. Another point could be the lack of knowledge about cooperatives and their values and principles. In summary, it can be said that the coop\_values must be classified on the Likert scale ranging from 3 'rather unimportant' to 4 'rather important'.

### *Gender-specific differences among cooperative values*

The results of the coop\_values are examined more closely in a more in-depth statistical analysis. The independent sample t-test determines whether there are gender-specific differences between men and women. Four values show significant differences: *justice* ( $p=0.044$ ,  $t=-2.012$ ), *respectfulness* ( $p=0.034$ ,  $t=-2.129$ ), *tolerance* ( $p=0.012$ ,  $t=-2.515$ ) and *transparency* ( $p=0.029$ ,  $t=-2.188$ ). Only a quarter of the coop\_values show significant differences between men and women. Therefore, it can be said that predominantly, coop\_values are perceived equally by men and women. On closer examination of the mean values and regardless of their significance, however, it can be stated that women appear to consistently rate the coop\_values more highly than men do. The results imply that women may consistently consider coop\_values to be more important and that a quarter of the coop\_values have a gender-differentiated perception of values.

### *Generation-specific differences among cooperative values*

ANOVA checks the significant differences between the dependent variable 'cooperative values' and the independent variable 'generation'. It should be noted that 15 of the 16 coop\_values show significant differences between the generation of traditionalists and Gen Y. The coop\_values are the same for the generation of traditionalists and Gen Y. However, a closer look at the mean values, reveals that traditionalists consistently classified the coop\_values as more important than Gen Y did. There are few significant differences in the range coop\_values between the generations baby boomer, Gen X and Gen Z. There are no significant differences between the generations in the value *helpfulness*.

The fact that the traditionalists, in contrast to the younger generations, especially Gen Y, perceive cooperative values as more important should be considered in the strategic management of cooperatives. Cooperatives and the management behind them should ask themselves why values are more important to traditionalists? This may be due to a change in values. To counteract this, explicit communication about cooperative values can be used, above all, for Gen Y. In light of this, cooperatives can adapt their strategic management in relation to the values of Gen Y. In the future, they will be not only potential members, but also part of the membership and employee base. Cooperatives should, therefore, invest in communicating values to younger generations. On the other hand, it may also be the case that the traditionalists regard the values as more important on the basis of their many years of experience. In the present study, the experience values of the traditionalists were not taken into account, which can be regarded as a limiting factor.

### *Differences in the perception of cooperative values between East and West Germany*

Contrary to expectations, the t-test for independent samples shows no significant differences between East and West Germany with regard to the coop\_values. This means that the populations in East and West Germany ascribe the same values to cooperatives. Even a closer look at the mean values does not allow a clear and uniform statement to be made as to whether East or West Germany considers the coop\_values more important.

### *Similarities and differences between societal and cooperative values*

Based on the earlier analyses of societal and cooperative values, a comparative study was carried out within the framework of the third research question in order to identify and analyse similarities and differences.

The values within the order of precedence only correspond for the value *safety & security*. *Safety & security* is ranked 5<sup>th</sup> for the *soc\_values* and *coop\_values*, but there is a significant difference between the mean values. While the total *safety & security* value of 5.23 is considered 'important', the *coop\_value safety & security* value of 4.34 is considered rather important'. There are no other matches in the order of precedence.

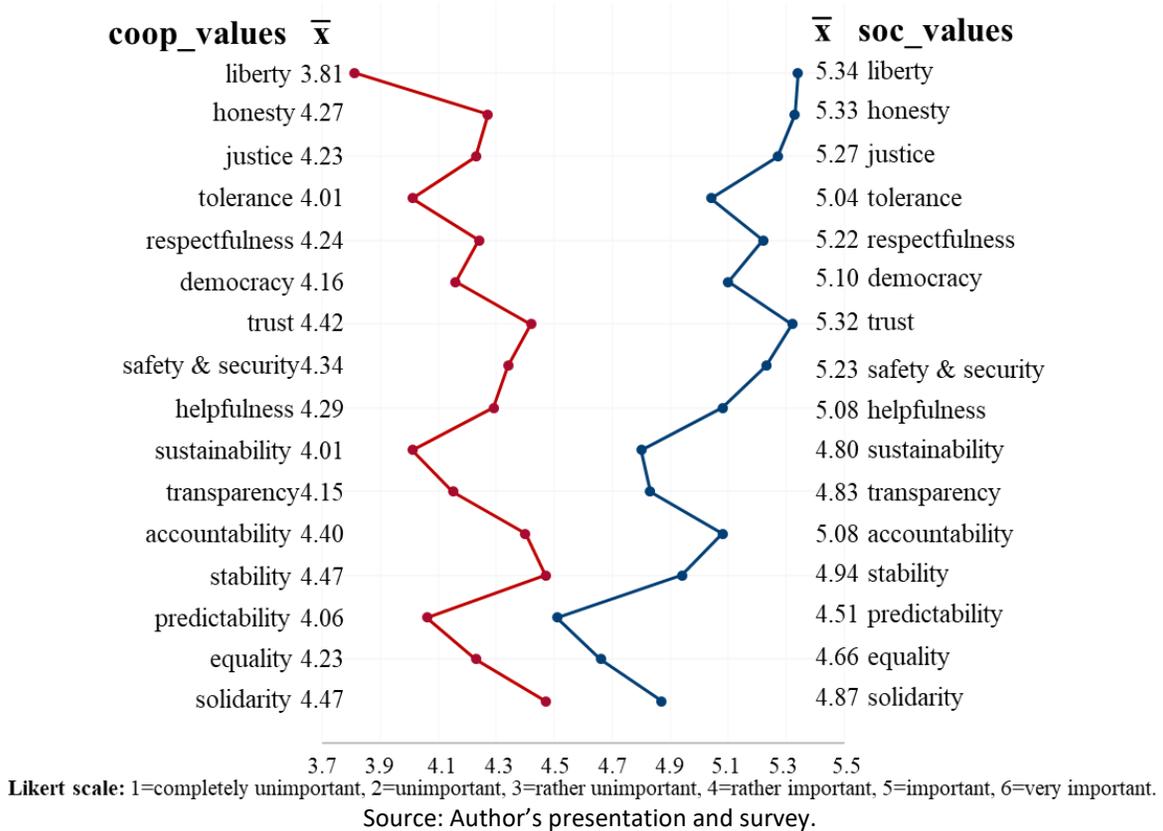
*Trust* is in the upper quarter in both rankings. Society considers *trust* to be 'very important'. For cooperatives, this can be used advantageously, since *trust* stands at rank 2 in the value ranking for cooperatives. From this, it can be concluded that society actively associates cooperatives with *trust*. For this reason, cooperatives should focus on *trust* more in their strategic management. It is interesting to note that the values *transparency* and *sustainability* are approximately the same. Both values are placed in the second half of the ranking. *Sustainability* is a term that is increasingly used in public relations. Looking at the overall ranking, it becomes clear that German society tends to place *sustainability* in the lower quarter. It can be concluded from this that *sustainability* may have been repeated to society too often and too uniformly, while other values of society, such as *liberty*, *honesty*, *trust* or *justice* are more important. It may also be the case that *sustainability* is increasingly used in corporate culture in order to enhance the company's image. However, on the basis of the available results, it becomes clear that German society considers other values to be more important.

Clear differences can be noted in the values *liberty* and *solidarity*. While *liberty* is ranked 1 in the *soc\_values*, it is ranked at the bottom in the *coop\_values*. For this reason, it must be noted that differences can be recognised both in the ranking between the *soc\_values* and *coop\_values*, as well as in the classification of importance based on the mean values. The latter can be explained by the fact that a differentiation is made between the feeling of importance when applied to the personal values assessment and to a company form.

### *Semantic differential*

Figure 1 below is a semantic diagram showing the differences between the mean values obtained for the *soc\_values* and *coop\_values* for German society. The figure aims to demonstrate visually the differences in the value estimation based on their importance. For cooperatives, the difference between the mean values of *soc\_values* and *coop\_values* can provide information for the strategic approach. For example, cooperatives can consciously incorporate the values that are important to society into their corporate culture and, in doing so, choose an adaptation strategy. Alternatively, they can consciously base themselves on values that are less important to society, thereby pursuing a differentiation strategy.

Figure 1: Semantic differential using the mean difference of the soc\_values and coop\_values.



The diagram shows the coop\_values on the left. The associated figures are the corresponding mean values and indicate the importance of the values in relation to cooperatives. Based on the Likert scale, 1 is classified as 'completely unimportant' and 6 as 'very important'. On the right-hand side of the figure, the societal values are listed with corresponding mean values.

In some cases, considerable differences in the mean values are discernible. The largest difference between the soc\_values and coop\_values is for the value *liberty*, which is assigned the greatest importance for the soc\_values and the least importance for the coop\_values. From this, it can be concluded that German society regards *liberty* in all its facets as most important. In contemporary culture, *liberty* can also be understood as self-determination. It is therefore, all the more surprising that *liberty* does not perform so well in terms of cooperative perception, since no other legal form in Germany allows more self-determination. Since the beginning of cooperative culture, *liberty* has been regarded as an important good. Not only free entry and exit, but also personal responsibility and the associated self-determination are firmly anchored in the corporate culture of cooperatives. For example, the management and supervisory boards of cooperatives must ask themselves whether the value *liberty* has had too little influence on corporate culture in the past, and whether too little communication has taken place in this respect. The smallest mean difference is seen for *solidarity*, followed by *equality*, *predictability* and *stability*.

Further consideration reveals an approximately parallel curve of assessments and value perception where the soc\_values are classified as more important than the coop\_values. The semantic differential can be used to analyse how the values are positioned. For the strategic management of cooperatives, the possible implementation potential of values, e.g. in corporate culture, can and should be developed on the basis of a mission statement.

### *Closing summary*

On the one hand, the differences of importance can indicate a lack of knowledge and information about cooperatives and their values, while, on the other hand, they can be explained by the fact that German society only identifies itself to a limited extent with cooperatives and their values. The tendency towards similar assessments of important coop\_values, such as *solidarity*, however, also shows how rooted these values are in society.

Finally, it must be mentioned that women classify both the soc\_values and coop\_values as more important throughout (exception: *predictability*). This can be seen from the significant differences between the genders. For cooperatives, this should become a focal point for their management, because it may be possible to address and to empower women as potential employees, customers or members in a targeted manner by communicating and implementing values directly in relation to this target group.

ANOVA was used to analyse the generations to find more similarities and differences. Significant differences between Gen Y and other generations exist in both the soc\_values and coop\_values. When considering the mean value, it can be concluded that the selected value set has a lower value for Gen Y than for other generations. This insight should also be taken into account in the strategic management of cooperatives, with regard to not only members or customers, but also employees and prospective managers.

People in East and West Germany have expressed their agreement on the soc\_values and coop\_values. There are no significant differences (exception: soc\_value *helpfulness*) between the values of East and West Germany.

### Discussion with Conclusion

From the point of view of the methodological approach, the data collection can be evaluated as appropriate for answering the research questions. The selection of societal and cooperative values determined in the first step has proved to be meaningful. The representative Germany-wide survey, which was carried out in the second step, allows the research questions to be answered and, therefore, can also be considered effective when taking into account aspects of the strategic management of cooperatives.

The discussion focuses on selected values of the present study such as *solidarity, democracy, safety & security and liberty*. For some of these values, the question can be asked whether cooperatives communicate them sufficiently to the outside world or for what reason society does not associate them much with cooperatives (Schmoll, 2015). An alternative reason may be that the respondents gave their personal assessment of values in the soc\_values, while the coop\_values were about the perception of values in a legal form. Therefore, it might be said that personal assessment and perception of the selected values is significantly higher than the perception of the same values in relation to a legal form.

*Solidarity* shows the smallest difference between the mean values (see Figure 1) for the soc\_values and coop\_values. From a cooperative point of view, *solidarity* has always been part of the traditional core of values (Ringle, 2012). The importance of *solidarity* from the cooperative's point of view may be based solely on its history. Without *solidarity* and the fact that "what one does not manage alone, many do", the cohesion in cooperatives would probably not be so strong. Society perceives this accordingly and most often assigns *solidarity* to cooperatives. In this way, communication regarding the value *solidarity* is carried out by cooperatives in a target-oriented manner in relation to society (Ringle, 2014). Nevertheless, it must be noted that *solidarity* as a societal value can be found in the lower quarter of the survey results. Cooperatives should, therefore, make a clear decision about the path they want to take in terms of values and how communication should take place. They also should behave somehow uniformly which means that cooperative associations should develop and provide respective guidelines and that also cooperatives intensively communicate mutually and multilaterally. However, cooperative *solidarity* implies a certain limitation of individual choices and can have negative or controversial effects on the value of *liberty*.

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*Security* proved its strength in cooperative banks during the financial and economic crisis, beginning in 2007, and served as an anchor during this difficult time (Blome-Drees, 2012b). The study "Potentials and barriers of entrepreneurial activities in the legal form of a cooperative" also points out that founders who prefer a legal form with a high degree of certainty should fall back on the cooperative as it has a very low insolvency rate (Blome-Drees, 2015). In the crisis year 2009, the insolvency ratio for cooperatives was only 0.1% (Blome-Drees, 2015), compared to 0.1% for cooperatives in 2017 and 2018 (Creditreform, 2017; Creditreform, 2018). Other legal forms, such as stock corporations, had an insolvency ratio of 0.5% in 2018, while limited liability companies had an insolvency ratio of 39% in 2018 (Creditreform, 2018).

The results show that *democracy* is only attributed to cooperatives to a certain extent. This means that the *democracy* of the cooperative as a form of enterprise is barely attributed or recognised by society, or only to a limited extent. However, it should be borne in mind that no other form of enterprise in Germany is more democratically organised than cooperatives (Roth, 2018; Voß, 2010; Willms, 2006). It seems that there is a lack of related communication and/or an information gap, for example, with the "one man - one vote" principle, where each member, regardless of the number of cooperative shares, is equal and has one vote (Grosskopf et al., 2012). With regard to democracy, the leaders of cooperatives should sensitise their members. However, this should be done not only from the side of the cooperative, but also from the education system, from the political side or from cooperative associations. This is because the result shows that there is a lack of knowledge or even ignorance in the sample, and thus also in society with regard to cooperatives and their values. A future development with regard to the implementation of *democracy* in strategic management could be that general assemblies and corresponding votes will take place via online voting platforms.

When evaluating the results, it becomes clear that, with regard to the value *liberty*, the estimates concerning the *soc\_values* and *coop\_values* are furthest apart. It can therefore be concluded that German society barely associates *liberty* with cooperatives. This also seems to be in contradiction to the Free Rider Problem mentioned by Cook 1995. Here, too, the cooperatives should specifically provide information, e.g. by elaborating the three S-principles and communicating them in a timely manner. The fact is that no other form of enterprise can guarantee such free, regulated and simple entry and exit of members in the way the cooperative does (BWGV, 2012; Gros, 2009). Each member of the cooperative is also entitled to express his or her opinion freely or to contribute ideas to general assemblies. In addition, there are opportunities for participation in view of the cooperative organizational structures.

Finally, the central question arises regarding the extent to which values flow into the management of companies, in particular the strategic management of cooperatives, and how the values can be cemented within the company (Rückle & Behn, 2017). In the end, it is the individual decision of each cooperative whether it wants to implement the values determined here and thus adapt to societal values or whether it pursues a targeted differentiation strategy. However, it should be recognised that the introduction of tools such as mission statements is easier if values are firmly anchored within the company (Klein, 1991; Weissmann, 2014). This has a general impact not only on management strategies, but also on corporate culture and success (Rückle & Behn, 2017; Kobi, 2008). The values should be known to both employees and members of cooperatives and in the best case they would follow uniform neutral ranking orders. One way of achieving this is to develop values collectively (Weissmann, 2014) and to communicate them internally and externally with the aid of mission statements (Mast, 2011). In cooperatives, for example, this could be presented to members at general meetings, and a value basis for the cooperative could be established because the "closer the coordination between corporate strategy and the value system of the company, the easier it is to reduce resistance and develop synergies" (Weissmann, 2014).

In the past, often little emphasis was placed on the further development of a corporate culture and it was usually only recognized superficially (Kobi, 2008). In contrast, cooperatives cultivate a centuries-old culture established early on by Friedrich Wilhelm Raiffeisen. This is based on the three S-principles that Raiffeisen had already put in place. It should be noted that values generally give the company a human face and form, and embody continuity (Glauner, 2016). The further development of a company should not only focus on monetary values, earnings and egoism (Kobi, 2008), but should also strengthen the sense of togetherness that is already lived in cooperatives (Bülow, 2011). Thus,

a story that has been worked out strategically can give the background as well as the vision of a sustainable future for the cooperative.

In conclusion, the title question can be answered with 'yes', because societal values, their targeted implementation and application can represent a positive aspect for corporate culture and strategic management in cooperatives. In the future, such research could be carried out in several countries. The value model developed by Shalom H. Schwartz could be implemented in order to provide a better international comparison.

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## Five critical things every co-operative leader should know

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**Abstract:** This paper explores five critically important learnings to help guide co-operative staff, managers and leaders (particularly those new to co-operatives) in their day-to-day operational and strategic planning and decision-making. Co-operatives, as values- and principles-based business enterprises, are naturally suited to be key contributors of enterprise-based solutions to significant social, environmental and economic problems the world is facing, as well as catalysts for a shift in thinking that recognizes that business and the economy operate within the finite boundaries of the planet and exist to serve human needs, not the other way around. For co-operatives to be in the best position to be agents of change, they must nurture and preserve their co-operative identity, recognize and take steps to mitigate the risks of isomorphism and demutualization and, in so doing, exercise courageous leadership. These learnings are explored under the following headings: (1) Co-operatives: Why should I care? (2) Question your assumptions. Business operates within the finite boundaries of our planet. (3) Co-operative identity: What is it and why is it important? (4) Be aware of the invisible, yet powerful forces shaping your co-operative; and (5) The importance of leadership, followership and courage.

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**Keywords:** co-operative identity; global sustainability; corporate responsibility; isomorphism; demutualization; co-operative leadership

### Introduction

#### *Intention and perspective*

This paper discusses five critical learnings for co-operative leaders to understand and apply as they carry on with their day-to-day work and make plans and decisions, both operational and strategic. The paper is intended to "pay forward" the author's opportunity to take the Masters of Management, Co-operatives and Credit Unions (MMCCU) program through Saint Mary's University in Halifax, Nova Scotia by sharing the inspiring lessons with employees, managers and leaders (staff at all levels who have the opportunity to exercise influence and thought leadership within the organization) in his own co-operative, The Co-operators Group Limited (The Co-operators), and others. The paper's frame of reference is visualizing an interaction with a newly-hired colleague who has no background in co-operatives and asks "*What do I really need to know about co-operatives to start off on the right foot and help make a positive impact in this organization?*"

The Co-operators is a large insurance and financial services co-operative headquartered in Guelph, Ontario, Canada. Unlike many co-operatives, most of The Co-operators clients and insurance policyholders are not members of The Co-operators, or any other co-operative, but are members of the general public, so much of the organization's time, attention and resources are client-focussed, not member-focussed. As a group of companies that operates in a highly regulated environment and competes almost exclusively with non-co-operatives, many employees' daily work does not directly pertain to co-operative issues or concerns. That is, a cooperative-specific focus is not a primary consideration.

#### *Co-operatives then and now*

Co-operatives have a rich and diverse history, originating in the United Kingdom and Western Europe during the Industrial Revolution as a collective response to the stark and distressing economic and social needs of ordinary people and the communities where they lived. Given the social and economic dislocation of the day, the only real hope for labourers, farmers and their families to improve their lives and well-being was to come together and help each other and, in so doing, help themselves.

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Today, co-operatives of all sizes and in multiple industry sectors are significant players in the national and global economies. Worldwide, co-operatives are estimated to directly employ at least 250 million people (Roelants et al., 2016, pp. 9, 28) and the Top 300 co-operatives have global revenues in excess of \$2.5 trillion USD (World Co-operative Monitor, 2016, p. 7). In Canada alone, there are over 9,000 co-operatives and mutual organizations operating across virtually all industry sectors, with over 18 million members, assets in excess of \$442 billion, annual revenues of nearly \$40 billion, and over 130 thousand employees (Co-operatives and Mutuals Canada, n.d.; Canadian Credit Union Association, 2016; Government of Canada, 2012).

Particularly in North America and Western Europe, many co-operatives have grown to be very large and commercially successful organizations. Often, their original historical purposes (to meet stark, unmet needs of individuals and communities) have been fulfilled. The notion of “mutuality” (that is, bringing individuals and communities together to provide for themselves), critical in the formative stages, is no longer the driving force it once was.

Proponents of co-operatives today (a.k.a. “co-operators”) champion a business model that endeavours to create greater and more broadly-based value, offering a more enduring and sustainable form of enterprise than do the predominant investor-owned business models. Democratically owned and controlled, values- and principles-based, and integrating financial, social and environmental goals and outcomes in measures of success, the co-operative business model offers a better way of doing business.

### *Loss of co-operative identity*

Despite the optimism of the previous section, all may not be rosy on the co-operative path ahead. The most critical issue facing co-operatives in Canada and around the world is the potential loss of their co-operative identity and, therefore, their existence as co-operatives. The risk to co-operative identity can be attributed to the need for co-operatives to compete in a global economic environment that is predominantly investor-focussed. As a result, they may become more and more like their investor-focussed competitors and less and less like co-operatives. A leading cause of co-operative identity loss is **business decisions made by co-operative leaders as if they were operating in a traditional investor-owned, profit-focussed business whose sole and ultimate purpose is to generate and increase shareholder value.**

The question for co-operative leaders, members and employees is: what do they consider worth nurturing and sharing: (1) increasing financial returns and shareholder value? OR (2) optimizing financial, social and environmental returns in balance with each other?

It will be helpful to delve further into the reasons why anyone should care about co-operatives in today’s world dominated by investor-owned, profit-focussed business enterprises.

### **Critical Learning No. 1: “Co-operatives: Why should I care?”**

Co-operatives are much better structured and positioned to make a long-term, net positive contribution to the world than investor-owned firms that focus on maximizing financial returns and shareholder value without considering adverse impacts on people and the planet. The history of co-operatives and the value they contribute globally suggest that the world is a better place today because of co-operatives and the individuals who work for them.

### *We are at an environmental, social and economic crossroads*

Since the dawn of the Industrial Revolution, in the quest for business success, social and environmental considerations have taken a back seat to financial and economic considerations. Today, the world is experiencing an exponential increase in climate change caused by human activity, the end of cheap energy (with dramatic negative impacts on societies), extensive depletion of shared natural resources essential to human welfare (such as fresh water, forests and fisheries), and a financial speculation bubble 50 times larger than the real economy of goods and services (Max-Neef, 2014, p. 16).

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People, local, regional and national communities, and the planet deserve something better than the current situation and something much better than the current trajectory of investor-owned enterprises. One may argue that the world and the general situation of its people has never been better. Compared to even a century ago, life expectancies are longer, many diseases have been eradicated, technology and the Internet have made information broadly available, people are generally better educated, etc. However, on closer scrutiny these improvements are selective and have been accompanied by new and arguably greater perils: environmental, social, and economic.

### *Environmental Degradation, Pollution and Climate Change*

The undisputed dominance of the planet by the human species has led to humans, for the first time in our evolution, being able to change and fundamentally alter the course of life on the planet. There is ever-increasing environmental degradation caused by natural resource extraction and processing and pollution of the air, water and soil due to the exponential growth of the human population and the global economy over the last 200 years (Rees, 2014, p. 86). Ever-increasing CO<sub>2</sub> emissions have created the “greenhouse gas effect” contributing to global warming. While some may continue to argue about the cause, there are clear and undisputable signs that the planet is experiencing climate change and increasing frequency of extreme weather events resulting in damage, destruction, injury, death and displacement of people (Max-Neef, 2014). In Canada alone, there have been extreme weather and environmental events (that is, ice storms, fires and floods) to which The Co-operators, as a group of insurance companies, has responded directly.

Resistance remains among governments and the voting public in countries like Canada and the United States to taking meaningful steps to reduce the causes and mitigate the long-term effects of climate change when there are negative shorter-term economic impacts. Citizens (and therefore voters) may have legitimate concerns and fears about potential negative effects on their ability to maintain decent employment and earn a living. However, when their jobs are in industries that are significant contributors to greenhouse gas emissions, delaying meaningful action may provide economic comfort in the short-term, but will contribute to more difficult, costly and widespread economic, social and environmental problems in the long-term.

### *Poverty, Diminishing Social and Political Cohesion and the Threat of War*

Poverty is one of the greatest challenges our world faces today and one of the greatest threats to our future. As the rich become richer and the poor become poorer, social and political cohesion decline. The wider gap in income and standard of living between the world’s wealthiest and the world’s poorest leads to alienation, despair, anger and violence among those who feel left out, oppressed and voiceless. Poverty brings about further poverty and violence brings about further violence. Social agitation, crime, terrorism, rebellion and, eventually, if unchecked, revolution can ensue.

Among the various identified global threats to the national security of the United States are those related to human security, specifically threats arising from environmental risks and climate change (such as global warming and related extreme weather events, air pollution, tensions over shared water resources and declining global biodiversity) and threats to human health (such as the Zika virus, the rise of drug-resistant bacteria and viruses, as well as the overall impact of disease and rapid population growth, particularly in resource-constrained countries) (United States Intelligence Community, 2017, pp. 13-14).

One should also not underestimate the negative effects of war and the threat of war on people and societies around the world. Unfortunately, business and financial investment are embedded in military conflict and feed into each other. Global, for-profit companies manufacture and supply military equipment and weapons to all sides of an armed conflict. In turn, the shares of many of these companies are publicly traded and available as investments for both individuals and institutions, such as banks, insurance companies and employee pension plans. As more military product is manufactured and sold, corporate profits increase and so do returns for investors. This is a stark example of how profit-motivated business enterprise (and industry) can be fundamentally at odds with the concept of placing equal value upon people and the planet.

### *It's just business, isn't it?*

#### Does business have any responsibility for these problems?

In his influential 1970 article in the New York Times entitled "The Social Responsibility of Business is to Increase its Profits", economist Milton Friedman argued that in a free society:

*there is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud.*

Friedman's argument was that business executives who may choose to apply corporate resources towards social aims are doing so with other people's money – shareholders' or customers' – and essentially imposing taxes on one or both stakeholders. Taxation, in Friedman's view, should be part of a political decision-making process, in which long-established institutions make and administer such decisions and arbitrate any arising issues. These institutions are the legislative, executive and judicial branches of government (Friedman, 1970). Of course, others disagreed with this view. In a critique of Friedman's essay, Mulligan (1986) argued that Friedman failed to prove that exercising social responsibility in business would inherently lead to the objectionable results Friedman criticized and labelled as "socialism". Instead, Mulligan argued that socially responsible action can be a valid and integral component of strategic and operational business planning and management.

In reply to Mulligan's critique, Shaw (1988) noted that Friedman had for quite some time set the tone for the Corporate Social Responsibility debate, acknowledging the influence, rightly or wrongly, of Friedman's argument that it is the role of government, not business, to be concerned with social and environmental issues and action. Shaw further explained that:

*Friedman will not be dislodged until it can be shown that the social and political institutions of this nation, that is, the mechanisms for determining how power and control over economic resources are distributed, are inadequate to promote the common good and social justice (p. 538).*

While Shaw accepted that individual corporations are responsible for the wrong they individually cause, he did not acknowledge the collective contribution of business corporations to the "societal" problems he identified as inflation, unemployment, pollution, crime, housing, poverty and racism. With echoes of Friedman, Shaw stated that "no single corporation has caused these problems" (p. 540) and in so doing deflected and redirected attention from the cumulative contribution of corporate actions, arguing that "societal or system pervasive problems require a collective, democratic solution" (p. 540). Shaw suggested that where community need is considerable and demonstrable, corporations should respond to these needs in accordance with "rescue" principles with which corporate social policy should be aligned; namely, need, ability, proximity and last resort (pp. 540-541).

Corporations that follow these corporate social responsibility rescue principles seem to be willfully blind to being part of the problem. This is a significant differentiator from the values- and principles-based approach of co-operatives to business.

### *What's the point?*

#### These are everyone's problems

The environmental, social and economic problems described above are not just problems for governments, non-governmental organizations and charities to address and resolve. Business enterprise cannot avoid responsibility by acting as if "this is not our concern". While greater focus has been given in recent years to corporate social responsibility, what business enterprises (including co-operatives) must do is to embed meaningful social and environmental goals and measures into their corporate visions, missions, strategies and operations.

Given their common origins as social enterprises and their shared co-operative values and principles, co-operatives are more naturally aligned to take a balanced approach to financial, social and environmental factors. They can

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generate greater aggregate, broadly measured value than investor-owned firms, as they are aiming to accomplish more.

Regarding the narrower, yet still critical, need for a business enterprise to be financially viable and sustainable, co-operatives also have an advantage compared to their investor-owned counterparts. Studies in the provinces of Alberta and British Columbia in Canada have shown that the average survival rate of new co-operatives is almost twice that of traditional businesses, which remains consistent even after five years and 10 years of operation (Stringham & Lee, 2011; Murray, 2011).

### Critical Learning No. 2: “Question your assumptions. Business operates within the finite boundaries of our planet.”

Whether newly hired employees’ prior work and business experience have been with an investor-owned corporation or with a co-operative, they are very likely carrying assumptions and making some or all decisions based upon concepts developed in and for investor-focussed businesses. Such assumptions may include: “*The purpose of our business enterprise is to create and grow financial value for shareholders*”; and, consequently, “*Financial profitability (including return on investment “ROI” and return on equity “ROE”) is our sole business objective.*”

As a co-operative leader in the 21st century, it’s important to re-evaluate these assumptions. While financial goals and outcomes are critical to maintaining the overall health of a co-operative, they should not be its sole goals. Building on Critical Learning No. 1 (*Co-operatives: Why should I care?*), the goals and targeted outcomes of a co-operative should be comprised of (1) financial, (2) social/societal, and (3) environmental components.

#### *“Too much money and not enough earth” [1]*

Scientists call the geological period that includes human history, up to now, the “Holocene” (Agenbroad & Fairbridge, n.d.). John Fullerton (2014) pointed out that, more recently, humankind and the planet itself are entering new, uncharted territory: a new geological period scientists have unofficially called the “Anthropocene” during which the collective activities of human beings have begun to substantially alter the planet and its ecosystems (land, water, air, plant and animal life) (Rafferty, n.d.). Fullerton noted that the 2007 to 2009 global financial crisis brought the world to the edge of financial collapse and, in so doing, raised fundamental questions about the viability, ethics and ideology of the current global financial system.

#### *The real economy versus the finance-driven economy*

According to economists, the real economy is concerned with producing goods and services while the finance-driven economy is concerned with buying and selling on the financial markets (*Financial Times*, 2017). Fullerton contended that there is a significant difference between the real economy and the finance-driven economy. He argued there are serious defects at the core of the finance-driven economy that have led to it becoming significantly out of touch with the real economy and, therefore, require a fundamental re-thinking of the theory and practice of finance. Fullerton’s core premise was that the real economy and, therefore, our financial system is inextricably linked to the biosphere and summed up the problems with the current global financial system as “too much money and not enough earth” (Fullerton, 2014, p. 2).

#### *Current financial theory*

According to Fullerton, current financial theory and practice has sought to optimize financial value, while treating social and environmental objectives as constraints. The foundation for this theory and practice was laid in the 18th century by political and economic thinkers like Adam Smith, who may be most widely known for his economic and market metaphor of the “invisible hand” [2]. However, the scale and impact of today’s global economy is much greater than in the time of Adam Smith (1720-1793). At that time, financial capital was scarce and natural capital (that is, the forests, oceans and the atmosphere) was abundant and seemed endless. The global population stood at approximately 1 billion, the world ran on renewable resources (water, lumber, horses/oxen, etc.), and waste generated by human activity was non-toxic.

Today, there is excess financial capital, but natural capital is being depleted. The global population is over 7 billion (United States Census Bureau, 2017) and humans are depleting the world’s non-renewable resources and generating significant amounts of toxic waste (Fullerton, 2014, pp. 2-3). Rather than free markets and unfettered competition naturally achieving a state of equilibrium, as Adam Smith envisioned, the “free markets” have evolved into monopolies and oligarchies, concentrating financial wealth and power in the hands of fewer and fewer corporations and individuals who ultimately own and control them. It has been said that the reason Adam Smith’s “hand may be invisible is that it is simply not there – or at least that if it is there, it is palsied” (Stiglitz, 2002, p. 473).

***Financial overshoot reinforces ecological overshoot***

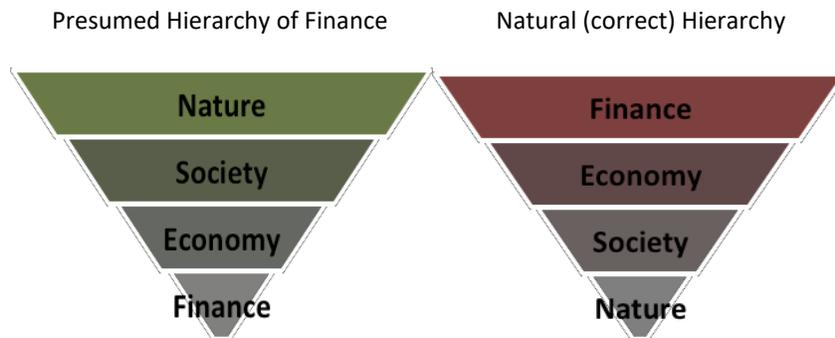
According to Fullerton (2014, p. 3), the finance-driven economy has erroneously equated money with wealth, values only financial capital and does not value human or natural capital. With the finance-driven economy out-of-touch with the real economy, “financial overshoot” has reinforced “ecological overshoot”, making the path to sustainability significantly more difficult.

***A holistic approach to value and wealth***

Fullerton (2014, pp. 4-6) contended that, in the Anthropocene, finance must take a holistic approach to financial, human and ecological value and wealth. He argued that growth in financial capital at the expense of human capital or ecological capital is not truly creating wealth, as both human capital and financial capital, and therefore wealth, depend upon a healthy ecosystem.

Fullerton maintained that optimizing financial outcomes, while treating environmental and social factors as constraints, is inconsistent with the natural hierarchy of interdependent natural systems (which include the economy). Fullerton illustrated and compared the presumed (but incorrect) hierarchy of finance with what he considered the natural (or correct) hierarchy as shown in Figure 1 (Fullerton, 2015, p. 5).

*Figure 2: Hierarchies of Finance and Nature*



***The difference between real investment and financial investment***

Contemporary finance seeks to generate compound interest on capital. However, to achieve this, natural capital is depleted and waste is released into a limited and closed ecosystem. This cycle accelerates entropy or winding down of the world’s ecosystem, which undermines the viability of life on earth. While depletion of natural capital increases financial capital, financial capital is ultimately dependent upon a healthy ecosystem, so this process is inherently self-limiting and cannot continue indefinitely. For Fullerton, today’s finance-driven economy has left the world with an excess of financial capital (which is not fairly distributed) and insufficient social capital, while critical, life-sustaining natural capital continues to decline (Fullerton, 2014, pp. 5-6).

Fullerton considered there is a critical distinction to be made between “financial investment” and “real investment”. Financial investment is primarily concerned with the public trading of equities and fixed income securities (i.e. stocks and bonds) issued by corporations. On the other hand, real investment pertains to investments made in the real

## Five critical things every co-operative leader should know

economy, such as in factories, building and technology. Fullerton said there is a need to focus on the dominant players in the global economy (that is, corporations, governments, and large-scale private investors such as financial institutions and investment funds) and the critical choices they make when investing in the real economy. The choices of investment in the real economy come down to respecting and valuing the natural hierarchy of nature and finance or ignoring it entirely. Examples of these critical choices include investing in coal plants versus wind farms, oil pipelines versus solar energy grids, and roads versus railways (Fullerton, 2014, pp. 6-7).

To emphasize the importance of real investment choices and put them into stark perspective, Fullerton (2014, p. 8) observed that the world's energy reserves (that is, coal, oil, gas) exceed by five times what can be burned without breaching the two degree global warming tipping point beyond which scientists predict catastrophic effects. At the risk of stating the obvious, this is a clear example of how the prevailing business paradigm of (i) investment and financial growth without limits, and (ii) the pursuit of short-term financial gain through depletion of natural capital, collide head-on with the finite limits of the world's ecosystem.

As Fullerton states, "Our financial system is inexorably linked to our ecosystem through the investment function of finance" and, therefore, limits to growth imply limits to investment. Both real investment and financial investment are subject to "the hard boundaries of the safe operating space of our planet". Ultimately, real investment must be viewed through the lens of long-term stewardship versus the conventional lens of short-term gains (Fullerton, 2014, pp. 8-9).

### *What's the point?*

A shift in thinking is needed to challenge conventional wisdom in finance and subordinate financial return to the values which are most important to humanity and on which our very lives depend. As Fullerton (2014) stated, what is required is a:

*subtle but profound shift from thinking of financial return as the objective of investment, to financial return as a constraint, guiding some higher purpose.... Such a shift will allow finance to discover its role as servant to, not master of, an economy that operates within finite ecological boundaries and where wealth inequalities do not increase without limit as a consequence of the working of the system. It demands a completely new theory and practice of finance, grounded in the ethical framework. Much work lies ahead (p. 21).*

Fortunately, this shift is beginning to take place in both thinking and action. The [Global Alliance for Banking on Values](#) (GABV) is an international network aiming to change the banking system so that it is more transparent, supports economic, social and environmental sustainability and serves the real economy through business models based on the Principles of Sustainable Banking (GABV, 2017). Members include large Canadian credit unions Vancity and Desjardins.

Looking ahead through this new perspective, it will be very helpful to consider how it relates to co-operatives, starting with the co-operative identity.

### Critical Learning No. 3: "Co-operative identity: What is it and why is it important?"

#### *Co-operative identity, values and principles*

Co-operatives originated as, and continue to be, member-based and democratically controlled enterprises which operate according to shared values and principles. The International Co-operative Alliance (ICA) provides the following statement of what a co-operative is (commonly referred to as the ICA "Statement of Co-operative Identity"): **"A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise"** (ICA, n.d.).

Co-operatives subscribe to a common set of values, as reflected in the ICA's statement of co-operative values: "Co-operatives are based on the values of **self-help, self-responsibility, democracy, equality, equity** and **solidarity**. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others" (ICA, n.d.).

Co-operatives put their values into practice and are guided by seven generally accepted co-operative principles (ICA, n.d.): (1) Voluntary and Open Membership; (2) Democratic Member Control; (3) Member Economic Participation; (4) Autonomy and Independence; (5) Education, Training and Information; (6) Co-operation among Co-operatives, and (7) Concern for Community.

While much has been written about co-operative values and principles (e.g., Fairbairn (1994), Birchall (1997)), the key learnings for purposes of this paper are that co-operatives are: (1) values-based; and, (2) democratically controlled ("one member, one vote" as opposed to "one share, one vote" for investor-owned organizations). It is also key that ICA values and principles (or variations thereof) are included in the organizational constitutions of individual co-operatives (i.e., their founding articles of incorporation and by-laws) and in their governing co-operative legislation.

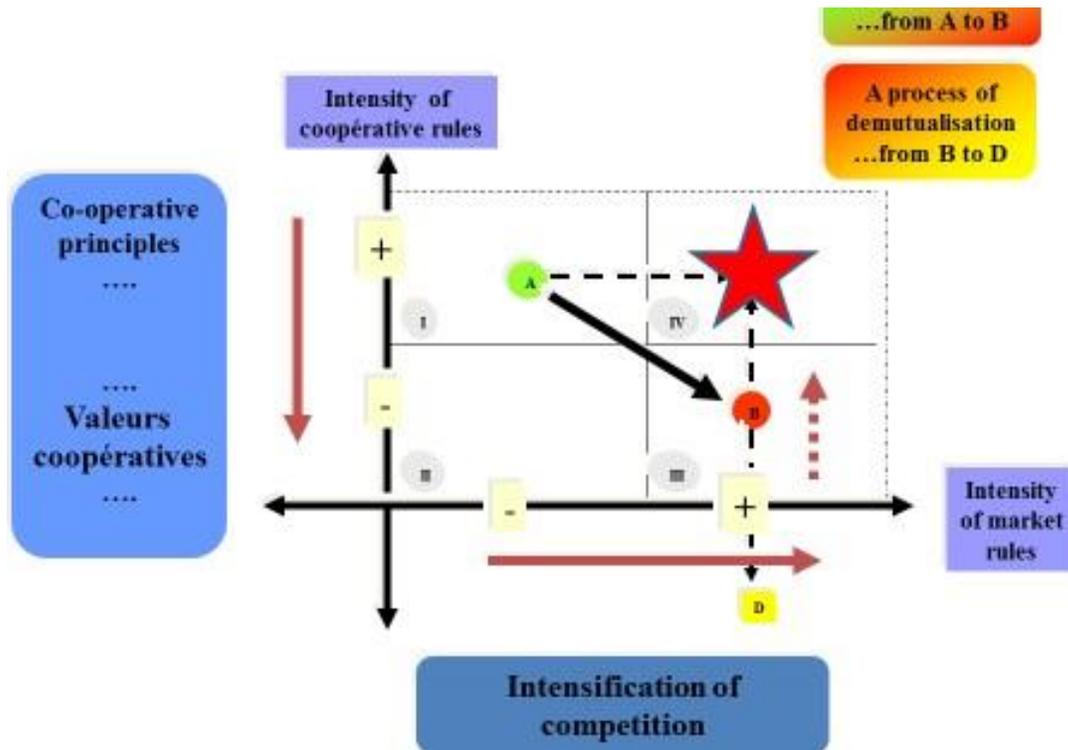
### *A co-operative identity crisis?*

Having a clear and demonstrable co-operative identity is more critical than ever for co-operatives carrying on business in the 21st century. A failure to do so can result in an identity crisis, in which a co-operative has lost touch with its true mission and vision (the primary purpose for which it was originally created and exists) (Schatz, 2015b, p. 1).

According to Côté (2009b), a co-operative identity crisis arises when a co-operative suffers a loss or weakening of (1) co-operative cohesion (among members, between members and the co-operative, and between the co-operative and its strategic arena – its strategic fit), and (2) co-operative equilibrium (between the co-operative as an association and the co-operative as a business enterprise). Côté developed a useful, four quadrant framework to help assess the strength of a co-operative identity (Figure 2 (Côté, 2016b, Slide 62)).

## Five critical things every co-operative leader should know

Figure 3: *Co-operative Identity Quadrants*



### *The Evolution of Co-operative Identity* [3]

The author has named Côté's four quadrants (otherwise identified by Roman numerals) as Emerging, Growing, Competing and Transforming. An **Emerging co-operative (Quadrant I)** has the strongest co-operative identity, as it is in the initial stage of creation to meet unmet needs and, accordingly, competition from other entities is virtually non-existent.

A **Growing co-operative (Quadrant II)** is maturing and beginning to lose touch with the needs it was created to meet as competitive pressures increase, but these changes are not yet problematic from a co-operative survival perspective.

Maturing further with the passage of time and experiencing more competition from non-co-operatives, a **Competing co-operative (Quadrant III)** will begin adopting and mimicking the tactics and strategies of its investor-owned competitors in order to maintain and/or grow its competitiveness and market share (Côté, 2001, 2009b, 2015 & 2016). **Competing co-operatives** are most at risk of losing their co-operative identity and selling or converting to investor-owned entities (i.e. demutualizing). However, it is also at this stage that a co-operative has a significant opportunity to self-reflect, reinvent and transform itself into a new and sustainable co-operative for the future (Schatz, 2016a, pp. 3-4).

**Transforming co-operatives (Quadrant IV)** will have rediscovered or reinvented their core co-operative purpose while finding new ways to thrive in intensely competitive markets. The most enlightened and successful **Transforming co-operatives** will be "game changers" in delivering new products and services to meet previously unmet or under-met needs of their members and communities and thus (for at least a brief time) outstrip their competitors (Côté, 2001, 2009b, 2015 & 2016).

### ***What is demutualization?***

Fulton & Girard (2015) defined demutualization as follows:

*Demutualization is the conversion of a co-operative, credit union or mutual into an alternative organizational form (usually one owned by investors). Demutualization can occur through the conversion of equity into investment shares, or it can occur via a merger, takeover or buyout involving companies that usually are not co-operatives or mutuals. Regardless of the form it takes, demutualization typically involves the transfer to private investors of the capital that has been built up over the years in the co-operative (p. 1).*

Fulton & Girard (2015) studied 25 co-operatives and mutuals (collectively, “co-operatives”) in Canada (18), the United States (4), Sweden (2) and Australia (1) which demutualized between 1996 and 2014. They attributed the causes of demutualization to challenges relating to four factors: (1) financial soundness; (2) governance structures; (3) member incentives; and (4) co-operative values and democratic engagement.

Fulton & Girard (2015, p. 1) concluded that demutualization occurs for a variety of reasons, including: (1) Changes in the economic and political environment; (2) A perceived or real lack of access to capital; (3) Poor financial performance; (4) Efforts by managers and others to reposition the co-operative and to benefit personally from this repositioning; (5) Desire by managers and/or board members to make the co-operative similar to the dominant investor-owned business organizations; (6) A focus by members on “unlocking investor value”; (7) A focus by others on “unlocking investor value”; and (8) Loss of member engagement.

Based on their study, Fulton & Girard (2015) raised concerns about demutualization. They concluded it is not an isolated event and indicates the co-operative is not performing well on or paying enough attention to elements necessary for its success including financial performance, member engagement and, most importantly, governance (p. 37). To lower the risk of demutualization, they identified five areas of focus (pp. iii-v): (1) Financial soundness, including strong financial performance, sufficiency of capital, and awareness of changes in economic conditions; (2) Member incentives, including the “unlocking of investor value”; (3) Co-operative values and democratic engagement, including members’ understanding of their co-operative’s value; (4) Regulatory structures and best practice requirements; and (5) Corporate governance structures, including managers’ desire for increased compensation or influence, and poor decisions by the board or management.

### ***Who owns co-operative identity?***

Where do accountability and responsibility (ownership) lie for nurturing co-operative identity and ensuring risk factors are properly addressed? Members appoint and elect directors and provide input and direction for the co-operative through its member governance and engagement processes, including its annual general meeting. Directors have accountability and responsibility for overall governance of the co-operative, including providing input and approval to strategic, operational and financial/budget plans and results presented by management. However, especially in larger co-operatives (including The Co-operators), because of its expertise and management of the day-to-day operations of the co-operative, management holds considerable power and influence in the direction and results of the co-operative.

Management cannot be regarded by members and directors (or regard themselves) as “hired hands” who carry out the co-operative bidding of the members and directors. Management must also be regarded, and regard themselves, as a critical stakeholder, influencer and enabler to ensure that, along with members and the Board, the co-operative not only talks like a co-operative, but walks, acts and leads like a co-operative. Without the alignment and focus of members, directors and management, the risk of fundamental change in the co-operative’s purpose and of demutualization become much greater.

### ***What’s the point?***

The loss of co-operative identity is a “silent risk” for co-operatives, particularly successful ones. It can creep up on a co-operative and become a material threat to its co-operative existence (that is, demutualization). Theoretically,

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single issue, large-scale business decisions made by a co-operative can increase the risk. However, in reality, the risk is more likely to increase in smaller increments, through day-to-day decisions that are made without the “compass” of, specifically, a co-operative’s mission, vision and values and, generally, co-operative values and principles (Schatz, 2016a, p. 4).

The loss of co-operative identity is facilitated by a loss of “co-operative consciousness” among co-operative leaders. It is usually not a case of leaders making decisions that are deliberately contrary to co-operative values and principles. Rather, it is caused by decisions that appear reasonable and appropriate in the narrower business circumstances and context in which they are made. To this end, it will be helpful to consider next how a co-operative may end up on a “slippery slope” towards losing its identity and, potentially, demutualizing.

### Critical Learning No. 4: “Be aware of the invisible, yet powerful forces shaping your co-operative.”

There are invisible, yet very powerful external and internal forces at work that influence and shape a co-operative. If co-operative leaders maintain awareness of these forces, they can take steps to help offset the potential negative impact on their organization’s co-operative identity. Unaware, a co-operative may lose its way and become detached from its purpose and co-operative identity. The name for this organizational phenomenon is isomorphism.

#### *Isomorphism (a.k.a. “shape-shifting”)*

“Isomorphism” is a very useful concept which helps explain the forces at work in organizations (whether investor-owned, co-operative or non-profit) that compel them to become like other organizations. In lay person’s terms, this concept can be called “shape-shifting.”

DiMaggio & Powell (1983) observed that within the same or similar fields or industries (e.g., banking, insurance, auto manufacturing), the efforts of individual organizations to deal rationally with uncertainty and constraint often led to homogeneity in structure, culture and output with other organizations. They determined that the concept that best explained this phenomenon was isomorphism and maintained that there are two types of isomorphism, competitive and institutional. Competitive isomorphism is most relevant where there is free and open competition solely for resources and customers. However, the concept of institutional isomorphism presents a fuller picture of organizations today, which also compete for political power, institutional legitimacy and social and economic fitness (p. 149-150).

Similarly to the “assumption” element of Critical Learning No. 2 (*Question your assumptions: Business operates within the finite boundaries of our planet*), DiMaggio and Powell explained:

*[W]e emphasize adaptation, but we are not suggesting that managers' actions are necessarily strategic in a long-range sense. Indeed, two of the three forms of isomorphism described below - mimetic and normative - **involve managerial behaviors at the level of taken-for-granted assumptions** rather than consciously strategic choices (p. 149, footnote 5). [emphasis added]*

#### *The Three Mechanisms of Institutional Isomorphic Change*

DiMaggio and Powell (1983) identified three mechanisms through which institutional isomorphic change occurs: coercive isomorphism, mimetic isomorphism and normative isomorphism. **Coercive isomorphism** results from pressures exerted on organizations by other organizations upon which they depend and by cultural expectations in the society within which they function. Examples would include applicable laws, governments and regulators (p. 150).

**Mimetic isomorphism** (or imitation) occurs when organizations model themselves after other organizations. Its most powerful driver is uncertainty in the operating environment or because the organization has ambiguous goals (pp. 150-152). Matters taken for granted and non-intentional decision-making have an effect. DiMaggio and Powell (1983) explained:

*Modeling, as we use the term, is a response to uncertainty. The modeled organization may be unaware of the modeling or may have no desire to be copied; it merely serves as a convenient source of practices that the borrowing organization may use. **Models may be diffused unintentionally, indirectly through employee transfer or turnover, or explicitly by organizations such as consulting firms or industry trade associations** (p. 151). [emphasis added]*

In a statement directly applicable to larger co-operatives (including The Co-operators, many or most of whose customers are not co-operative members), DiMaggio and Powell (1983) observed:

*[T]he wider the population of personnel employed by, or customers served by, an organization, the stronger the pressure felt by the organization to provide the programs and services offered by other organizations. Thus, either a skilled labor force or a broad customer base may encourage mimetic isomorphism (p. 151).*

The third mechanism of organizational change is **normative isomorphism**, which DiMaggio and Powell (1983) attributed largely to “professionalization” of occupations in which members define the conditions and methods of their work (e.g., accountants, actuaries, lawyers) and apply them in the organizations where they work. The professionals in such occupations will have virtually the same formal education and training and form professional networks across organizations, which facilitate the diffusion of new ways of doing things. DiMaggio and Powell (1983) noted:

*Such mechanisms create a pool of almost interchangeable individuals who occupy similar positions across a range of organizations and possess a similarity of orientation and disposition that may override variations in tradition and control that might otherwise shape organizational behavior (p. 152).*

DiMaggio and Powell (1983) further noted that “filtering of personnel” plays a significant role in facilitating normative isomorphism and occurs in several ways as a result of organizations:

- *Hiring employees from other firms in the same industry;*
- *Recruiting new employees from a narrow range of educational and training institutions;*
- *Having common promotion practices (such as always hiring top executives from the finance or legal departments); and*
- *Having common skill-level requirements for certain jobs (p. 152)*

Again, in an observation that could be readily applied to larger co-operatives (including The Co-operators), DiMaggio and Powell (1983) explained:

*Many professional career tracks are so closely guarded, both at the entry level and throughout the career progression, that individuals who make it to the top are virtually indistinguishable.... To the extent managers and key staff are drawn from the same universities and filtered on a common set of attributes, they will tend to view problems in a similar fashion, see the same policies, procedures and structures as normatively sanctioned and legitimated, and approach decisions in much the same way (pp. 152-153).*

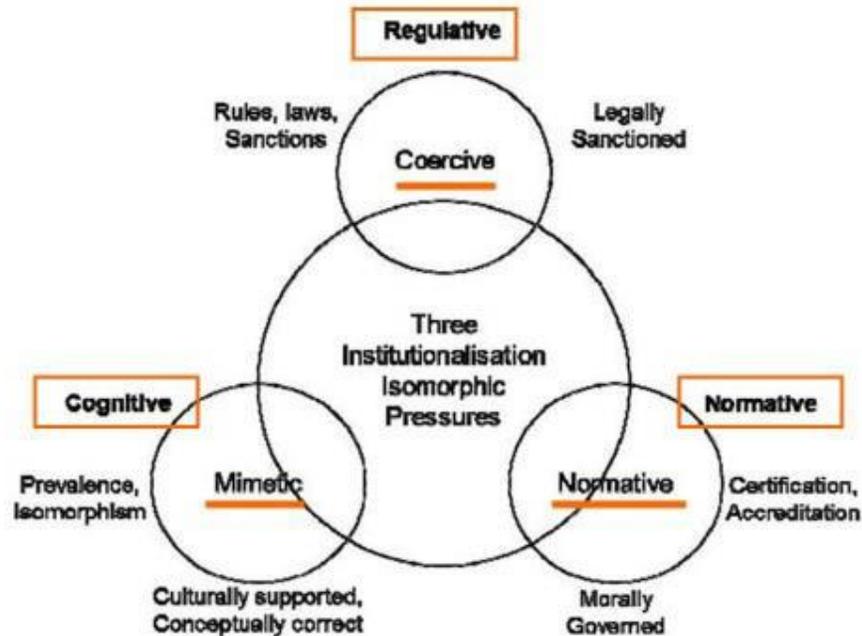
DiMaggio and Powell (1983) noted, too, that occupational socialization also acts as an isomorphic force through trade association seminars and workshops, continuing professional education programs, consulting arrangements and through employer and professional networks. Professional and trade associations also act as isomorphic forces when organizations and their personnel are placed in positions of substantive or ceremonial influence, such as being appointed to Boards of other organizations, participating in industry-wide advisory councils and being consulted by

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government agencies. All of this leads to the copying of policies and structures throughout the applicable industry or field (p. 153).

In discussing isomorphism in the co-operative context, Côté (2015) provided the helpful illustration of institutional isomorphic pressures identified by DiMaggio and Powell (1983) in Figure 3 (Côté, 2015, Slide 38).

Figure 4: Institutional Isomorphic Pressures



### *Isomorphism and Co-operatives*

Bager (1994) studied isomorphic processes in the context of the transformation [4] of Scandinavian consumer and farmer co-operatives. He noted that the institutional framework for co-operatives is comprised of a number of components, including co-operative legislation (national, state and/or provincial), regulatory measures (e.g., in some countries, tax exemption), international promotion (such as by the International Co-operative Alliance), national umbrella organizations, sector-wide or regional federative organizations, and co-operative credit institutions (pp. 39-40).

Bager (1994) explained that a major purpose of these co-operative institutions and organizations is to preserve the identity of co-operatives. In contrast to other types of organizations, Bager described what co-operative identity is:

*From an ideal-type point of view, a cooperative is a member oriented type of business organization, formed by the members - the members usually being physical persons - with the aim of improving their economic situation by running a common enterprise. This makes them unique and different from other basic types of organization: in contrast to non-profit organizations and associations they differ by running enterprises and being self-help oriented; in contrast to public organizations they are private; in contrast to limited companies their objective is to promote the interests of the members, not to maximize profit, and in contrast to family enterprises and partnerships, cooperatives contain a stronger collective element (p. 40).*

According to Bager (1994, p. 40), co-operatives are subject to two types of environmental pressure. Firstly, they face pressure from other organizations (non-cooperative and co-operative alike) which may present opportunities for

action or, conversely, impede action. Secondly, co-operatives experience pressure from other co-operative organizations and institutions to conform to their co-operative identity (p. 40). In this regard, Bager offered an insightful summation of co-operative identity:

*From an ideal-type point of view, members are the founding fathers and masters of cooperative organizations, decisions are based on their interests, and benefits are distributed among them. Member orientation and member control – in real life, not only in formal terms – is therefore the true touchstone of cooperative identity (p. 41).*

#### Normative Isomorphism

Bager (1994) noted that today's large-scale co-operatives have many highly educated and trained staff, including members of professional groups, which is the primary contributor to normative isomorphism (per DiMaggio and Powell, 1983). This makes it increasingly difficult for elected boards of co-operatives to handle management of the co-operative, maintain member control over the co-operative, and prevent management of the co-operative from reorienting the co-operative's goals (p. 42).

#### Competitive Isomorphism

Bager (1994) explained that the impact of competitors on co-operatives can be very direct, particularly when the actions of dominant competitors leave little or no choice but for the co-operative to follow suit. New technology may also force organizational change upon a co-operative, even at the risk of endangering its co-operative identity. However, the influence of competitors and technology can also be subtle; for example, a co-operative copying what its non-co-operative competitors are doing (mimetic isomorphism). On the other hand, a co-operative may "put blinders on", be resistant to change, and fail to adopt suitable new technology that may add value to their co-operative and their members (pp. 42-43).

This appears to be a fine line or delicate balance for co-operatives: resist blindly imitating competitors, but don't resist imitating competitors too much. Individual co-operatives may need guidance and support from other co-operative organizations (such as co-operative federations, etc.) to find the balance.

#### Non-congruent Isomorphism

Bager (1994) further noted (p. 43) that two forms of isomorphism played essential roles in the transformation of Scandinavian co-operatives from their original co-operative form:

1. **Congruent isomorphism** which homogenizes the population (or subpopulation) of co-operatives and sharpens its profile vis-a-vis non-cooperatives; and
2. **Non-congruent isomorphism** which homogenizes co-operatives with non-cooperatives.

Bager (1994) noted that at the core of the transformation of co-operatives was the balance between congruent and non-congruent isomorphism, with the probability of transformation increasing as non-congruent isomorphism increased and began to dominate. Bager also noted that transformation was not influenced only by the external pressures of congruent and non-congruent isomorphism, but also by internal processes (p. 43). A long-term, historical view is also helpful in understanding congruent and non-congruent isomorphism. As Bager explained:

*In their early phase cooperatives set up a myriad of federative organizations and members were in control, while later on, when large-scale, centralized cooperatives emerged, the federative organizations and the cross sector cooperative identity tended to weaken, as did members' control of the cooperatives. Thereby they became more open to non-congruent isomorphism and transformation (p. 43).*

## Five critical things every co-operative leader should know

### Transformation of Scandinavian Consumer Cooperatives

Bager (1994) noted that co-operatives in industrialized countries have undergone major changes in recent decades, in which private retailers have challenged and, in many cases, out-competed cooperatives. Member-cooperative relations have also changed significantly. In a statement that could apply to consumer co-operatives and credit unions in Canada, Bager explains:

*[E]conomic ties between members and cooperatives have been almost cut (low or no membership fees, no member liability, no difference in buying conditions for members and non-members, dividends insignificant or abandoned); and members have tended to lose interest in the cooperatives, partly because they can see little difference between their performance and that of their competitors, and partly because consumers have become more pragmatic and less ideological (p. 46).*

Bager (1994) noted that the combination of weak member interest, increasing employee dominance and increasing pressure from non-cooperative competitors has resulted in the partial transformation of Scandinavian consumer co-operatives (p. 46). He quoted from a study of consumer co-operatives in 10 industrialized countries which concluded: “[T]he old ideological commitment seems to be dying out ... members tend to become pure customers ... *managers of cooperative enterprises regard them as the problem not the solution* [emphasis added] (Brazda & Schediwiy 1989: 35)” (p.46) [5].

Bager (1994) observed that the decline in the influence of members in their co-operative created a vacuum which was filled by its employees and professional organizations (that is, normative isomorphism). As he explained in relation to Scandinavian consumer co-operatives:

*The number of highly educated staff has tended to grow and the once dominant practice of internal recruitment of top managers and other management level staff has largely been abandoned. Most managers are now recruited from outside, with little theoretical and practical knowledge of the specific characteristics of cooperative organizations, and with an educational background and a network which promotes for-profit thinking. At universities and commercial colleges they were taught how to run profit-oriented limited companies, not how to run member-oriented cooperatives, which makes them inclined to copy the way commercial undertakings organize their businesses and the goals they pursue (pp. 47-48).*

Bager (1994) also observed that the decline in member-orientation led to changes in terminology (“members” to “consumers”) and opened the door to a narrower management-controlled evaluation of results (versus a more comprehensive evaluation) which is a pure profit evaluation, as with investor-owned companies. He quoted a 1985 statement from the top manager of a Danish consumer co-operative as evidence: “In principle we can only be satisfied when our own capital yields a profit equivalent to what can be achieved by alternative allocation of capital” (p. 48) [6].

Bager (1994, p. 49) concluded that for Scandinavian consumer co-operatives, the balance had shifted from congruent isomorphism to non-congruent isomorphism reflecting that the co-operatives were no longer clearly member-oriented and were moving quickly toward profit orientation. He said that the build-up of market and state (that is, competitive, governmental and regulatory) pressures over the years, combined with the weakening of member control, was the key to understanding the trend of transformation of Scandinavian consumer co-operatives (pp. 53-54).

Lastly, Bager (1994) observed that a co-operative has dual characters: as an enterprise and as an association and further elaborated:

*In a way, cooperatives live in two worlds: the world of enterprises dominated by technological and economic factors, and the world of associations dominated by socio-political factors. In order to reproduce their cooperative identity they have to operate satisfactorily in both worlds,*

*combining internal processes of reproduction with the ability to cope with environmental, isomorphic processes (p. 54).*

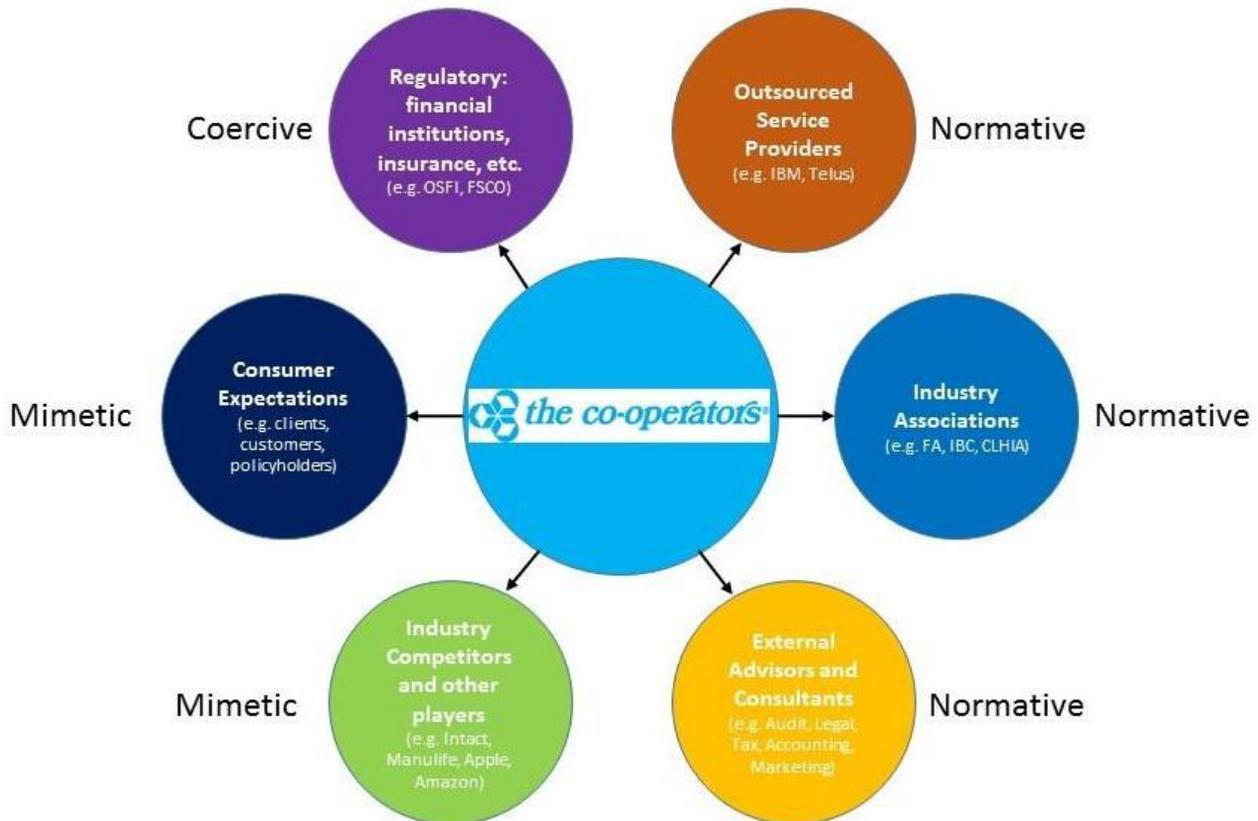
**Isomorphism and The Co-operators**

The insurance company subsidiaries of The Co-operators operate in the highly regulated Canadian financial services industry in which the same laws apply to all industry players, co-operative and non-cooperative alike. As a result, and as a good example of coercive isomorphism, The Co-operators is obliged to organize itself and manage its operations in very similar ways to its similarly regulated, non-cooperative competitors. In addition, The Co-operators is continually monitoring its competitive environment and incorporating learnings into its strategic and operational plans. While The Co-operators offers a handful of insurance products specifically designed for co-operatives and their members, generally, insurance products are very similar across the industry. As a result, and as a good example of mimetic isomorphism, there is significant pressure on The Co-operators to copy, keep up with and get ahead of its non-co-operative competitors (Schatz, 2016a, p.5).

**Predictors of Isomorphic Change**

There are a number of sources of isomorphic pressure at work on The Co-operators, illustrated in Figure 4.

*Figure 5: The Co-operators: Sources of Isomorphic Pressure*



**What's the point?**

Isomorphic processes are almost certainly at work in individual co-operatives to varying degrees. Without conscious vigilance, isomorphic forces will, over time and most likely imperceptibly, risk transforming the co-operative from the inside out into a co-operative organization in name only (Schatz, 2016a, p. 4).

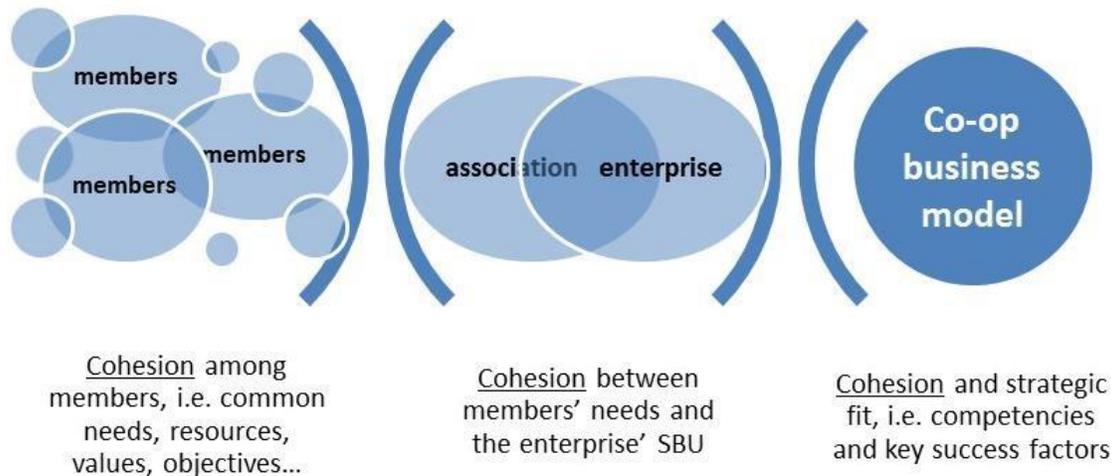
## Five critical things every co-operative leader should know

Bager's (1994) observation of the dual character of a co-operative as both enterprise and association also applies to larger co-operatives like The Co-operators. It is not a battle for supremacy between two separate and distinct aspects but a recognition of their complementary roles, which must be respected and balanced.

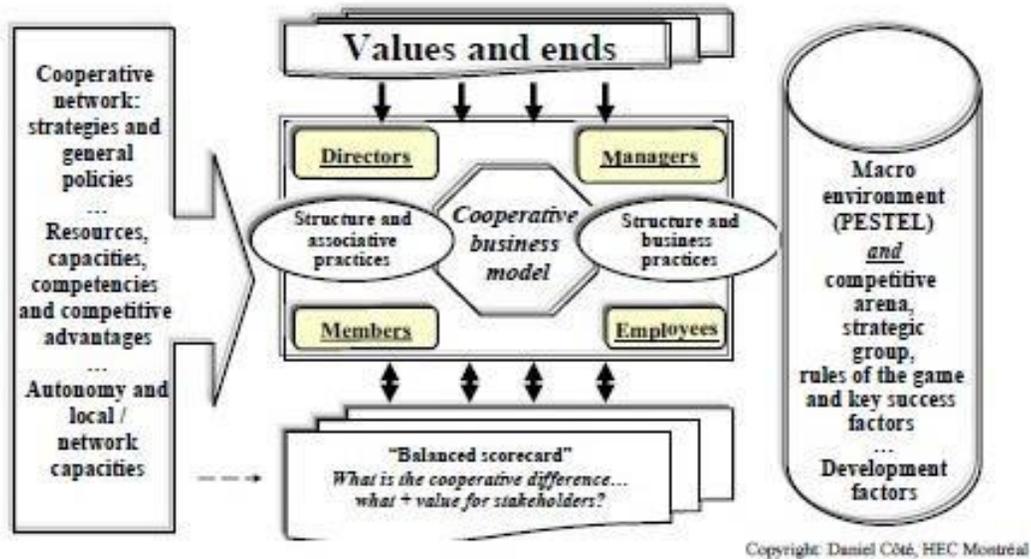
In the same vein, when the pressures exerted on co-operatives by congruent and non-congruent isomorphism are in balance, the co-operative will remain in a healthy state with respect to both (1) a competitive sense; and (2) its co-operative identity. When not in balance, the co-operative will be in an unhealthy state. Yielding more to competitive pressures, the co-operative will risk erosion of its co-operative identity. Conversely, if it focusses more on its co-operative identity than on staying competitive, the co-operative's financial health and viability may be in jeopardy. In both situations, transformation or demutualization of the co-operative may result.

The concept of co-operative duality is also reflected in Côté's (2009a) work on the subject. Figure 5\_(Côté, 2016a, Slide 27) illustrates Côté's concept of cohesion, which is needed for co-operative balance or, as he termed it, "co-operative equilibrium".

Figure 6: *Co-operative Duality*



As illustrated in Figure 6, (Côté, 2009a, p. 6), Côté's co-operative equilibrium is a very useful conceptual framework as it recognizes that: (1) there are competing factors at play in a co-operative; (2) these competing factors are naturally at odds with each other; and (3) to be a truly successful co-operative, these competing factors must be maintained in dynamic balance and equilibrium.

Figure 7: *Co-operative Equilibrium*

Côté's (2009a) framework can be used by co-operative leaders to help guide their strategic analyses and decision-making as well as their day-to-day operational and tactical decision-making. The framework can also act as a very useful reminder that co-operatives cannot be managed and run in the same way or with the same managerial mindset as investor-owned organizations without adversely affecting the very nature of the organization as a co-operative (Schatz, 2015a, p. 1). A co-operative which has found the ideal balance, or equilibrium, between its nature as an association and its nature as an enterprise, would be placed in Côté's (2016b) Quadrant IV (Transforming) (Figure 2).

If one accepts the premise in Critical Learning No. 1 (*"Co-operatives: Why should I care?"*) that co-operatives, individually and collectively, are an important and necessary component of the local, regional, national and global economic, social and environmental fabric, then gaining insight and awareness of isomorphic forces is the first step in managing and influencing these forces in ways that nurture and support the long-term vitality and sustainability of both one's own co-operative and the broader co-operative community.

### *What can co-operatives do to counter the effects of isomorphism?*

#### *Align to "True North" and course correct as needed*

In a world dominated by investor-owned enterprises, the first step for a co-operative to counter the effects of isomorphism is to engender "co-operative consciousness." Co-operative leaders must keep a sharp and clear focus on why they are doing what they are doing (Schatz, 2016a, p.5). To employ the analogy of a compass, this "why" is the "True North" of co-operative values and principles.

An important element in manifesting co-operative identity in day-to-day operations and decision-making is to implement procedures and processes to make, measure and periodically report on operational and strategic decisions that align with the "True North" as well as the co-operative's own mission and vision. This does not mean that all decisions will fully align with co-operative values and principles. However, when they don't, they should be made consciously and with the concurrence of senior management and/or the Board of Directors and, ideally, include a plan to course correct, realigning with co-operative values and principles within a reasonable time.

## Five critical things every co-operative leader should know

### The importance of education

There is an important precondition to enable co-operative leaders to, firstly, be aware and sensitive to the fact that their co-operative may be veering off course and, secondly, enable them to plan and implement a course correction. That first step is building co-operative knowledge through education about the nature of co-operatives and how, as values- and principles-based enterprises, they differ fundamentally from investor-owned enterprises. It is also vitally important to ensure co-operative leaders question their basic business assumptions. In short, education along the lines of the critical learnings discussed in this paper would be a very good starting point.

Co-operative consciousness, direction-setting and course correcting can only be accomplished through a healthy combination of leadership, followership and courage, the focus of our fifth and last critical learning.

### *Critical Learning No. 5: “The importance of leadership, followership and courage”*

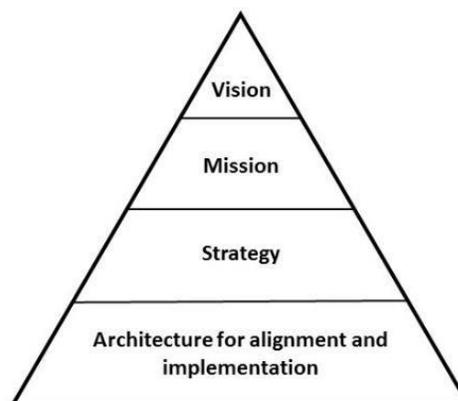
What does leadership mean in the context of co-operatives? Is there a form of leadership that is better suited to the values- and principles-based underpinnings of co-operatives, particularly looking ahead to the challenges of the future? A review of some key concepts regarding leadership and followership generally will be helpful.

### *Strategic Leadership [7]*

Strategic leadership is about understanding and managing the relationship between an organization’s external environment and the choices it makes about vision, mission, strategy and implementation. An organization’s vision should reflect its environment and express a compelling, energizing and ideal future for the organization. Guided by its mission – its core values, purpose, and reason for existence – an organization’s vision should be feasible, and therefore credible, but should not be readily attainable without considerable effort. An organization’s vision will change over time, but its mission, as a fundamental characteristic of the organization, should endure (Daft, 1999, pp. 125-144).

An organization’s vision, mission and strategy and the architecture for alignment and implementation exist in a hierarchy and each level supports the level above it, as shown in Figure 7 (Daft, 1999, p. 125).

*Figure 8: The Domain of Strategic Leadership*



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Ultimately, strategy is about translating vision and mission into action. It involves developing an action plan and allocating the necessary resources to help the organization achieve its goals. Successful companies develop strategies that focus on building core competencies, developing synergies, and creating value for customers and other stakeholders (Daft, 1999, p. 144).

### *Transformational Leadership* [8]

The world is changing more rapidly than ever before. Forces driving the need for major organizational change include globalization, technological change, increased competition and changing markets. They give rise to more threats as well as more opportunities. Transformational leadership can lead an organization through major changes and renewal and is best understood in comparison to transactional leadership (Daft, 1999, p. 427).

**Transactional leadership** involves a series of economic and social transactions in which the leader recognizes and strives to meet the needs of followers; in exchange, followers perform specified duties to meet specified objectives. Transactional leadership keeps organizations running smoothly and efficiently and maintains stability, which is important for all leaders. However, it maintains the status quo. When organizational change is required, a different type of leadership is required (Daft, 1999, p. 427).

**Transformational leadership** can entirely renew an organization. It can effect significant organizational change by changing a company's vision, strategy and culture and by promoting innovation. As Daft (1999, p. 446) noted, "Transformational leadership inspires followers to go beyond their own self-interest for the good of the whole, and it paints a compelling vision of a desired future that makes the pain of change worth the effort." Major change is difficult, but transformational leaders can follow an eight stage model of planned change: (1) establish a sense of urgency; (2) establish a coalition; (3) develop a vision and strategy; (4) communicate the vision and strategy; (5) empower employees to act on the vision; (6) generate short-term wins; (7) consolidate improvements, tackle bigger problems, and create greater change; and (8) institutionalize the new approaches in the organization culture (Daft, 1999, pp. 430-432, 446).

### *Discussion* [9]

Through vision, mission, strategy and implementation, strategic leadership is all about organizational direction and goals and how to get there. It is important to ensure that the entire organization is pulling in the same direction towards the same objectives. As well, the importance of followership, including the mutual exchange of influence between leaders and followers, should not be underestimated. The resulting development of community within an organization, as noted by Daft (1999, p. 411), bears on the co-operative context, in which community is integral to co-operative values and principles.

Both strategic and transformative leadership can bring about change to an organization and better prepare it for the future. However, transformative leadership recognizes the need for continuous change. Transformative leadership motivates individuals, promotes innovation, and looks to change not only the organization but also its employees and empowers them to act on the vision.

### *Co-operative Leadership Frameworks* [10]

#### **Collective and Delegated Models**

Davis maintained that leadership in co-operatives has been in crisis as the two predominant and competing models of democratic leadership in co-operatives today – the collective, shared leadership model and the model of delegation to elected Boards – are not the best models. The collective model of leadership may be a practical option for smaller co-operatives, but not for larger and more complex co-operatives. The latter use a model of delegated leadership (by members of the co-operative) to an elected Board which has resulted in most of the authority and power being assumed by CEOs and their appointed executives as they have the technical knowledge and skills to operate the core business of the co-operative. According to Davis, under the Board delegation model, large co-operatives have been negatively affected by "creeping managerialism" leading to loss of co-operative identity (Davis, 2004, p. 87).

#### **Servant Leadership**

Davis (2004) argued that the better model for co-operative leadership, and the nexus of reconciliation between the Board delegation and collective models of co-operative leadership, is the "servant-leader" model which Daft (1999) defined as follows:

## Five critical things every co-operative leader should know

*Servant-leadership is leadership upside down. Servant-leaders transcend self-interest to serve the needs of others, help others grow and develop, and provide opportunity for others to gain materially and emotionally. The fulfilment of others is the servant-leader's principal aim (p. 374).*

Servant-leadership appears to be ideal for the co-operative context, in which co-operatives exist to serve their membership. As Davis (2004) stated:

*We desperately need managers who have the qualities to take responsibility for leading and building the whole community of members and employees into a social and value-based business, seeking the fulfilment of the cooperative purpose (p. 94).*

Building on the concept of servant-leadership, Davis (2004) offered the following definition of co-operative management:

*Cooperative management is conducted by men and women responsible for the stewardship of the cooperative community, values and assets. They provide leadership and policy development options for the cooperative association, based upon professional training and cooperative vocation and service. Cooperative management is that part of the cooperative community professionally engaged to support the whole cooperative membership in the achievement of the cooperative purpose (Davis, 1995, p. 16).*

Davis concluded that co-operative management is the toughest and most crucial strategic challenge facing human resource development in the co-operative movement. For Davis, co-operative leadership needs (1) a clear mission (the ICA Statement on the Co-operative Identity), (2) a clear vision (integrating social and business cultures to empower people), and (3) clear principles. Davis and Donaldson (1998) set forth seven principles of co-operative management: pluralism; mutuality; individual autonomy; distributive justice; natural justice; people-centredness; and multiple role of work and labour. The principles provide guidance to implementing a co-operative social capital management (CSM) strategy which seeks to use (1) social values to envision business practice and (2) professional management techniques to enhance associational effectiveness (Davis, 2004, pp. 96-97).

### ***Courageous Leadership*** [11]

As Daft (1999) noted, "leadership demands courage" (p. 378). Moral leadership, which is required to build an ethical culture, requires leaders to reach deep within themselves and find the courage to stand up for their beliefs. In large organizations the importance of courage is easily obscured by pressures to get along, fit in and do what is needed to earn bonuses, pay raises and promotions. The challenge in today's business and economic environment, where arguably stability and abundance are the norm, is where to find courage when you need it (Daft, 1999, p. 378). Daft's definition and explanation of courage is inspiring:

*The defining characteristic of courage is the ability to step forward through fear. Courage doesn't mean the absence of doubt or fear, but the ability to act in spite of them.... Courage is not another word for fearless. In fact, if there were no fear or doubt, courage would not be needed (p. 379).*

Daft further explained that many fears are learned, but "true leaders step through these learned fears to accept responsibility, take risks, make changes, speak their minds, and fight for what they believe in" (1999, p. 379). In a point especially relevant to co-operative leadership, he stated that: "Balancing profit with people, selfishness with service and control with stewardship requires individual moral courage" (p. 383). Moral leadership requires courage and requires leaders to be self-analytical and know their strengths and weaknesses, even if doing so may be painful. Moral leadership also means building relationships, which requires sharing one's self, having significant personal experiences with others and making one's self vulnerable, which can be frightening. It also means accepting emotions as a source of strength rather than weakness and understanding that true power lies in the emotions that connect people.

*Followership* [12]

“He who thinks he leads, but has no followers, is only taking a walk” (Maxwell, 2010).

The quote above is a fundamental truth in organizational life and applies to both co-operatives and investor-owned firms, particularly as organizations strive to boost employee engagement through empowerment. It is a simple statement of the vital importance of both leaders and followers in an organization. Followers influence leaders as much as leaders influence followers and leader-follower relationships are reciprocal. The influence of followers can enhance a leader or highlight his or her shortcomings. Effective followers also possess many qualities desirable in a leader: demonstrating initiative, independence, commitment to common goals, courage, as well as enthusiastic support for the leader. However, effective followers must also be ready, willing and able to challenge a leader who threatens the values or objectives of their organization (Daft, 1999, pp. 397-414).

Strategies for being an effective follower include being a resource, helping the leader be a good leader, building a relationship with the leader, and viewing the leader realistically. Followers want and expect both their leaders and their colleagues to be honest and competent, but they also want their leaders to be forward thinking and inspirational. It is the two latter traits that distinguish the role of leader from follower. Followers want their peers to be dependable and co-operative and their leaders to lead, but not control them. As Daft (pp. 411-413) notes, these features help develop community, which enables followers to prosper and to share leadership in organizations.

*What’s the point?*

**Courageous Leaders and Co-operatives** [20]

The entire concept of courageous and moral leadership seems designed for co-operatives. The exercise of courageous leadership appears to be the only way that co-operatives can truly achieve their individual and collective potential to enhance the economic, social and environmental welfare of their members, their communities and the planet in the 21st century and beyond.

**Leadership Challenges for Co-operatives**

Co-operatives face two main challenges to recruiting, selecting and developing courageous leaders. The first challenge is to understand and accept that courageous leadership is fundamental to the healthy functioning and long-term survival and vitality of a co-operative. Co-operatives need courageous leadership and courageous followership throughout their organizations.

The second challenge is for co-operatives to not rely exclusively upon recruitment and management screening and assessment practices that were designed for mainstream, investor-owned organizations (e.g., psychological and aptitude testing, work simulations and personal interviews with behavioural psychologists). Such tools should be understood and applied in the non-cooperative context for which they were built, while co-operative assessment tools are used to provide an over-arching assessment of the prospective management and leadership candidate’s co-operative leadership attributes and potential (that is, personal values and principles, leadership courage, personal moral courage, etc.).

**Conclusion**

We live in a complex world and now stand collectively at a crossroads. The planet and its people face significant and complex problems. The accompanying potential for massively adverse economic, social and environmental consequences are not just problems for governments, non-governmental organizations and charities to address and resolve. No person or organization can avoid responsibility. Individuals and businesses who are not part of the solution remain part of the problem.

Co-operatives are naturally designed and aligned to be part of the solution. They are well-positioned to facilitate a fundamental shift in thinking that (1) recognizes the economy operates within the finite boundaries of our planet, and (2) subordinates financial returns, while critical to the overall health of co-operatives and other businesses, to

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the values most important to humanity and the planet. To do so, co-operative leaders at all levels must understand the potential of co-operatives to lead the shift, apply co-operative values and principles and work to nurture and maintain their co-operative identity, countering the risks of isomorphism and demutualization.

In so doing, co-operatives may also nurture and exercise both courageous leadership and courageous followership. Co-operatives seeking to transform and better equip themselves to address and successfully deal with the business, economic, social and environmental challenges ahead, will need to do some things differently. They should start with how they define the attributes they are seeking and recruit, select and develop managers and leaders.

### Notes

1. Fullerton (2014, p. 2).
2. Adam Smith's "invisible hand" stood for the proposition that the cumulative effect of individuals acting in their own economic self-interest, and having no intentions beyond that, will be broader beneficial economic and social outcomes. The concept has been employed to support the controversial argument that free markets deliver the best social and economic outcomes (Heath, n.d.).
3. Adapted from Schatz (2015b, 2015c and 2016a).
4. Bager (1994) employed the term "transformation," in the context of co-operatives, to mean changing from its original co-operative form to another form. When the new form is an investor-owned business, it is more commonly referred to as "demutualization."
5. The italicized part of this quotations, put in a form of a question: "Does management consider members (1) part of the solution? or (2) part of the problem?" could be a very useful diagnostic criterion for assessing the health and strength, or lack thereof, of a co-operative's identity.
6. Author's note to the reader: Does this statement sound familiar to you?
7. Adapted from Schatz, Dutka and Dykstra (2016).
8. Adapted from Schatz, Dutka and Dykstra (2016).
9. Adapted from Schatz, Dutka and Dykstra (2016)
10. Adapted from Schatz (2016b).
11. Adapted from Schatz, Dutka and Dykstra (2016).
12. Adapted from Schatz (2016b).

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## “The Fuzzy Feeling Isn’t There”: Version One of the Cooperative Performance Indicator Tool Misses the Mark for Micro Coops

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**Abstract:** This study test-ran the newly developed Cooperative Performance Indicator (CPI) tool on three community bicycle shop cooperatives (Bike Coops) in order to examine its applicability to micro, non-profit coops. Three Bike Coop directors were individually interviewed in a semi-structured fashion while they were completing the CPI tool. The respondents are located in three different regions of Canada: the Prairies, Québec and Atlantic Canada.

The analysis suggests that the CPI tool is inadequate at measuring the performance of coops of all sizes. The tool misses the mark when it comes to Bike Coops which are micro, non-profit coops. First, the CPI pilot project participants (PPPs) facilitated by the Centre of Excellence in Accounting and Reporting for Cooperatives (CEARC) will need to rethink the questions in the CPI tool to make them more applicable to micro, non-profit coops like Bike Coops. Second, community Bike Coops need to start tracking more data based on cooperative principles. The CPI tool has not yet been made public; therefore, this research is the first to gather qualitative data from coop actors who are not part of the PPPs involved in the development of the CPI tool.

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### Introduction

“In this future, the [seven] principles will be used increasingly as a framework for evaluation, for determining the cooperative ‘bottom line’ and measuring coops’ promise against their performance” (Birchall, 2005, pp. 61–62).

Even though Birchall (2005) wrote the prediction above more than a decade ago, it has taken that long for a group of experts to tackle its operationalization. In 2014, the Centre of Excellence in Accounting and Reporting for Cooperatives (CEARC) at Saint Mary’s University embarked on a journey to develop a specific tool to measure the performance of cooperatives using participatory action research (“those with a stake in the outcomes of the research take on an active co-researcher role” and are actively engaged in a democratic, cooperative and empowering research process (Mackenzie, Tan, Hoverman, & Baldwin, 2012, pp. 12–13)). In May 2017, 12 pilot project participants (PPPs) representing coops across North America were brought together by CEARC and decided the measurement tool should be based on the seven cooperative principles set out by the International Cooperative Alliance (ICA, 1995). The PPPs went on to create the Cooperative Performance Indicator (CPI) tool, a tool designed *by and for* cooperatives.

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As Birchall (2005, pp. 61-62) states, the seven coop principles are a promise, and cooperators throughout the world, including the PPPs have had no way to know if their coop was fulfilling its *promise* (until now, with the CPI). In 1995, the International Cooperative Alliance revised the principles, which serve as voluntary guidelines for cooperatives:

1. Voluntary and Open Membership;
2. Democratic Member Control;
3. Member Economic Participation;
4. Autonomy and Independence;
5. Education, Training, and Information;
6. Cooperation among Cooperatives;
7. Concern for Community (ICA, 1995).

There are over 200 Bike Coops in the U.S.A. and Canada (*Community Bicycle Organizations*, n.d.). Most self-identify as “Bike Coops” and some are registered as cooperatives. The others are non-profit organizations, charitable organizations or have no official status. A Bike Coop is a space where people come together and use specialized bicycle tools to learn how to repair and maintain their bicycles. The Bike Coop mostly relies on volunteers to keep the enterprise running. Members and clients do more than learn bike repair skills; they take a “hands-on, do-it-yourself approach to bicycle repair” with the help of a (usually *volunteer*) bike mechanic (Arnold, 2013, p. 137). The Bike Coop also sells used bikes and parts sourced from the dump or from donations by community members and new bike parts. In this research, Bike Coops are considered “micro” coops. Fares, Raza, and Thomas define “small cooperatives” as having 10 or less full-time employees and a median turnover of 1.2 million Euros (2018, p. 369).

The three Bike Coops in this study are defined as “micro, non-profit coop” rather than “small, non-profit coop” because they all have operating budgets under \$125,000 and, at most, one full-time employee. They have between 150 and 3,000 members. They count on a team of volunteers to help fulfill their mission. Some count on grants from the government and/or a special deal from their property owner to remain sustainable. A good portion of their inventory comes from in-kind donations. Although the three Bike Coops have a variety of membership categories, they are mainly considered “user” or “consumer” cooperatives.

The first version of the CPI tool was established in May 2018. It went through revisions until January 2019. The revised tool then became the catalyst for this research, which sought to answer the following research question: *Does the tool effectively measure the cooperative performance of micro, non-profit coops such as Bike Coops?* This is the general research question that inspired the three specific research questions below.

Rixon and Duguid (2018) performed quite a detailed exploration of existing cooperative performance measurement tools. They used the following criteria to assess “the potential benchmarking effectiveness of [*existent* cooperative] resources and tools” in their research, (Rixon & Duguid, 2018, pp. 9–10):

- A. “Whether it provided benchmarks on social, environmental, and/or cooperative performance”;
- B. Whether the data was useful across multiple cooperative sectors or was it merely specific to one industry;
- C. “Whether it comprised of a minimal number of key performance indicators (KPIs) – less than 15 in order to be accessible for small to medium-sized cooperatives”;
- D. “Whether it was developed by cooperatives in a participatory manner” (Rixon & Duguid, 2018, pp. 9–10)

This paper evaluates the CPI tool against similar criteria (except for the fourth criterion). Three bike coops participated in order to find out:

1. Does the CPI tool draw enough information from Bike Coops to provide benchmarks on social, environmental and cooperative performance?
2. Can the KPI questions in the tool be applied to Bike Coops as micro, non-profit coops? Do they allow for the “story” of the Bike Coop to be told?
3. Is the number of questions (32, plus profile questions) minimal enough to be accessible and are they easy enough to answer?

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The goal of this paper was not to develop the “correct” KPIs for Bike Coops or KPIs that would apply to “all” types of coops. It sought to understand limitations of the current tool by drawing on experiential data.

### Literature Review

“What is measured is also pursued.” (Novkovic, 2006, p. 9)

If cooperatives are to show their difference in pursuing the coop principles, they should be able to measure the impact of operationalizing them (Birchall, 2005, p. 49; Côté, 2000, p. 255). In general the literature shows that “(cooperative) differences are not operationalized and articulated through direct monitoring, measuring and reporting through KPIs” (Rixon, 2013, p. 87). What then, is the point of having principles if no one can prove that their coop is adhering to them? (Rixon, 2013, p. 87). Even quite recently, Webb was still asking this core question in the field of cooperative accounting: “How effectively and efficiently does the organization use its resources to achieve its purpose and goals while respecting cooperative values?” (20017, p.105). It was a rhetorical question, because the conclusion that keeps surfacing in the literature is that there are “very few coop specific tools” and “very few with measurable indicators” (Duguid, 2015).

Although there is very little literature on the measurement of cooperative specific performance, Rixon (2013) and Beaubien and Rixon (2012, 2014) bring cooperative principle KPIs (or lack thereof) to the forefront of the academic literature in a series of articles on insurance coops in North America and Europe. Their conclusion indicates that coops in this sector generally do not measure their performance against the coop principles (Beaubien & Rixon, 2014, p. 124). Their series on insurance coops inspired a study by Duguid and Balkan (2016) whereby they conducted a rigorous analysis of the use of sustainability language by 118 cooperatives and cooperative organizations (p. 12). The authors tie sustainability into the coop values and principles and write that “one would expect coops to use sustainability reporting and other non-financial indicators to demonstrate their value” (Duguid & Balkan, 2016, p. 6). Duguid and Balkan (2016) find that co-operatives that report on sustainability do so on the social dimension of sustainability by mainly measuring two things: community donations and activities (p. 20). The 118 organizations studied included the top 50 non-financial coops and the top 20 credit unions in Canada. The authors do not specify what they mean by “top,” but by looking at data on credit unions, for example, the twentieth credit union on the “top 100” list has 30,997 members and over \$2 billion in assets (Canadian Credit Union Association, 2016). These coops are considerably larger than Bike Coops. Generally, larger coops are researched and cited in journal articles much more often than smaller coops.

Most literature on the topic of cooperative KPIs describes accounting and reporting as a “robust body of research and analysis” that is necessary to prove the “existence of a co-operative difference” (Carini, El-Youssef, & Sparreboom, 2015, p. 22). Corrigan and Rixon (2016) take a different approach by theorizing that “the preparation and presentation of KPIs [are] a theatrical performance rather than [a] managerialist computation of effectiveness” (pp. 60–61). In their study of rural electric cooperatives, the authors employ a dramaturgical lens to reveal that “the performance indicators serve impression management goals and operational demands rather than reporting on fulfillment of the ‘Seven Cooperative Principles’” (Corrigan & Rixon, 2016, p. 60).

Bike Coops and other micro, non-profit coops are a special case within the grand scheme of coops. In general, micro, non-profit coops such as Bike Coops will take the road most-travelled and report on financial data. This can “misrepresent the true performance of an organization” (Quarter, Mook, & Richmond, 2003, p. 111). Bike Coops use “volunteer labour as part of their resource base” and therefore, are especially prone to being misrepresented by strictly financial data (Quarter et al., 2003, p. 111). Quarter et al. suggest an “Expanded Value Added Statement” where “free” goods and services are quantified in order to tell the “whole performance story of the organization” (2003, p. 128).

When examining the cooperative literature holistically, it is clear that KPIs are used as a measure to improve performance, as a method to benchmark performance and as a way to convey information to stakeholders (Hicks,

Maddocks, Robb, & Webb, 2007, p. 2; Rixon & Duguid, 2018, pp. 6–7; Webb, 2017, p. 104). Conversely, KPIs also use numbers to simplify a complex reality and in a sense, create a reality of their own (Michaud, 2014, p. 79).

The cooperative “difference” is put forth in much of the academic literature and it has become clear that cooperatives need and want to show this difference with “evidence” such as KPIs (Beaubien & Rixon, 2014; Duguid & Balkan, 2016; Hicks et al., 2007). It has also become clear that cooperatives need and want to tell their cooperative story following a template that is specific to cooperatives instead of giving into isomorphism and following the investor-owned firm script template (Côté, 2018; Quarter et al., 2003). Indeed, there must be some form of “reality claim of financial performance reporting in cooperative organizations” for the cooperative story to be credible in the eyes of the targeted audience even though this may well be a “hazardous endeavour” (Corrigan & Rixon, 2016, p. 60).

Rixon and Duguid were the first to set out a plan to develop multi-sectoral KPIs for cooperatives (2018, pp. 13–14). Through their research, they revealed the non-existence of a set of cooperative KPIs that could be easily accessible to small and medium sized coops (Rixon & Duguid, 2018, p. 14).

As a direct contribution to the movement towards measurement of cooperative performance, this research paper attempts to support the development of the CPI by drilling down and obtaining feedback from three coop actors not directly involved in the five-phase research plan. It also sheds light on the situation of micro cooperatives, a size and type of cooperative often ignored in the accounting and reporting literature.

The CPI tool and the way that it aims to measure and tell the coop story has been a long time coming:

**“The task of the international cooperative movement is to show how relevant cooperatives are to the tough problems that face the world.”** (A.F. Laidlaw, 1980, as cited in Fairbairn & Russell, 2000, p. 267)

## Methodology

The methodology for this research is comprised of three semi-structured interviews with directors<sup>1</sup> in the Canadian Bike Coop sector to review the January 2019 version of the CPI tool. As many of the PPPs who developed the CPI tool come from professional backgrounds and work in medium or big coops, the question arose as to whether the CPI tool was applicable to micro coops.

Bike Coops were selected because they are micro, non-profit coops and because of the ease of access to directors in these coops by the author of this research who is an actor in the Bike Coop industry. Directors in micro, non-profit coops are often overloaded with tasks and will not easily agree to take an hour or more from their schedule to perform an interview that has no immediate impact on their day-to-day activities. It is believed that the respondents may not have agreed to be interviewed had the researcher not been previously known to them.

It was thought that by selecting three coops in the same sector, the qualitative data provided by the respondents would have more weight if found to be consistent in all three coops. Having three coops in the same sector also helped to develop a comprehensive analysis of the issues (Beaubien & Rixon, 2014).

One director was selected from a Bike Coop in each of three regions: the Prairies, Québec and Atlantic Canada. The CPI tool (Appendix A) was translated into French by the researcher. All interviews were conducted in French, which is the first language of all three respondents and the researcher. Face-to-face interviews were conducted with the respondents in the Prairies and Québec because they “offer more flexibility... [and] are more appropriate for long interviews with complex questions” (Singleton Jr. & Straits, 2002, p. 60). While still offering flexibility, a telephone

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<sup>1</sup> The singular “they” is used throughout this paper to help maintain gender anonymity of the respondents (*Gendered Pronouns & Singular “They”*, n.d.)

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interview was conducted with the respondent in Atlantic Canada because it was “cheaper [and] easier to administer” (Singleton Jr. & Straits, 2002, p. 60). The quotes used in this paper were translated to English by the researcher.

The respondents used their most recent financial year (2018) to input financial and non-financial data into the CPI tool. As respondents were entering the data, the researcher posed a series of questions (Appendix B). The researcher monitored the data in real-time in person (for the face-to-face interviews) or on a Google Sheet online (for the telephone interview). It was of primary importance for the researcher to interview the respondent while they were completing the CPI tool in order to ascertain with a fair amount of accuracy the root of the problem with any KPI that caused trouble for the respondent. Pauses, laughs, sighs and grunts of frustration were also noted as a signal of an area of trouble. Had the researcher interviewed the respondent about specific KPIs after they had completed the tool, the richness of the feedback would have been lost. After the respondent had completed the CPI tool, the researcher posed general questions about their overall impression of the tool.

The interview attempted to establish whether the indicators were useful to the coop and which indicators were helpful to track success and/or failure. Interviews were 60 to 90 minutes long and occurred during January and March 2019. They were audio recorded and transcribed for accuracy.

Because of the qualitative nature of this study, it is difficult to generalize to other coop sectors even though those coops may also be micro, non-profit coops. Also, the opinion of the respondents colours the analysis as to whether the CPI tool effectively measures the performance of their coop. However, one of the main goals of the CPI tool is for coops across sectors to adopt its measures; therefore, the user’s perspective is of primary importance.

### Findings: Discussion and Analysis

In this section, the data drawn by the CPI tool from the respondents as well as the content from the semi-structured interviews are used to answer the three questions presented in the introduction to this paper. The questions are addressed individually and then brought together to help answer the guiding research question.

#### **Question 1. Does the CPI tool draw enough information from Bike Coops to provide benchmarks on social, environmental and cooperative performance?**

Eight out of 32 KPI questions were answered in a consistent enough manner among the three respondents to provide data for benchmarks. The other 24 KPI questions either: lacked materiality, were impossible to answer consistently, were not applicable, were impossible to achieve, were not worth the cost of collecting, or simply did not make sense for Bike Coops. The following sections provide examples of reasons for lack of response.

**Lacked materiality:** Bike Coops have small operating budgets and rely heavily on members of the community coming together to volunteer at the shop. Very little money is spent on education, training and information. However, the main mission of these Bike Coops is educating members on how to repair and maintain their bicycles. It could be argued that their entire operating budget is dedicated to education, but the respondents, understandably, took the series of eight questions about money spent on education, training and information literally. They looked at whether real money was spent. The answer was “very little” in each case. As Respondent 2 noted:

*We do everything [in the Education, training and information section] on a volunteer basis. We don’t spend money on that, as far as I know. It doesn’t look good [in this tool], but that’s the way it is. (R2)*

**Impossible to answer consistently across Bike Coops:** The twelfth question in the CPI tool was: “What is the percentage of capital contributed/owned by members?” Because of the double-barrelled nature of this question - the amount contributed by members is different than the amount owned by members – the responses lacked clarity. In all three coops, the amount contributed by members was supplemented by government or non-members, but members owned 100 % of the capital in each one of the coops. Due to the unclear question, the answers were 28 % (R1), 75 % (R2) and 100 % (R3). Had the question been: “What is the percentage of capital owned by members?” the

response would have been 100 % across the board. Furthermore, the meaning of the term “capital” should not be assumed to be understood by actors in the Bike Coop sector. People working and volunteering in Bike Coops have expertise in environmental and social issues along with mechanical skills but are not necessarily well-versed in the language of finance.

**Not applicable:** There were questions such as, “What is patronage as a percentage of surplus?” that were not applicable to micro, non-profit coops such as Bike Coops. The fact that the question was not applicable was clearly indicated in the CPI tool and the respondent quickly skipped over this question. However, it should be noted that one respondent filled in “0”, one left it blank and one filled in “N/A”.

**Impossible to achieve:** In the section on *Cooperation amongst cooperatives*, respondents were asked “What is the percentage of business done with cooperatives as clients?” Bike Coops sell to individuals, people who ride bikes. The question gives the impression that Bike Coops should be trying to sell to coops as clients even though a Bike Coop is simply not that kind of enterprise. Conversely, for cooperation amongst cooperatives on the purchasing side, board members may well want to “pass resolutions to only use services and buy supplies from other coops,” but reality shows that distributors of bike parts are transnational corporations (Gordon Nembhard, 2015, p. 167). There is currently no alternative for Bike Coops. Had the CPI tool opened the door to “affinity partnerships”, as in non-profits, charitable organizations and public educational institutions, the Bike Coops in this study would have been better able to show the impact of their entrepreneurial relationships (Rixon, 2013, p. 83).

**Not worth the cost of collecting:** Bike Coops do not have employee training camps or professional development days. Trying to collect “the average annual number of hours of education, training and information per employee” is not worth the time of the Bike Coop director. Because they were being interviewed, two of the respondents slowly attempted to guess a response. One of the respondents did not even try.

**Do not make sense for Bike Coops:** There were two question areas that especially posed a problem for the respondents. The first revolved around the issue of donating money or goods to the community. Bike Coops do not donate money or goods *per se*, so the respondents were forced to respond “0” but felt cheated by the question since their Bike Coop provides so much to the community. For example, Respondent 2 said: “It’s difficult to calculate our impact and what we actually contributed (to the community), but I think it should be counted. But I don’t know *how* to count it” (R2). Bike Coops are about empowering people to repair and maintain their bicycle and upcycling used bikes and parts that have been donated to the coop or come from the dump. There is no surplus to donate because they are non-profit coops; all money and goods are reinvested into the community mission of the coop.

The second problem revolved around the issue of greenhouse gas (GHG) emission reduction. The first question in the tool about GHGs was: “Does your coop have targets for greenhouse gas emission reduction?” One of the respondents said: “As far as I know, we don’t have clear objectives, but that’s the whole point of our coop (reducing GHGs), pretty much” (R2). By fulfilling their mission of educating members to repair and maintain their bicycle, the Bike Coop keeps more bikes on the road and, in theory, more greenhouse gases (GHGs) out of the air. However, they are not able to represent their contributions using the CPI tool.

Moreover, the amount of GHGs produced by a Bike Coop is quite small and difficult to reduce. They produce an insignificant amount of GHGs by consuming paper products and lube/grease products. Their major contribution to GHGs would be heating their building. Even then, the energy consumption is not metered, and the cost is covered by the property owner in two out of the three Bike Coops. As well, each Bike Coop occupies a space that is less than 1,000 sq. ft. and as such it would be difficult to make changes in order to lower GHGs in any significant way. As R2 concluded melodramatically: “We can’t say that we’ll cut our emissions in half and just stop heating the place” (R2).

**Comparing results to benchmarks in an industry:** One profile question in the CPI tool was quite challenging for the respondents. When attempting to choose their industry from the pre-established list (Appendix C), each respondent launched into an introspective discourse that lasted several minutes. The problem was that none of the Bike Coop directors could find their industry, suggesting that the tool was designed without considering them. Granted, Bike

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Coops are a rather recent phenomenon. Nevertheless, if the CPI PPPs wish the CPI tool to be multi-sectoral, they will have to find ways to include modern and new coop types.

In answering this problematic question, one respondent wanted to choose four sectors and combine them (R1); another wanted to check an “other” box (R2); and the final respondent wanted to take bits of one sector and combine them with bits of another sector (R3). In the end, even though each Bike Coop has virtually the same organizational mission, each respondent ended up choosing a different sector: *wholesale and retail trade* (R1) because they sell new and used bike parts (like all Bike Coops); *utilities* (R2) because in French “utilities” is “*services publiques*” (public services) and R2 felt their coop served the public; and *health care and social assistance* (R3) because helping people keep their bicycle rolling is a form of social assistance when one considers that the bicycle equals one of life’s pillars, transportation.

**Concluding comments on the first research question**, as mentioned, there were eight out of 32 questions in the CPI tool that were benchmarkable for Bike Coops. The eight questions are presented below in order of appearance in the CPI tool:

- What is the number of new members added during the year?
- What is the percentage of leadership (management and board) that is comprised of women?
- What is the percentage of leadership (management and board) that is comprised of visible minorities?
- What is the percentage of members attending AGM?
- What is the # of democratic governance opportunities to engage outside of AGM? For example, surveys, referendum, resolutions, plebiscites, committees.
- What is the percentage of membership that participates in voting at AGM?
- What is the # of co-operatives your co-op works with; i.e. research, partnerships, joint projects, community projects, secondment, advice, new co-op development?
- What is the percentage of procurement from local businesses? (Use your best estimate)

For most of these questions, respondents simply calculated their numbers or percentages, filled them out and were curious to find out how other Bike Coops were performing. However, the last two of these questions caused ambivalent feelings. First, while the respondents realized that cooperating with other cooperatives was important, they felt limited in their capacity to do so. Bike Coops would greatly appreciate being involved in research or joint projects, but generally, this is quite difficult due to limited resources. A benchmark can be established nonetheless.

Second, because the respondents were still in a financial mindset, they determined the percentage of procurement from local businesses in terms of money. This is an issue because Bike Coops source bike inventory from in-kind donations and the local dump, which are “free” and, currently, they do not assign a monetary value to this local procurement.

**Question 2. Can the KPI questions in the tool be applied to Bike Coops as micro, non-profit coops? Do they allow for the “story” of the Bike Coop to be told?**

**Respondent 1**

After completing the CPI tool, each respondent was asked about their overall reaction. Respondent 1’s reaction was blunt: “So, (the CPI tool) makes us look bad” (R1).

Had R1’s coop been a sub-performing one, it would be understandable for the CPI tool to reveal a “bad” result, but that was not the case. In fact, this coop significantly contributes to and is well respected in its community. It has a solid core of coop “activists” (Davis, 2004, pp. 102–103). It keeps many bicycles on the road, educates a great number of cyclists and generates a surplus year after year. The CPI tool fails to recognize these positive attributes.

There are two possible ways for this failure to capture positive results. Cooperative principles five, Education, training and information, and seven, Concern for community, are both areas where Bike Coops could be seen to excel but the CPI tool did not tell the story. Starting with principle five, R1 explains:

*The information was harder to find for that section. Even though it's part of our mission, honestly, we pull it off without spending much money. I think [the CPI tool] should look at the number of hours or the number of activities, not just the cost. (R1)*

For a coop to perform well in the principle five section of the CPI tool, it would have to spend money on education, training and information. Often in the case of Bike Coops, community volunteers are the educators and there are thousands of “education” hours that have no dollar value attached to them. If Bike Coop actors were reporting in an “Expanded Value Added Statement”, they could possibly fill out this section more accurately (Quarter et al., 2003, p. 108). However, there would still be a problem of equivalencies. For example, one of the coops in this study assigns *bonus bucks* to bike mechanic volunteer hours. Volunteers can trade these *bucks*, currently worth \$3/hour, for a rebate on new bike parts. If this coop used the *bonus bucks* value, another Bike Coop used a minimum wage value of, say, \$12/hour and yet another Bike Coop assigned a professional bike mechanic rate of \$22/hour, it would present a significant challenge for benchmarking.

The other area in the CPI tool where Bike Coops were unable to represent themselves accurately was principle seven. As previously mentioned, Bike Coops do not donate a portion of their surplus, but rather reinvest it into the community mission of the coop; and, while they reduce GHGs in their communities by promoting cycling, the tool only asks about the GHGs generated by the coop itself. The other question in the principle seven section of the CPI tool relates to buying local, which is difficult for Bike Coops because there is no monetary transaction in sourcing used bikes and parts from donors and dumps and the vast majority of new bike parts are made in Taiwan. Therefore, once again, the respondents were unable to make their coop shine in terms of acquiring and upcycling local “inventory”.

Respondent 1 voluntarily identified an area where their coop was not doing very well: autonomy and independence. They also pointed out that the CPI tool did nothing to reveal this shortcoming:

*[The tool] does not show our relationship with [the property owner]. Even though they don't have economic control, they still have control in the sense that, if we want to stay in our [location], it's give and take, I think. So, there is a power relationship or a dependence relationship vis-à-vis [the property owner]. (R1)*

In fact, two of the three Bike Coops in this study obtain free rent and utilities from their property owner, a major cost-saving that also reduces significantly the independence between the coop and the property owner. The CPI tool should have a way of identifying major constraints on principle four, autonomy and independence, that are outside the standard financial measurements such as percentage of external investors.

Respondent 1 indicated that they would not take the time to fill out the CPI Tool in the future: “It wouldn't be a priority with my volunteer time” (R1).

### **Respondent 2**

Respondent 2 was more critical of the CPI tool than Respondent 1:

*I didn't like [the experience of filling out the CPI tool] .... But I guess everything is about money and that's how we measure the success of enterprises .... And the fuzzy feeling, it wasn't there either. (R2)*

R2 felt that the CPI tool was too steeped in financial questions in spite of the fact that only a little over half the questions in the CPI tool relate to monetary transactions (17 out of 32). The respondent's dislike began in the middle of the tool with the Education, training and information section, in which eight out of nine questions relate to money.

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The question: “What is the percentage of operating income donated to community?” also really bothered R2, who had this reaction: “It’s just that often my response to all of these questions is: ‘we did it, but it didn’t cost us anything!’ so, does it still count!?” (R2).

R2 felt as if the coop’s actions “did not count” because no money was spent on the social, environmental and cooperative contributions being measured. While “there is recognition by accounting bodies of the need for various forms of organization to report both financial and non-financial information, including the social and environmental aspects of their activities,” the CPI tool does not operationalize this need to the liking of Respondent 2 (Hicks et al., 2007, p. 5). In colloquial language, R2 laments not being able to show the coop’s strengths through non-financial information. The “fuzzy feeling” of social, environmental and cooperative indicators is absent from the tool. Fairbairn (2004) notes that it is difficult to express the cooperative difference or what R2 describes as the *fuzzy feeling* “because it is so abstract in its idealism” (p. 19).

One might assume that the section in the CPI tool on *member economic participation* would not be contested for having questions exclusively on monetary transactions, and yet Respondent 2 complains that: “It asks about the surplus, but it doesn’t ask about how members contribute to the vitality of the coop”(R2). R2 thinks of economic participation in the original sense of the word “economic” as Greek philosophy saw it: “household management” (‘Economics (Aristotle)’, n.d.). How are the members of the Bike Coop contributing to the “household management” with their time, their expertise, their questions, their connections, their in-kind donations and their money?

In the end, R2 was willing to fill out the CPI tool in the future only “if they fix the stuff I didn’t like” (R2).

### **Respondent 3**

In a show of pointed humour, Respondent 3 reported on the CPI tool by referring to a ten-point scale: “No, this is not really the tool I would rely upon to test the performance of a coop.... I would give it a four (out of ten) – a little less than halfway” (R3).

This was not a vote of confidence. R3 goes on to say: “For a Bike Coop, I find there are a lot of things that are not really applicable. I’m confused all the way through, you know” (R3).

Seeing all three respondents felt that the CPI tool was more or less applicable to their coop (with an emphasis on less), the tool did not enable them to write a script for their coop story.

### **3. Is the number of questions (32, plus profile questions) minimal enough to be accessible and are the questions easy enough to answer?**

All three respondents were able to complete the CPI tool questionnaire within 90 minutes. This time included the semi-structured interview questions. It could therefore be argued that the tool is accessible and does not consist of a drawn-out process. However, it should be noted that the researcher clarified some points in the tool and helped move the interviews along. It is possible that the respondents would have gotten “stuck” and tired or demoralized without the presence of the researcher.

Respondents had more trouble with questions that were written in more technical language. These Bike Coops do not have an accounting and reporting department. They have one full-time employee or less and are run by a volunteer board. Questions like: “What is the percentage of capital owned/contributed by external investors?” and “What is the percentage of surplus retained for reinvestment or establishment of reserves?” were intimidating and invariably brought up a discussion with the researcher and about halfway through the CPI tool provoked a reaction such as: “Up until now, your (CPI tool) – it’s too intense” (R2).

It is possible that embedded pop-up explanations and relatable examples would have helped respondents feel more comfortable as the process moved along. Some questions had examples that were presented from the perspective of a larger cooperative and were not relatable. The question: “What is the percentage of surplus used for purposes

other than indivisible reserves, reinvestment, patronage? For example, giving back to community and supporting employees”, caused a problem for some respondents. Respondent 3 asked: “‘Supporting employees.’ What does that mean: ‘supporting employees?’” (R3).

Even though the CPI tool seems somewhat accessible, there remains a problem. As established in the first part of the *Findings: Discussion and Analysis* section, only eight of 32 questions provide data that can be used in benchmarks for Bike Coops. This means 25% of the questions are useful for Bike Coops, which is most likely unacceptable for the PPPs of the CPI tool. One way to increase this percentage would be to add questions and KPIs that apply to Bike Coops, but that would make it longer and therefore less accessible. When asked what KPIs they would add to the tool, Respondent 3 answered:

*And, I understand how this tool could be useful for some other coops, but in our case, there are a bunch of questions which are sort of, more or less important. So, ‘no’ [I would not add a KPI] because the questions we would add wouldn’t be applicable to other kinds of coops. (R3)*

R3’s question raises the question of applicability of one set of KPIs across multiple coop sectors. R3 seems to think that there does not exist a set of universal KPIs that could measure the performance of a Bike Coop *and* a big Credit Union, for example. Rixon and Duguid’s 2018 goal: “to identify... 15 social, environmental, and cooperative indicators that become the benchmarks for any cooperative performance” (p. 13) may be an impossible quest.

#### Further discussion

“Because, I don’t even know what you’re doing with this data” (R3).

Respondent 3 made this statement near the end of the interview when they were realizing that the KPIs had limited applicability to their coop, but perhaps the data could serve a greater purpose. The CPI tool was developed to provide benchmark data so that *any* stakeholder could evaluate the coop’s performance. With that information, the Bike Coop could set realistic targets based on industry performance. Comparing the coop’s performance to its peers would provide an opportunity to learn best practices. For example, if a coop’s performance were significantly below the benchmark, the coop management might want to investigate and find out how others were attaining a higher performance level (D. Rixon, personal communication, May 3, 2019). Had Bike Coops been actively involved in the development of the CPI tool, some of the issues raised in this research would have been addressed ahead of time and they would likely have found it more useful.

There are two challenges with the CPI tool using the “messiness of accounting and reporting” measures to test whether the coop promise is being fulfilled (Corrigan & Rixon, 2016, p. 65). First, “the seven principles avoid the vernacular of profit maximization, and (...) they promote non-financial reporting” (Corrigan & Rixon, 2016, p. 65). The concept of non-financial reporting automatically implies a more qualitative analysis of the performance of coops. Qualitative analysis is more difficult to break down and to aggregate than quantitative analysis. Moreover, the gathering of qualitative data requires a wider array of tools. It garners a richer and more nuanced set of answers.

Second, the non-financial reporting style that is summoned by the seven coop principles does not lend itself well to a “neat little packaged” report. It would be beneficial if the CPI tool were capped at 15 KPIs measuring the performance of coops of all sectors and sizes (Rixon & Duguid, 2018, p. 14). The evidence in this paper suggests that this is not possible.

#### Conclusion

The objective of this research paper was to test-run the CPI tool with three micro, non-profit coops, Bike Coops. The key findings suggest that only 25% of the CPI tool is applicable to Bike Coops. Only eight questions in the tool could be used as benchmarks. Bike Coops are micro, non-profit coops and they most likely share traits with other micro, non-profit coops. Therefore, the CPI tool may have limited applicability to a number of smaller coops in general. It could be said that actors within coops are responsible to tell the coop’s story. In this case, the directors were dissatisfied with the way that the CPI tool helped (or hindered) the telling of their story. The findings show that

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the CPI is somewhat accessible, but again, its accessibility is based on a short series (32) of questions which are not all applicable to Bike Coops. Hence, the accessibility does not matter much since applicability is more meaningful than access for Bike Coops. While there are only 32 questions, most questions, according to the participants, are not worth answering.

One option for Bike Coops, setting aside limited resources for an instant, would be to develop their own measures and KPIs. The “potential biases” that would affect the selection of the measures would most likely help present the coops in a more positive light (Rothenberg, Schenck, & Maxwell, 2005, p. 13). However, small coops have “limited analytical and financial resources” to put towards performance indicators (Rixon & Duguid, 2018, p. 6), one of the gaps that the development of the CPI tool is trying to close (Rixon & Duguid, 2018, p. 6).

### Further research

Different versions of the CPI tool should be tested with various types and sizes of coops by obtaining feedback from the person using the tool either while they are filling it out or shortly afterward. Research is needed on the ways all kinds of cooperatives are operationalizing the seven principles. For example, it would be interesting to know how a worker coop micro-brewery operationalizes the seven principles. With such information, an expert group could then start formulating the questions that reveal the KPIs that demonstrate the effects of operationalizing the seven coop principles. This approach still fills the criterion set out by Rixon and Duguid (2018) that the CPI tool should be developed in a “participatory manner”, it is just a different way of gaining participation of the coop actors (p. 10). Ultimately, the current CPI PPPs cannot be expected to adequately represent coops of all types and sizes without further research.

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## Appendix A

*The Co-operative Performance Indicators Tool*

Fiscal Year:

Asset Size:

Revenue Size:

Number of Employees:

Number of Members:

<b>VOLUNTARY AND OPEN MEMBERSHIP</b>		
<b>Indicators</b>	<b>Definitions</b>	<b>Measures</b>
Membership Growth	What is the number of new members added during the year?	Number
Membership decline	What is the number of members lost during the year?	Number
Leadership representation of women	What is the percentage of leadership (management and board) that is comprised of women	%
Leadership representative of visible minorities	What is the percentage of leadership (management and board) that is comprised of visible minorities	%
<b>DEMOCRATIC CONTROL</b>		
<b>Indicators</b>	<b>Definitions</b>	<b>Measures</b>
Membership attendance at annual general meeting	What is the percentage of members attending AGM?	%
Governance opportunities for members to engage outside the AGM	What are the # of democratic governance opportunities to engage outside of AGM? For example, surveys, referendum, resolutions, plebiscites, committees.	#
Membership participating in voting	What is the percentage of membership that participate in voting at AGM?	%
<b>MEMBER ECONOMIC PARTICIPATION</b>		
<b>Indicators</b>	<b>Definitions</b>	<b>Measures</b>
Proportion of surplus used for indivisible reserves	What is the percentage of surplus used for indivisible reserves? (Indivisible: portion of surplus retained by co-operative and not distributed to members in the current year).	%
What is the proportion of surplus used for patronage	What is patronage as a percentage of surplus. (Note, this would be not applicable for not-for-profit cooperatives)	%
Proportion of surplus used for other purposes	What is the percentage of surplus used for purposes other than indivisible reserves, reinvestment, patronage? For example, giving back to community and supporting employees.	%
Surplus targeted for patronage	What is the percentage of surplus targeted/allocated/budgeted to patronage. (Note: this would be not applicable for not-for-profit co-operatives)	%
<b>AUTONOMY AND INDEPENDENCE</b>		
<b>Indicators</b>	<b>Definitions</b>	<b>Measures</b>
Degree of Ownership - Internal	What is the percentage of capital contributed/owned by members?	%
Degree of ownership - External	What is the percentage of capital contributed/owned by external investors?	%
<b>EDUCATION, TRAINING AND INFORMATION</b>		
<b>Indicators</b>	<b>Definitions</b>	<b>Measures</b>
Employee training	What is the average annual number of hours of education, training and information per employee?	Number
Member training	What is the percentage of revenue spent on education, training and information on members?	%

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Board of Directors Training	What is the percentage of revenue spent on education, training and information on directors/board members?	%
General public training/information	What is the percentage of revenue spent on education, training and information on the general public? For example, a credit union providing money management seminars for the general public.	%
Board of directors training	What is the amount of revenue spent on education, training and information on directors/board members?	\$
Employee Training	What is the amount of revenue spent on education, training and information for employees?	\$
General public training/education	What is the amount of revenue spent on education, training and information on the general public? For example, a credit union providing money management seminars for the general public.	\$
Member training	What is the amount of revenue spent on education, training and information on members?	\$
Co-operative specific education	What is the amount of revenue spent on providing co-operative specific education and training for the general public?	\$
<b>CO-OPERATION AMONG CO-OPERATIVES</b>		
<b>Indicators</b>	<b>Definitions</b>	<b>Measures</b>
Collaboration with other co-operatives	What is the # of co-operatives your co-op works with; i.e. research, partnerships, joint projects, community projects, secondment, advice, new co-op development.	#
Business done with other co-operatives	Does your co-op have a policy to procure from co-operatives?	Yes/No
Business done with other co-operatives	What is the percentage of business done with co-operatives as clients? (Use your best estimate)?	%
Business done with other co-operatives	What is the percentage of business done with co-operatives as suppliers? (Use your best estimate).	%
<b>CONCERN FOR COMMUNITY</b>		
<b>Indicators</b>	<b>Definitions</b>	<b>Measures</b>
Responding to community needs	What is the percentage of pretax profit donated to community (includes cash and goods)? (For NFP coops, percentage of operating income).	%
Business done with local businesses	What is the percentage of procurement from local businesses? (Use your best estimate)	%
Sustainable development	Does your co-op have targets for greenhouse gas emission reduction?	Yes/Non
Dollar amount donated to the community	What is the annual amount donated to the community (includes cash and goods)?	\$
Greenhouse Gas Emission Reduction	What is the targeted percentage reduction in greenhouse gas emissions?	%
Greenhouse Gas Emissions	What is the targeted year to achieve the reduction in greenhouse gas emissions?	Year

### Appendix B

This is the **guide** for the semi-structured interviews with actors of the coops. The interviews are 1-on-1; so three interviews in total. For every indicator in the CPI tool I will ask some or all of the following questions:

1. Is the data for this indicator readily available? How difficult is it to dig it up? Is it impossible?
2. Do you currently track this indicator? To what degree, steadfastly or not? Does this CPI tool make you want to track it more aggressively?

3. Is this a “new” indicator for your coop? Are you going to start tracking it? Why or why not?
4. Is this indicator “useful” for your coop? In your view, is it relevant to the “performance” of your coop?
5. Would you like to compare this indicator to other coops in your “industry”?
6. Will volunteers/employees in the future be able to fill in this indicator in a manner consistent with your data entry?

General questions to be posed at the end:

1. What is your overall reaction to the CPI tool?
2. Would you take the time to fill it in on an annual basis? Why or why not?
3. What if the CPI tool generated a report (1 or 2 pages) with your individual coop performance? Would you present it to the board or the members? Would you publish it? Online, for example? How about if the report included industry comparisons?
4. Which coops would you include in your “industry”?
5. Is there an indicator you would add?

Profile questions:

1. Which industry would you choose from the list?
2. Which type of coop would you choose?

## Appendix C

### *An excerpt of the CPI profile questions*

**Co-op Name:**

**Industry:** Please select

Accommodation and Food Services  
Administrative and Support  
Agriculture, Forestry, Fishing and Hunting  
Arts, Entertainment and Recreation  
Construction and Manufacturing  
Finance and Insurance  
Health Care and Social Assistance  
Information and Cultural Industries  
Other Services and Public Administration  
Professional, Scientific and Technical Services and Educational Services  
Real Estate and Rental and Leasing  
Transportation and Warehousing  
Utilities  
Wholesale and Retail Trade

**Type:** Please select

Consumers (Including housing co-ops)  
Multistakeholders  
Not-for-profit co-operative  
Producers  
Shareholding workers cooperative (In Quebec)  
Tier 2 or Tier 3 Co-op  
Workers

## BOOK REVIEW by Jeff Power

J. Tom Webb, *From Corporate Globalization to Global Co-operation: We Owe It to Our Grandchildren*, Fernwood Publishing, Halifax and Winnipeg, 2016. (186 pages) ISBN 978-1-55266-874-0

I've always wondered, can someone write a book about economics, 'the dismal science', and make it readable, interesting and relevant? I now know the answer is yes. Tom Webb has written a book about a better future for the economy and humanity and has also provided a convincing account of why we are in the terrible state we are and how best to emerge from economic disparity caused by a society clinging to the neoclassical myths of modern capitalism.

Make no mistake, this book takes a strong position on how the rule of capitalism has evolved since the Industrial Revolution, such that in the 21<sup>st</sup> century, "like a cancer, out of control capitalism is destroying its host"; such that the wealth of the few has not trickled down to increase the well-being of the masses but instead "the rising tide is lifting all billionaires". However, the book is a polemic in the best sense of the word. It is a thoughtful and well-researched critique of capitalism and a heartfelt defense of co-operation as a way to integrate economics, political science, sociology, and psychology.

Webb spends the first third of his book discussing the world as he sees it with its myriad of problems including food insecurity, climate change, pollution, inequality and the erosion of democracy. He puts most of the blame for these problems on both the implementation of classical economic theory and mankind's misinterpretation of economic principles. I should point out that Webb does not use the term 'mankind', but it is clear that the problems currently facing us are not typically caused by the greed of 'womankind'. Webb's discussion of the economics and politics of the current market system and its failure to meet the needs of humanity is somewhat superficial, yet convincing. His arguments are presented with a clear understanding of basic economic theory and in a language easily understood by all. Several tables and charts help convince the reader of the dismal state of affairs and demonstrate that the trends in such things as income inequality, climate change and the relation between GDP and happiness are heading in the wrong direction. His conclusion is that capitalism has run its course and that something needs to rise and take its place. The current way of doing business is simply not sustainable.

The rest of the book outlines Webb's chosen successor system, that of co-operation. As a lifetime leader and scholar in the co-operative movement, Webb brings both a wealth of detail and nuance to the discussion and the depth of understanding necessary to make the case to not only one's mind but also one's heart. Co-operative economics turns the definition of economics on its head. Instead of a study of resource allocation based on human *wants* it becomes a study of how the economy can meet human *needs* while providing meaningful happy lives as part of a healthy planet. That is, the new economics needs to be based on justice, sustainability and democracy. It is here that Webb makes a call to organize and support this "powerful tool to create a more fair society" and "achieve real liberty" and accountability.

Webb extends his argument to include not only the reasons why a co-operative model is superior but also a roadmap for how to make it work. While these sections provide less detail than some may prefer, Chapter 6 discusses the internal dimension of the co-operative enterprise and Chapter 7 the government and public policy changes needed to reduce roadblocks and help encourage the growth of a co-operative economy. His overall conclusion is an aspirational one where the world understands that co-operatives are simply a tool, but that co-operation is a way of thinking and a state of mind to empower everyone and get us to a better world.

Webb begins his treatise with a fairly aggressive expose of capitalism and classical economics. However, he ends with optimism and a vision forward. He envisions a world of healthy communities, where humanity works in harmony with nature, and where the satisfaction of co-operation outweighs, but does not eliminate, healthy competition. In between, he provides a very readable, well-researched, and thought-provoking polemic on why the

co-operative economy is the best way forward. Dean Acheson, President Truman's Secretary of State, considered the task of world leaders just after the Second World War to be "just a little less formidable than that described in the first chapter of Genesis, to create a world out of chaos". Tom Webb also has a vision of a new world order that just may save us from the rampant chaos of unrestrained capitalism.

## La relation coopérative-membres dans une coopérative laitière, le cas d'Agropur

Claude-André Guillotte, Professeur adjoint, IRECUS, École de gestion, Université de Sherbrooke

**Résumé :** Le modèle coopératif repose sur le principe que les usagers d'une coopérative agissent également à titre de propriétaires, de décideurs et de bénéficiaires. Inscrites dans un secteur soumis à de profondes mutations, les coopératives agricoles tendent à ajuster leur taille et leurs stratégies, voire la composition de leurs conseils d'administration et la répartition des droits de décision entre ces conseils, les gestionnaires et l'assemblée des membres. Ces transformations visent à mieux positionner les coopératives dans leur marché, mais elles sont susceptibles d'engendrer une dilution de la relation coopérative-membres. L'objectif de cet article est de décrire les mécanismes mis en place par Agropur, coopérative de producteurs laitiers, pour assurer la continuité de la relation coopérative qui l'unit à ses membres. Nous montrons que la structure d'animation et la structure démocratique d'Agropur tendent à favoriser le maintien des qualités de propriétaires, de décideurs et de bénéficiaires des usagers-membres. Les recherches précédentes suggèrent que l'accroissement de la taille des coopératives agricoles et de sa complexification tend à générer, chez les membres, des sentiments d'éloignement des centres de décisions et d'insatisfaction. Malgré une expansion rapide de ses actifs et l'internationalisation de ses activités, le cas d'Agropur suggère toutefois que le déploiement d'activités d'information, de formation, de consultation et de services-conseils à l'intention des membres constituent des atouts importants pour entretenir leur engagement coopératif et mettre en oeuvre des stratégies s'inscrivant en concordance avec la finalité de services aux membres des coopératives.

**Abstract:** The cooperative model is based on the principle that the users of a cooperative also act as owners, decision-makers and beneficiaries. As part of a sector undergoing profound changes, agricultural cooperatives tend to adjust their size and strategies, and even the composition of their boards of directors and the distribution of decision-making rights between these boards, managers and the members' meeting. These transformations are aimed at better positioning cooperatives in their market, but they are likely to lead to a dilution of the cooperative-adherent relationship. The objective of this article is to describe the mechanisms put in place by Agropur, a dairy producers' cooperative, to ensure the continuity of the cooperative relationship that unites it to its members. We show that Agropur's animation and democratic structures tend to favour the maintenance of the qualities of owners, decision-makers and beneficiaries of user-owners. Previous research suggests that the increase in the size and complexity of agricultural cooperatives tends to generate feelings of distance from decision-making centres and dissatisfaction among members. Despite a rapid expansion of its assets and the internationalization of its activities, Agropur's case suggests, however, that transparency and the development of information, training, consulting and advisory services for members are important assets for maintaining their cooperative commitment and implementing strategies that are consistent with the purpose of providing services to cooperative members.

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**Mots-clés :** Relation coopérative-membres, coopératives agricoles, Agropur, structure démocratique, vie associative / **Keywords:** Cooperative-members relationship, agricultural cooperatives, Agropur, democratic structure, associative life

## Introduction

Plusieurs facteurs influent sur la relation coopérative dans le secteur agricole depuis une quinzaine d'années : la mondialisation, le libéralisme, la concentration des entreprises de distribution et de transformation ainsi que le comportement des gestionnaires (Grau, Hockmann et Levkovych, 2015 ; Bijman et Iliopoulos, 2014 ; Duvaléix, Cordier et Hovelaque, 2003). Le recours à des alliances, à des partenariats ou à d'autres modes relationnels avec des acteurs externes à la coopérative s'est multiplié dans le but d'accroître les économies d'échelle, d'accéder à des capitaux et ainsi, de faire contrepoids à la concentration dans la grande distribution (Triboulet et Filippi, 2013). En contrepartie, les coopératives agricoles ont parfois cédé une partie du contrôle et de la propriété traditionnellement détenus par leurs membres et, conséquemment, une portion des bénéfices redistribués, à des investisseurs non-usagers (Chaddad et Cook, 2003; Nilsson, 1999). Cette concurrence de plus en plus marquée amène également certaines coopératives à créer ou acquérir des filiales capitalistes, parfois dans d'autres pays, ce qui n'est pas sans soulever des questions relatives à leur ancrage territorial et à leur relation avec les membres et non-membres (Bretos et Marcuello, 2017 ; Flecha et Ngai, 2014). Enfin, la baisse de participation observée dans la vie associative de grandes coopératives agricoles laisse croire que les coopérateurs délèguent progressivement la gestion de leur organisation à un petit groupe. La structure et la gestion de la coopérative se complexifient, les membres se sentent éloignés des centres de décision, ce qui suscite des insatisfactions (Fulton, 1995 ; Österberg et Nilsson, 2009 ; Duvaléix *et al.*, 2003). Pour les membres, le défi de l'éloignement se traduit par une asymétrie d'information qui entraîne une difficulté d'évaluation du conseil d'administration et des gestionnaires (Österberg et Nilsson, 2009). Pour les gestionnaires, ce défi de l'éloignement prend deux formes. La première est liée aux difficultés de l'implication des membres dans les décisions stratégiques. La seconde, corollaire de la première, est liée à la difficulté d'obtenir un signal clair de l'association des membres, le manque d'implication pouvant envoyer des signaux diffus qui seront mal interprétés par les gestionnaires.

Des questions surgissent donc quant à la relation coopérative-membres dans les coopératives agricoles. Qu'en est-il de sa définition et de ses caractéristiques ? Afin d'explorer cette question, nous nous sommes intéressés aux mécanismes mis en place par Agropur Coopérative laitière (Agropur) pour maintenir sa relation coopérative avec ses membres, malgré les changements survenus dans son environnement et sa structure. Fondée en 1938, cette coopérative laitière canadienne a connu une croissance importante sur le marché canadien et nord-américain depuis le début des années 2000. Son développement s'appuie sur une diversification de ses produits et de ses marchés, laquelle s'est réalisée à la fois par le biais de fusions coopératives et d'acquisitions de filiales capitalistes. Quelles conséquences ces changements ont-ils eu sur sa relation avec ses producteurs-membres au Québec ? Cet article vise à illustrer la relation coopérative construite et maintenue au fil de l'évolution d'Agropur, par le biais des principes d'usager-propriétaire, d'usager-décideur et d'usager-bénéficiaire qui définissent la qualité de membres d'une coopérative.

L'article présente d'abord le contexte théorique entourant la définition traditionnelle de la relation coopérative-membres et certains des changements mentionnés dans la littérature en raison de la transformation des coopératives agricoles. Les mécanismes de consolidation de la relation coopérative-membres mis en place par Agropur sont abordés par la suite, après un bref détour sur la méthodologie de recherche. Nous concluons par une discussion sur les leçons tirées du cas Agropur au sujet des défis de l'application des principes coopératifs dans le contexte de croissance et d'internationalisation. Nous suggérons quelques pistes de recherches, considérant les changements susceptibles d'engendrer de nouvelles transformations dans l'environnement des coopératives agricoles.

## Contexte théorique

La relation coopérative-membres représente un point de départ important pour comprendre la spécificité du modèle des coopératives agricoles. Elle permet, en effet, de préciser les qualités et le rôle associés au statut de membre en plus de préciser la finalité des coopératives. Nous nous attachons ainsi à définir ces qualités du statut de membre d'un point de vue théorique avant d'aborder les transformations observées dans les coopératives agricoles au cours des dernières années.

### *Relation coopérative-membres*

La relation coopérative-membres peut être définie selon trois principes pratiques : les principes de l'utilisateur-proprétaire, de l'utilisateur-décideur et de l'utilisateur-bénéficiaire (Dunn, 1988). D'abord identifiés par le United States Department of Agriculture (USDA) pour définir les coopératives agricoles américaines (Birchall, 2005), ces principes ont été progressivement acceptés pour caractériser la relation particulière qui unit les membres à leur coopérative (Ortmann et King, 2007). Selon ces principes, les usagers de la coopérative sont les personnes qui (1) possèdent et financent la coopérative par le biais de l'acquisition de parts, (2) en contrôlent les stratégies sur une base démocratique et (3) en retirent des bénéfices en fonction de leur usage de la coopérative (Dunn, 1988; Barton, 1989).

Le principe de l'utilisateur-proprétaire se reflète dans le principe juridique dit de double qualité du « coopérateur », lequel relie à la part sociale la qualité de membre, mais également celle d'utilisateur participant à l'activité de la coopérative (Papon-Vidal, 2000; Francoual, 2017). D'un point de vue tant théorique que juridique, il existe ainsi un lien clair entre la propriété coopérative et son usage (Francoual, 2017; Hérail, 2000). La coopérative développe des activités économiques utiles à ses membres et ces derniers s'engagent, en contrepartie, à participer à ses activités. Elle existe donc dans l'intérêt de ses membres et ses relations avec les tiers sont règlementées afin de préserver son rôle de service pour ceux-ci (Hérail, 2000; Dunn, 1988). Ce principe suppose également que les opérations et le développement d'une coopérative sont financés par le capital social de ses membres, que ce soit par leur acquisition de parts ou par les bénéfices non redistribués (Nilsson, Svendsen et Svendsen, 2012; Cook, Burrell & Iliopoulos, 2008). Or, tel que le précisent Cook *et al.* (2008), cette caractéristique du financement coopératif limite l'accès au capital, ce qui est susceptible de réduire leur capacité d'investissement.

Le principe de l'utilisateur-décideur se traduit, pour sa part, dans la nature démocratique de la coopérative, laquelle déconnecte droit de vote et quantité de capital détenue, mais jumelle à ce droit de vote des droits d'information. Les statuts coopératifs précisent les modalités de l'expression de la volonté de l'association de membres et les conditions dans lesquelles elle s'exerce de même que la structure et les mécanismes assurant la gouvernance démocratique de la coopérative (Francoual, 2017). Le principe démocratique est un élément clé de l'entreprise coopérative; un système de gouvernance démocratique « qui fonctionne bien » est ce qui permet d'assurer que la coopérative répond adéquatement aux intérêts de ses membres (Österberg et Nilsson, 2009). Bhuyan (2007) précise d'ailleurs que la probabilité qu'un membre quitte sa coopérative s'accroît lorsqu'il considère que sa voix n'est pas prise en compte dans la prise de décisions. Or, une prise de décision collective appropriée requiert un important investissement en temps et en énergie de la part des membres, lequel investissement n'est pas forcément uniforme pour tous (Österberg et Nilsson, 2009). Certains chercheurs observent que, dans les grandes coopératives, le pouvoir décisionnel tend à s'éloigner des membres vers les gestionnaires, en raison de l'hétérogénéité croissante du sociétariat au cours du cycle de vie des coopératives, de la complexification de leurs opérations et, dans certains cas, de l'internationalisation de leurs activités (Hind, 1999 ; Borgen, 2001 ; Fulton et Giannakas, 2013 ; Österberg et Nilsson, 2009).

Le troisième principe, celui de l'utilisateur-bénéficiaire, se décline notamment par la distribution des excédents. Celle-ci prend la forme d'une ristourne coopérative accordée aux membres en proportion des opérations réalisées avec la coopérative. L'excédent comptable n'est toutefois pas entièrement redistribué aux membres : des réserves légales sont constituées pour faire face aux aléas économiques et une partie des excédents est généralement conservée à des fins de capitalisation et de développement de la coopérative et, parfois, utilisée pour rémunérer les parts sociales sous la forme d'un intérêt (Duvaleix *et al.*, 2003; Francoual, 2017).

*Les modalités de distribution des excédents réalisés par la coopérative, à savoir le mécanisme des ristournes, ainsi que la répartition paritaire du pouvoir sont directement liées à l'engagement contractuel des associés envers leur société. Les ristournes coopératives ressemblent à des revenus distribués par la société en fin d'exercice, en fonction des résultats de celle-ci. Il existe cependant une différence fondamentale avec les sociétés capitalistes dans la mesure où le montant de ces ristournes dépend du « volume des relations contractuelles » entre la coopérative et chacun de ses membres. (Hérail, 2000, p. 54)*

Si le principe d'usager-bénéficiaire est généralement lié à la distribution des excédents aux membres, des bénéfices d'ordre non-financiers peuvent également être associés à la coopérative. Certaines recherches spécifiques sur les coopératives agricoles, par exemple, établissent un lien direct entre la satisfaction des membres envers leur coopérative et la rentabilité de leur propre entreprise agricole et le niveau de services qui leur sont offerts par la coopérative en complément de leurs « relations contractuelles » (Österberg et Nilsson, 2009). D'autres mettent en évidence le rôle social ou encore le rôle de régulateur joué par les coopératives (Duvaleix *et al.*, 2013 ; Iliopoulos, 2014).

Les récentes transformations qui ont eu cours dans de nombreuses coopératives, notamment celles du secteur agroalimentaire, bousculent la simultanéité de l'usage, de la propriété, du contrôle et de l'accès aux bénéfices. Ces aménagements calculés des principes coopératifs font toutefois écho à une nécessité, pour les coopératives, de se positionner efficacement sur le marché qui les concerne, dans l'intérêt de leurs membres.

### *Changements observés dans la relation coopérative-membres des coopératives agricoles*

Les importants changements qui se sont produits dans l'environnement des coopératives agricoles ont entraîné un certain nombre de modifications dans la relation qui les unit à leurs membres. Des réaménagements importants de leur structure de gouvernance et de leur structure de propriété ont eu lieu, lesquels ont également entraîné des modifications dans la redistribution des excédents (Bijman, Hanish et van der Sangen, 2014; Chaddad et Cook, 2003; Iliopoulos, 2014; Chaddad et Iliopoulos, 2012; Koulytchizky et Mauget, 2003; Fulton, 1995; Fulton et Giannakas, 2013).

Afin d'acquérir le capital financier nécessaire pour leur croissance et le maintien de leur compétitivité, les coopératives agricoles adoptent des stratégies de capitalisation qui génèrent des modifications de leurs droits de propriété. Chaddad et Cook (2004) proposent une typologie des coopératives agricoles en fonction de leurs droits de propriété. Les chercheurs situent les nouveaux types de coopératives agricoles en deux catégories selon que leurs droits de propriété demeurent exclusivement réservés aux membres ou non. Dans le premier cas se trouvent, en plus des coopératives traditionnelles, (1) les coopératives d'investissement proportionnel, (2) les coopératives de membres-investisseurs et (3) les nouvelles générations de coopératives. Dans le premier type de ces coopératives, il est attendu des membres qu'ils investissent dans la coopérative proportionnellement à leur usage, par l'acquisition de parts coopératives. Les excédents sont redistribués en fonction de cet usage également. Les coopératives de membres-investisseurs, pour leur part, distribuent les excédents proportionnellement à l'usage en plus de verser des intérêts sur les parts d'investissement acquises par les membres. Enfin, les nouvelles générations de coopératives, surtout présentes aux États-Unis, lient les parts du capital social aux droits de livrer le produit agricole. Ces droits de livrer sont commercialisables et leur valeur fluctue selon le marché. Les coopératives qui conservent l'exclusivité des droits de propriétés à l'intention de leurs membres peuvent également développer des stratégies d'investissement dans des entreprises privées ou par le biais d'alliances stratégiques (Iliopoulos, 2014).

Les coopératives qui ont épuisé ces options de financement interne se trouvent face à une décision complexe, celle d'acquérir du capital de la part d'investisseurs non-usagers (Chaddad et Cook, 2004). Cette décision, prise par un nombre croissant de coopératives agricoles, se décline selon les deux modèles suivants : (1) coopératives détenant des entités à but lucratif et (2) coopératives à capital-investissement. Dans le premier cas, les membres peuvent acquérir des actions dans des entités légalement séparées, détenues partiellement ou entièrement par leur coopérative. Leur capital n'est donc pas investi dans la coopérative directement, mais plutôt dans des sociétés de fiducie ou des filiales appartenant en tout ou en partie à leur coopérative. Dans le deuxième cas, de nouvelles catégories de parts sont émises à l'intention d'investisseurs externes, non-membres de la coopérative. Ces différentes formes d'aménagements dans la structure de propriété de la coopérative permettent généralement de maintenir le contrôle décisionnel de la coopérative entre les mains des membres-usagers.

En plus des changements générés par ces divers arrangements organisationnels, certains changements s'opèrent également dans les structures de gestion. Bijman *et al.* (2014) notent une modification du rôle traditionnel du gestionnaire qui consistait à mettre en œuvre les décisions prises par le conseil d'administration. Certaines tâches exécutives réservées au conseil d'administration sont désormais déléguées à un ou plusieurs gestionnaires

professionnels. Cette délégation entraîne, dans son sillage, un déplacement d'une partie du contrôle décisionnel de l'assemblée générale vers le conseil d'administration, accordant à ce dernier un plus grand pouvoir décisionnel et menaçant ainsi le contrôle décisionnel traditionnellement détenu par les membres (Österberg et Nilsson, 2009). Parallèlement, Bijman *et al.* (2014) observent l'intégration de non-membres sur les conseils d'administration, lesquels représentent parfois les investisseurs qui les désignent ou sont choisis par l'assemblée générale sur recommandation du conseil d'administration pour l'obtention d'expertises. Les conseils de surveillance, là où ils sont requis, ont aussi parfois recours à des spécialistes.

L'introduction du vote proportionnel s'est également répandue dans les coopératives comptant de nombreux membres, dans les endroits où la législation le permet. Ce droit de vote peut être établi proportionnellement au volume des relations contractuelles réalisées par les membres ou en fonction de leur apport en capital (Bijman *et al.*, 2014). Étant donné les variations en taille des exploitations agricoles membres, cette disposition vise à favoriser l'équité aux dépens, dans certains cas, de la règle égalitaire incarnée par le principe d'un membre, un vote. Cette façon de faire vise à réduire les conflits d'intérêts entre les membres lorsque leur usage de la coopérative varie (Fici, 2010). Certaines coopératives comptant une plus grande hétérogénéité de leurs membres, lesquels proviennent parfois de territoires différents ou œuvrant dans des filières distinctes, ont également mis en place des conseils des membres. Les sociétaires élisent les membres de ces conseils, lesquels remplacent alors l'assemblée générale annuelle formelle et assument les pouvoirs normalement dévolus à l'assemblée. Les conseils de membres deviennent des alliés importants du conseil d'administration, en ce sens qu'ils peuvent lui transmettre les opinions des membres qu'ils représentent.

De toute évidence, ces changements dans les mécanismes et structures de gouvernance modifient les relations entre les coopératives et leurs membres. Dans de telles circonstances, la capacité pour une organisation à rester centrée sur sa finalité, soit agir au mieux-être socio-économique de ses membres (Filippi, 2013), dépend fortement de sa capacité à maintenir le lien existant entre la propriété, le contrôle, les bénéficiaires et ses usagers-coopérateurs.

### Méthodologie

Afin d'explorer les modalités associées à la relation coopérative-membres chez Agropur, nous avons opté pour une étude de cas (Yin, 2009). Cette méthodologie permet d'étudier un phénomène dans son contexte - ici, la relation bidirectionnelle qui lie les membres d'Agropur et leur coopérative - afin de mieux le comprendre (Prévost et Roy, 2015). Notre étude de cas s'appuie sur la conception de la relation coopérative telle que définie par les membres d'origine, soit les membres du Québec. La relation avec les nouveaux membres ou avec les producteurs fournisseurs des entreprises acquises n'a pas fait l'objet de la recherche actuelle.

Étendue sur une période de six années et fondée sur 33 entrevues semi-dirigées et quatre groupes de discussion avec des administrateurs, dirigeants et membres de la coopérative ainsi que la participation à 61 activités de la coopérative (assemblées annuelles, réunions d'animateurs, ateliers avec le conseil d'administration), nos résultats s'appuient sur les perceptions d'un nombre diversifié d'acteurs et les données colligées dans diverses sources d'informations. L'objectif est donc de faire émerger une conception de la relation coopérative telle que vécue par les membres. Les participants ont été invités à s'exprimer sur des thèmes tels que la relation coopérative, les fondements coopératifs, le rôle des membres dans leur coopérative à titre de propriétaires, décideurs et bénéficiaires (Desroche, 1976 ; Dunn, 1988).

Une analyse thématique des résultats a été réalisée de façon itérative et enrichie au fil de la collecte de données (Miles et Huberman, 2003). Ce réinvestissement continu s'est poursuivi jusqu'à ce que de nouvelles données n'enrichissent plus les caractéristiques de la relation coopérative. Cette méthodologie permet l'émergence d'une compréhension riche de la réalité des acteurs. Le corollaire, qui constitue une limite inhérente à la démarche, se situe dans l'obtention de résultats s'appuyant uniquement sur les propos d'acteurs directement liés à l'organisation mère. La caractérisation de la relation coopérative chez Agropur propose néanmoins une compréhension élargie du rapport adhérent-coopérative dans une coopérative agricole de grande taille selon les trois principes pratiques identifiés par Dunn (1988), soit d'usager-propriétaire, d'usage-décideur et d'usager-bénéficiaire. Ces résultats ont fait l'objet de validation par un groupe de discussion tenu chez Agropur.

## Agropur, coopérative laitière

Les coopératives agricoles se regroupent sous trois grandes familles en fonction de leur rôle premier : (1) la commercialisation de produits transformés, (2) l'approvisionnement à la ferme et (3) les services aux producteurs comme le transport, l'entreposage, le crédit ou les assurances (Ortmann et King, 2007). Fondée il y a plus de huit décennies, Agropur regroupait à l'origine 81 membres. Elle fut l'une des premières coopératives laitières à vocation régionale (Saint-Pierre 2014) à compter des membres dans plus d'une paroisse et à agir à titre de coopérative régionale (Saint-Pierre, 2014). Dès le départ, Agropur a été créée afin d'augmenter le contrôle de ses membres dans la chaîne de valeur par la mise en commun du transport et des activités de transformation. Cette organisation coopérative visait à accroître le pouvoir de négociation des membres-producteurs et à réduire leur vulnérabilité face à la variation des prix et à la mainmise des transformateurs sur l'industrie.

Depuis 1989, Agropur se concentre sur ses activités de commercialisation, lesquelles incluent la transformation de produits laitiers et leur mise en marché. Ses activités commerciales consistent en la transformation laitière sous plusieurs formes : fromages (communs et fins), yogourts, lait de consommation, beurre, crème glacée et ingrédients laitiers. La coopérative transforme plus de 6 milliards de litres de lait annuellement dans ses 40 usines réparties au Canada et aux États-Unis (Agropur, 2018). Elle occupe le 19<sup>e</sup> rang des plus importants transformateurs laitiers mondiaux (Rabobank, 2019) avec des actifs d'une valeur totale de 4,6 milliards \$ CDN.<sup>2</sup> Sa main-d'œuvre se compose de 8 000 employés.

Le nombre de membres d'Agropur a connu une baisse au cours des 30 dernières années, passant de 4 620 en 1990 à 3 200 en 2019 (Saint-Pierre, 2014). Ses membres sont désormais répartis dans quatre provinces canadiennes, bien que la majorité d'entre eux provienne toujours du Québec. Depuis 2014, à la suite de fusion et de regroupements coopératifs, un peu plus de 300 membres résidant au Nouveau-Brunswick, en Nouvelle-Écosse et à Terre-Neuve ont été intégré au sociétariat d'Agropur. Cette diminution du nombre de membres découle en partie de la transformation du paysage des fermes laitières au cours des dernières décennies. De 1971 à 2011, 82 % des fermes laitières ont disparu au Québec (Groupe AGECO, 2014). Selon Statistiques Canada (2017), cette diminution du nombre de fermes laitières suit la même tendance que celle des exploitations agricoles au Canada, lesquelles sont passées de 280 000 en 1991 à 193 492 en 2016. Dans le secteur laitier canadien, cette diminution se reflète par un nombre total de fermes comptant une activité laitière se chiffrant à 12 895 fermes en 2016 comparativement à 14 623 en 2011. Cela dit, la production laitière a augmenté de 8,7% durant ces mêmes cinq années.

Ce phénomène de diminution de nombre de fermes et de la croissance de la production s'explique par le regroupement des exploitations agricoles et, conséquemment, de l'augmentation de leur taille. Le nombre moyen de vaches laitières par ferme a aussi connu une hausse passant de 65 en 2011 à 76 en 2016, une tendance qui s'observe depuis plusieurs années (Statistiques Canada, 2017). Les dernières données recueillies chez Agropur en 2018 font état d'une moyenne de 85 vaches laitières par exploitation. Les membres résidant dans les provinces maritimes affichent une moyenne légèrement plus élevée du nombre de têtes par ferme que les membres du Québec.

Cette diminution du nombre de membres d'Agropur contraste avec la croissance de son chiffre d'affaires (de 4,7 milliards \$ en 2014 à 6,7 milliards \$ en 2018) et de la valeur de ses actifs (3,2 milliards \$ en 2014 à 4,6 milliards \$ en 2018) (Agropur, 2018). La coopérative a connu une importante croissance grâce à une série de fusions, de regroupements et d'acquisitions. La proportion de lait transformée provenant de ses membres est demeurée « relativement constante » au cours des dernières années, à l'échelle de ses activités au Canada (Répondant # 31 - gestionnaire). Néanmoins, on observe une diminution importante de la proportion de lait produite par les membres sur l'ensemble du chiffre d'affaires de la coopérative. Cette situation s'explique notamment par l'acquisition, par Agropur, d'une série d'entreprises de transformation laitière tant au Canada qu'aux États-Unis. C'est du côté étatsunien qu'on observe la croissance la plus importante de son chiffre d'affaires. En 2018, Agropur a réalisé

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<sup>2</sup> Tous les montants sont en dollars canadiens.

3,8 milliards de ses revenus au Canada, et 2,9 milliards \$ aux États-Unis, comparativement à 3 milliards au Canada et 1,7 milliard \$ aux États-Unis en 2014 (Agropur, 2018).

### ***Agropur et l'industrie laitière canadienne dans le contexte d'un système de gestion de l'offre***

Ce développement récent d'Agropur s'inscrit dans le contexte de l'industrie laitière canadienne, structurée autour d'un système de contingentement qui prend la forme de quotas répartis parmi les producteurs laitiers à l'échelle des provinces. Ce système de gestion de l'offre a été mis en place entre 1970 et 1975 dans le but de faire correspondre l'offre à la demande intérieure. Il permet aux producteurs laitiers canadiens de vendre leur lait à un prix stable. Pour les producteurs, le système de gestion de l'offre signifie un plafonnement du droit de produire. Ce plafonnement entraîne une rareté de quotas et, corollairement, une hausse des prix de ces quotas. En 2019, ce prix fixé par règlement est établi à 24 000\$ (Assemblée nationale du Québec, 2019).

Le système de gestion de l'offre canadien a été complété, au début des années 1980, par l'établissement d'un plan conjoint entre les transformateurs et les producteurs laitiers du Québec. Il s'agit d'une mise en commun par les producteurs laitiers de toutes les ventes planifiées de lait. Ce système fixe un prix moyen pour les livraisons de lait. Les Producteurs de lait du Québec (PLQ), le syndicat des producteurs laitiers, négocient des ententes avec tous les transformateurs, incluant Agropur, dans une convention provinciale (PLQ, 2019). Ce plan conjoint entraîne une modification de la relation coopérative qui unit Agropur à ses membres dans un de ses attributs fondamentaux : la relation d'usage. Le lait des producteurs étant dirigé vers une usine déterminée par PLQ, le lait des membres d'Agropur n'est pas nécessairement acheminé vers une des usines de la coopérative. Le lait produit par les membres d'Agropur peut ainsi être transformé et commercialisé par Agropur autant qu'il peut l'être par un autre transformateur laitier du Québec. L'activité de la coopérative semble ainsi devenir indépendante de l'activité de ses membres. Ces règles du jeu posent d'importants défis au modèle coopératif agricole : le producteur laitier devient « davantage l'utilisateur d'un système de mise en marché que d'une coopérative » (Côté et Vézina, 1989, p. 13). Si, en théorie, les coopératives agricoles dépendent de la production supplémentaire de leurs membres pour s'approvisionner et soutenir leur croissance en contexte d'internationalisation (Grau *et al.*, 2015), cette situation ne peut s'appliquer dans le contexte d'un système de gestion de l'offre.

Ces accords de mise en marché ont été reçus brutalement par les dirigeants d'Agropur. Considérant les effets de ces accords sur sa relation avec ses membres, la coopérative a dû s'adapter. Ses membres ont convenu que la coopérative conserverait le traitement de leur paie de lait en fonction de leur production, de façon à maintenir une certaine forme de lien d'usage. Ainsi, encore aujourd'hui, il existe une relation économique, bien que non-contractuelle, entre les membres et leur coopérative. Il a toutefois été convenu que, dans l'éventualité d'une cessation du plan conjoint, les producteurs-membres d'Agropur reprendront leur livraison directe à la coopérative.

Cet ensemble particulier de règles encadrant le secteur laitier a mené Agropur à fermer son sociétariat dans les années 1990. Le refus d'accueillir de nouveaux membres s'est imposé, selon les répondants, en raison de l'impossibilité d'obtenir du lait supplémentaire et de transformer davantage de lait. L'accueil d'un nouveau producteur ne générerait ainsi aucun apport pour la coopérative et la communauté des membres (Côté, 1990), ce qui est contraire au principe d'utilisateur-propriétaire.

### ***L'industrie laitière dans un contexte mondialisé et la stratégie d'Agropur***

Le système laitier canadien se retrouve également sous pression en raison des accords internationaux de libre-échange. Au cours des dernières années, trois accords importants, non complètement mis en œuvre, sont venus modifier l'équilibre mis en place par les quotas. L'Accord économique et commercial global avec l'Europe, le Partenariat Transpacifique et l'Accord Canada-États-Unis-Mexique facilitent l'accès au marché canadien d'une plus grande proportion de produits laitiers en provenance des différents partenaires. L'ouverture du marché canadien aux géants internationaux de l'industrie laitière, par l'abaissement des droits de douane, annonce une reconfiguration. La gestion de l'offre remise en question, la balance commerciale canadienne négative, la concentration de la transformation au Canada (trois organisations se partagent environ 85% de la transformation

laitière au Canada) et dans le monde ainsi que les accords internationaux en cours de négociation imposent aux entreprises de faire des choix stratégiques.

En réaction à cette mondialisation, Agropur a adopté une stratégie de croissance s'appuyant sur le développement de ses activités au Canada et aux États-Unis. À l'instar de la stratégie d'internationalisation déployée par Mondragon, groupe coopératif industriel basque au sein duquel les travailleurs sont les membres, la stratégie d'Agropur peut être qualifiée de « multi-localisation » (Flecha et Ngai, 2014). Cette stratégie de croissance s'appuie notamment sur l'acquisition de filiales capitalistes à l'étranger. Bien que des chercheurs s'interrogent sur la légitimité de cette stratégie d'un point de vue des principes coopératifs, Flecha et Ngai (2014) soutiennent que cette stratégie de multi-localisation a permis à Mondragon de conserver, voire d'accroître, les emplois à l'étranger sans que cela ne soit fait au détriment des emplois locaux, conséquence typique d'une stratégie de délocalisation. En filigrane de cette expansion internationale, la question du statut des travailleurs non-membres dans les filiales de Mondragon à l'étranger met en évidence le dilemme auquel s'exposent les coopératives qui s'internationalisent.

Agropur semble ainsi avoir opté pour une stratégie de multi-localisation. Au Canada, la coopérative a procédé à des fusions et des regroupements qui ont permis l'adhésion de nouveaux membres, ainsi qu'à une série d'acquisitions de sociétés privées. Cependant, le développement potentiel au Canada est restreint par le système de gestion de l'offre. Aux États-Unis, marché moins régularisé qu'au Canada et de plus grande taille, Agropur a réalisé une série d'acquisitions d'entreprises privées. Ce déploiement a permis de maintenir le niveau de transformation de la production laitière sur le territoire d'origine de la coopérative et le développement des infrastructures privées laisse penser que la transformation du lait de producteurs fournisseurs des entreprises acquises par Agropur a été maintenue, bien que cette question n'ait pas été explorée dans le cadre de notre recherche. Les raisons pour lesquelles les fournisseurs des entreprises privées n'ont pas été admis en tant que producteurs-membres d'Agropur n'ont pas non plus été explorées dans le cadre de cette recherche. Néanmoins, il est possible de penser que certaines barrières identifiées par Bretos et Marcuello (2017) en ce qui concerne l'internalisation des coopératives ne sont pas étrangères à la non-conversion des entreprises acquises en coopératives. Les auteurs mentionnent en effet que des barrières notamment légales, culturelles et économiques peuvent restreindre la capacité des coopératives à étendre leurs activités internationales sous la forme coopérative.

En somme, la situation d'Agropur expose un certain nombre de défis auxquels la coopérative a été confrontée au cours de son évolution récente. L'altération de la relation d'usage engendrée par les mécanismes de distribution du lait mis en place au Québec remet en question un des principaux attributs de la relation coopérative-membres. De plus, la croissance et l'internationalisation d'Agropur renforce l'idée que les membres deviennent davantage des « usagers d'un système de mise en marché » que de la coopérative, comme le précisent Côté et Vézina (1989). La section suivante illustre les mécanismes mis en place par Agropur pour maintenir sa relation avec ses membres.

### **Les mécanismes de renforcement de la relation coopérative-membres chez Agropur**

Notre recherche vise à explorer la relation coopérative actuelle entre les membres et Agropur dans le contexte que nous venons de décrire, contexte où l'application des principes coopératifs est mise à l'épreuve. La présente section explique comment Agropur, s'emploie à actualiser et enrichir sa relation avec ses membres sur les aspects de la propriété, du contrôle et des bénéfices. Plusieurs des éléments qui suivent ont été relevés par Côté (2006). Nous nous concentrons à présenter les aménagements récents et certains moments qui ont marqué la trajectoire de la coopérative depuis 2013.

#### ***Modulations de la relation d'usager-propriétaire***

Tel qu'évoqué plus haut, la relation d'usage entre Agropur et ses membres s'est vue altérée par le plan conjoint de la distribution du lait des producteurs québécois. La livraison du lait des membres directement vers les usines d'Agropur n'est plus assurée, mais la coopérative a choisi de maintenir son système de paiement du lait à ses membres en fonction de leur production. Cette décision permet de conserver une relation d'usage informelle entre les membres et leur coopérative, laquelle reprendrait de façon effective si le système de gestion de l'offre venait à

cesser. Il est donc possible d'affirmer que, malgré les changements survenus dans son environnement, les membres d'Agropur ont réussi à maintenir leur statut d'utilisateurs.

Dans l'optique de préserver également leur statut de propriétaires, la stratégie de croissance d'Agropur a d'abord été financée par ses membres. La coopérative souhaitait ainsi « [faire] travailler l'argent des membres et non celle des banquiers » (Répondant # 21 - administrateur). Les membres ont été appelés à capitaliser la coopérative par l'entremise de leurs ristournes, lesquelles leur sont maintenant remises en partie au comptant (25%) et en partie sous la forme de placements (75%) (Agropur, 2018). Cette capitalisation se traduisait, en 2013, dans le très faible endettement à long terme de la coopérative: 214 000 \$ de dettes à long terme sur des actifs de 1,56 milliard \$ (Agropur, 2013).

Malgré cette capitalisation par les membres, le recours à des capitaux externes s'est révélé nécessaire pour réaliser les fusions et acquisitions. Cette stratégie de déploiement s'alignait sur la volonté des membres, exprimée lors d'une consultation stratégique: « les membres voient les fusions et acquisitions comme les principaux vecteurs de croissance. Les membres rappellent toutefois la nécessité de faire preuve de prudence ou de réserve lors de telles acquisitions. » (Agropur, 2013, p. 7). Une fois cette direction donnée, la coopérative devait se donner les moyens de ses ambitions. Plusieurs avenues s'offraient pour financer les éventuelles fusions et acquisitions : emprunts, privatisation d'une partie des actifs pour lever des capitaux en bourse ou encore, émission d'obligations publiques.

Suite à un processus de réflexion sopesant les avantages et les inconvénients des différentes options de financement échelonné sur trois ans, le conseil d'administration a procédé à l'émission de capital privilégié souscrit par un syndicat bancaire regroupant la Caisse de dépôt et placement du Québec (CDPQ), institution qui gère l'épargne publique québécoise, la Banque Nationale, le Fonds de solidarité, Investissement Québec, Capital régional et coopératif Desjardins et Fondation CSN. Ce syndicat détient pour 770 millions \$ de parts privilégiées de premier rang dans le capital d'Agropur. Conformément à la volonté des membres, Agropur a refusé d'offrir un droit de vote aux investisseurs ou de permettre toute forme de croissance de la valeur du placement, comme c'est le cas pour les membres. Ainsi, ces parts non-votantes portent un dividende cumulatif sans date de maturité et sont rachetables sur décision du conseil d'administration. À titre de comparaison, au bilan de la coopérative à la fin de 2018, l'avoir collectif des membres s'élève à 1,54 milliard \$ du capital, sur un actif total de 4,6 milliards \$.

Le recours au capital externe a déclenché une période de réflexion sur la nature du statut de propriétaire au sein de la coopérative. Certains membres ont évoqué le souhait de participer comme financier-investisseur avec le syndicat bancaire. Le conseil d'administration, tant dans les réunions d'animateurs qu'aux assemblées générales et extraordinaires, a initié une réflexion sur le statut du producteur-membre et de la nature de sa relation avec sa coopérative en avançant l'idée que le fait, pour un membre, d'investir des capitaux dans la coopérative sans lien avec l'usage entraînerait une modification substantielle de son statut. Le producteur laitier deviendrait à la fois membre-coopérateur et investisseur. Si le retour sur son investissement devenait supérieur à ses revenus de production laitière, le producteur se transformerait d'abord en investisseur au sein de la coopérative, ce qui serait susceptible d'altérer ses intérêts lors de la prise de décision. En conséquence, les priorités d'Agropur pourraient s'en trouver affectées. À l'inverse, tant et aussi longtemps que le retour sur son investissement demeure inférieur à sa paie de lait et sa ristourne, son intérêt premier demeure dans la production de lait. Le sujet a fait l'objet d'un débat lors d'une assemblée générale extraordinaire et les membres ont finalement décidé de maintenir les investissements des membres proportionnels à leur production.

Par conséquent, bien que les membres détiennent des parts de placement, des mesures ont été prises à l'interne afin de maintenir la prépondérance de la relation de propriétaire-utilisateur qui unit les membres à leur coopérative. Les parts détenues par des acteurs non-utilisateurs de la coopérative diffèrent, pour leur part, de celles réservées aux membres-producteurs en ceci qu'elles excluent le droit de voter. Cette distinction renforce la perception qu'ont les membres d'Agropur d'en être les propriétaires uniques, malgré les parts détenues par ces non-membres. De cette conception découle des particularités auxquels les membres identifient des droits, mais surtout une série d'obligations, dans une logique bidirectionnelle. Les membres acceptent qu'il faille « s'occuper » de leur coopérative, comme leur coopérative « s'occupe » d'eux (Répondant #42 – membre). L'expression « s'occuper » se

traduit par l'idée d'agir en propriétaire, soit de s'informer, de questionner, mais également de produire du lait de qualité. Ce statut d'usager-propriétaire est également renforcé par la structure de gouvernance coopérative et les pratiques démocratiques mises en place au sein de la coopérative.

### *Modulations de la relation d'usager-décideur*

Sur le plan de la gouvernance et de l'exercice du pouvoir décisionnel, Agropur respecte sensiblement la structure démocratique traditionnelle d'une coopérative, à savoir une assemblée générale qui élit un conseil d'administration responsable de l'administration de la coopérative et de l'embauche de la direction générale. Le pouvoir décisionnel demeure exclusif aux producteurs-membres. Chaque membre possède un vote et seuls des producteurs peuvent être élus administrateurs. Les investisseurs en capital privilégié, les gestionnaires et les producteurs non-membres ne peuvent ni voter, ni se faire élire. Encore en 2019, les 12 membres du conseil d'administration d'Agropur sont des producteurs laitiers membres de la coopérative.

La dimension décisionnelle de la relation coopérative chez Agropur présente certaines particularités. D'abord, comme la taille de la coopérative et son déploiement dans différents marchés requièrent des expertises spécifiques, le conseil d'administration invite désormais des administrateurs externes possédant une expertise sur différents sujets, comme les marchés agricoles mondiaux, la transformation manufacturière ou encore la finance, à participer à leurs rencontres. Bien que sans droit de vote officiel, la pratique est d'inclure ces administrateurs sur une base d'égalité et de transparence totale. Ces invités participent à toutes les discussions, ont la liberté de s'exprimer et de se prononcer sur tous les enjeux dont le conseil d'administration est responsable. Ils participent à toutes les activités de la coopérative qui concernent le conseil d'administration. La pratique au sein du conseil d'administration est la recherche de consensus, et l'expertise de ces membres invités est recherchée. À défaut de consensus, la décision est reportée. Ainsi, le poids des mots est le même pour toutes les personnes présentes autour de la table, même si le vote est réservé aux producteurs.

Par ailleurs, les membres exercent leur droit de vote en fonction de leur territoire de résidence : un délégué est élu pour chacun de ces territoires afin de représenter les intérêts des membres votants à l'assemblée générale annuelle. Le choix des délégués s'effectue dans le cadre d'assemblées régionales, où le taux de participation avoisine généralement 25 % des membres de chaque région. Ces délégués élisent les administrateurs à l'assemblée générale : dix membres sont élus à raison d'un par territoire et deux membres sont élus au suffrage universel des délégués présents à l'assemblée. Plus de 70% des délégués élus assistent à l'assemblée générale. Il s'agit d'ailleurs d'un moment fort de la vie démocratique d'Agropur. La période de questions de l'assemblée générale se distingue par sa transparence : aucun sujet n'est écarté. Deux périodes de questions sont prévues : la première porte sur le rapport annuel des activités et la seconde, sur la coopérative et sa vie associative. Des membres apportent leurs préoccupations sur leur réalité de producteurs, les résultats de la coopérative et les tendances de l'industrie de laitière. Ces périodes de questions ne prennent fin qu'après épuisement des questions, ce qui fait qu'il n'est pas rare qu'elles s'étendent sur plus d'une heure.

Une autre particularité touche la circulation de l'information par le biais de sa structure d'animation. Un comité de solidarité, composé, des membres du conseil d'administration a pour mandat d'organiser la vie associative et de superviser un réseau d'animateurs (Côté, 2006). Créé en 1949, ce réseau agit en parallèle de la structure élective et est assuré par les membres. Il voit à la transmission de l'information de la coopérative vers les producteurs et vice-versa. Fondé sur le principe coopératif d'éducation, de formation et d'information, le réseau a pour objectif d'informer et de consulter les membres, d'animer la vie associative et de renforcer les liens entre les membres. Chaque année, plus de 80 réunions sont tenues avec les producteurs-membres. Le taux de participation à ces réunions, bien que variable d'une année à l'autre, demeure enviable : en moyenne, 25% des membres participent aux activités régionales et 40% aux rencontres d'animateurs. Les assemblées régionales ainsi que les rencontres d'animateurs de la coopérative permettent aux membres de s'informer et de formuler des questions et des recommandations à l'intention du conseil d'administration et de la direction. Le calendrier de la vie associative, le portail des producteurs membres et les infos-lettres régulières offrent de l'information en continu.

L'efficacité de ce système interne de circulation de l'information permet aux membres de participer activement à la prise de décisions importantes. Le lancement de la marque de yogourt canadienne, iögo, en 2012, illustre bien son importance. Agropur s'était lancée, depuis quelques années, dans la commercialisation de la marque Yoplait, détenue par Sodiaal, groupe coopératif français. Après quelques années de négociations non concluantes pour le renouvellement de la licence, Agropur s'est vue dans l'obligation de faire un choix : accepter les conditions posées par Sodiaal, se retirer du marché du yogourt ou lancer sa propre marque. Informés des efforts et des investissements requis, les membres ont fait savoir, par le biais du réseau d'animateurs, qu'ils souhaitaient qu'Agropur lance son propre yogourt : « Comme le yogourt est un produit laitier à valeur ajoutée, il faut y rester : c'est la mission de la coopérative » (Répondant #23 – gestionnaire). La coopérative s'est ainsi employée à développer une marque interne et les membres ont été maintenus informés des investissements réalisés et de l'évolution du projet.

Le rôle de décideur s'incarne également dans les assemblées extraordinaires. La stratégie de croissance adoptée par les membres en 2013 s'est traduite par des acquisitions d'entreprises, mais aussi par des fusions avec d'autres coopératives laitières des provinces maritimes. Les conditions d'admission des nouveaux membres ont fait l'objet d'un processus de réflexion important, porté par l'ensemble des membres. Bien que le sociétariat d'Agropur ait été fermé suite aux accords de mise en marché, les membres des provinces maritimes apportaient, par le biais de leur coopérative, des actifs de transformation et les quotas de transformation qui y sont associés. Il est donc apparu légitime pour les membres d'Agropur d'aller de l'avant avec ces fusions. Cela dit, l'intégration de nouveaux membres et l'extension des activités associatives à leur intention impliquent une hausse des coûts liés à la vie associative. Il a tout de même été décidé que les nouveaux membres obtiendraient le même statut que les membres existants, en équité et en pouvoir décisionnel, et que la structure d'animation serait également déployée dans les provinces maritimes, afin de maintenir la distinction coopérative d'Agropur (Répondant # 21 – administrateur).

À l'issue des fusions, 300 nouveaux membres ont donc adhéré à Agropur. Ceux-ci ont obtenu le même droit de vote que les membres déjà présents, respectant ainsi le principe d'égalité. La structure électorale des délégués a été reconfigurée pour assurer la représentation des membres des provinces maritimes par l'octroi d'un territoire. Le ratio d'un administrateur pour environ 300 membres est le même pour l'ensemble du sociétariat. De plus, le poste de vice-présidence du conseil d'administration d'Agropur est actuellement occupé par une administratrice de Farmers, une des coopératives fusionnées. Afin d'assurer que les nouveaux membres aient accès aux informations requises pour la prise de décision, Agropur a étendu la totalité de ses activités liées à la vie associative aux nouveaux membres. Les rencontres d'animateurs, les assemblées régionales et la tournée de la présidence se tiennent dans les provinces maritimes de la même manière qu'au Québec. Agropur nolisait également des vols pour que les membres des régions de Terre-Neuve, de la Nouvelle-Écosse et du Nouveau-Brunswick puissent assister aux assemblées générales annuelles.

Enfin, la relation usager-décideur s'exprime également dans les consultations élargies des membres, nommées « Réflexions stratégiques des membres ». Ces consultations ont lieu périodiquement afin d'assurer l'alignement constant des activités de la coopérative aux besoins des producteurs et à leur réalité à court, moyen et long termes. Les grandes orientations d'Agropur des 20 dernières années découlent des consultations stratégiques et font état de cette réalité. Le plus récent de ces exercices a permis de dresser trois constats. D'abord, les membres ont réaffirmé l'importance, pour le conseil d'administration, de s'appuyer sur les valeurs coopératives lors des prises de décisions. Plus concrètement, les producteurs-membres adhèrent aux valeurs de l'organisation, soutiennent la formation des employés et des membres et déclarent que l'argent doit être utilisée au profit des individus, des exploitations agricoles et des régions où Agropur a des activités ou des membres présents. Ils ont également confirmé leur appui à la stratégie d'Agropur fondée sur trois piliers de création de valeur à savoir l'humain, l'identité coopérative et la santé financière. Finalement, les membres ont confirmé le maintien de la gouvernance coopérative d'Agropur. Ils réitèrent leur souhait d'affirmer l'identité coopérative d'Agropur et insistent sur la nécessité de promouvoir les fondements coopératifs, de favoriser le dynamisme de la vie associative et de soutenir la relève coopérative par la formation et l'intercoopération.

En somme, Agropur a consenti d'importants efforts pour assurer le maintien du pouvoir décisionnel entre les mains des producteurs, et ce, malgré la diversification géographique de ses membres et la complexité croissante de l'industrie laitière et de la prise de décisions stratégiques qui en découle.

### *Modulations de la relation d'utilisateur-bénéficiaire*

Malgré l'altération du statut d'utilisateur des membres par le plan conjoint de mise en marché du lait, Agropur offre une série de bénéfices à ses membres. D'abord, et conformément aux principes coopératifs, Agropur rémunère ses membres via des ristournes au prorata de l'usage (la quantité de lait produite), et ce, indépendamment du montant de capital souscrit. En raison de la croissance d'Agropur, notamment aux États-Unis, l'application des principes coopératifs pose toutefois un défi dans l'attribution de ristournes. En principe, la ristourne n'est versée que sur la proportion du lait transformée provenant des membres. Or, bien que le lait transformé aux États-Unis ne provienne pas de producteurs-membres, le calcul des ristournes offertes par Agropur porte sur l'ensemble des résultats de transformation laitière de l'entreprise. Les membres occupent ainsi un statut de bénéficiaire fondé sur l'usage (la formule du calcul retenue) et de bénéficiaire de type actionnarial en raison de la propriété des filiales (Cook *et al.*, 2008 ; Koulytchizky et Maugé, 2003). Nous reviendrons sur cette dimension dans la discussion.

Considérant l'absence de lien commercial direct entre les membres-producteurs et leur coopérative, Agropur a choisi de renforcer sa relation coopérative avec les membres par le biais de services visant à favoriser le développement de leurs exploitations individuelles. Ainsi, Agropur déploie une équipe de conseillers coopératifs pour appuyer le travail des producteurs. Cette douzaine de personnes, sous la responsabilité de la vice-présidence Affaires juridiques et Coopération, accompagne les membres sur plusieurs aspects liés à la production laitière, allant de l'exploitation laitière au détaillant. Ces conseillers répondent aux questions des membres sur des sujets aussi variés que le bien-être animal, la paie laitière et son calcul, la distribution ou permet parallèlement de les informer sur la coopérative, tant dans son volet associatif qu'entrepreneurial. L'équipe de conseillers coopératifs est également responsable de la gestion du capital des membres et des affaires liées à leur dossier de membre. Aux dires des répondants, la coopération se vit toujours à travers ce service et concrétise le rôle d'Agropur dans la vie de ses membres.

L'équipe de conseillers coopératifs offre également diverses formations, établies sous deux grands volets. L'un touche l'éducation et la formation coopératives. Ces activités abordent différents sujets liés à la gouvernance coopérative tels que le rôle des membres, l'historique de la coopérative et son évolution stratégique. L'autre volet de la formation offerte concerne spécifiquement la profession de producteur laitier, dans le but d'accélérer le transfert de connaissances sur des sujets liés à la qualité du lait ou au bien-être animal notamment. Le budget dédié aux conseillers coopératifs et à la formation s'est maintenu au fil du temps. Le nombre de membres du Québec ayant diminué au cours des dernières années, et celui des Maritimes ayant augmenté, le nombre de personnes dédiés au service de conseillers coopératifs est demeuré le même (Répondant # 31 – gestionnaire).

Finalement, dans l'optique de transformer et de valoriser la production de ses membres, Agropur déploie d'importants efforts pour innover et suivre, voire devancer, les tendances du marché. En 2017, par exemple, la coopérative a mis de l'avant le Défi Inno Agropur doté d'une somme de 40 millions \$ en partenariat avec la CDPQ. La démarche invite des entrepreneurs de tous horizons à présenter leurs innovations dans le secteur laitier. En échange, Agropur soutient les entreprises en démarrage en leur offrant un espace dédié au développement de nouveaux produits.

Ces bénéfices dévolus aux membres consolident le statut d'utilisateur-bénéficiaire. En raison de sa taille et de la répartition de ses activités sur le territoire canadien, Agropur permet aux producteurs laitiers canadiens d'augmenter leur contrôle sur la chaîne de valeur laitière. Depuis quelques années, le conseil d'administration d'Agropur s'attache à défendre les intérêts de ses producteurs-membres, mais également de l'ensemble des producteurs laitiers canadiens. L'un des messages véhiculés par la coopérative lors de son processus d'expansion concerne le maintien de la propriété des actifs de transformation laitière dans les mains des producteurs canadiens. Au fil des ans, ces producteurs ont vu la valeur des actifs de transformation qu'ils possédaient passer de 50-55 % à 35 %. Cet enjeu a fait l'objet d'une réflexion à laquelle se sont joints divers acteurs coopératifs du secteur laitier.

Agropur s'est engagée à défendre les intérêts de ses producteurs-membres et non-membres sur le plan politique. Encore aujourd'hui, le président du conseil d'administration et le chef de la direction s'impliquent activement sur les divers comités gouvernementaux et de consultation dans les différents paliers de gouvernement.

Bien que les modulations des trois dimensions du statut soient traitées distinctement, celles-ci sont inextricablement liées en un tout, celui de la relation coopérative-membres chez Agropur. Différentes leçons peuvent être retenues.

### Discussion et conclusion

Les trois attributs de propriétaire, de décideur et de bénéficiaire qui caractérisent le statut des membres-usagers sont mis au défi dans les grandes coopératives agricoles en raison des développements survenus « sous la pression de circonstances extérieures, d'adversité technique ou d'effets de domination économique, résultant notamment de la structure artisanale de l'agriculture dans une économie globale de plus en plus capitaliste » (Frey, 2013 : 60). Tout en tenant compte du système de gestion de l'offre canadien et de son effet sur la relation coopérative-membres d'Agropur, plusieurs leçons peuvent être tirées.

Le cas d'Agropur témoigne de la possibilité, pour une coopérative, de maintenir une relation de proximité avec ses membres, malgré certains aménagements de sa relation coopérative. Le constat général au sujet de la relation coopérative chez Agropur est qu'elle a été maintenue. Les membres d'Agropur expriment toujours un fort sentiment de propriété et continuent d'exercer leur droit collectif de propriété. Le capital social est majoritairement propriété des membres et la coopérative travaille à leur bien-être socio-économique (Filippi, 2013). Des parts privilégiées non-votantes ont été émises à des institutions non-membres dans le but de soutenir le développement de la coopérative par des fusions et acquisitions. Agropur respecte le principe d'un membre un vote et celui de la distribution des ristournes au prorata de l'usage est également maintenu, bien que de façon indirecte.

Par contre, le calcul de la ristourne s'appuie sur l'ensemble de son chiffre d'affaires, ce qui tend à s'apparenter à un retour sur les investissements en capitaux de ses membres. Agropur a aussi fermé son sociétariat à la suite de la mise en place des plans de mise en marché et a conservé le statut capitaliste des entreprises acquises au cours des dernières années. La filialisation d'entreprises privées, aménagements fréquents dans les groupes coopératifs agricoles, tend à modifier le statut du membre-usager pur à celui plutôt hybride de membre-usager et membre-actionnaire de filiales à travers la coopérative-mère (Koulytchizky et Mauget, 2003). La question de l'adéquation et du rôle de la structure coopérative face aux grands changements liés à l'industrialisation de l'agriculture et son internationalisation demeure ainsi d'actualité (Ortmann et King, 2007 ; Chaddad et Cook, 2003).

Le cas d'Agropur illustre d'ailleurs les difficultés pour une coopérative de s'internationaliser dans le respect des principes coopératifs. L'internationalisation des activités d'Agropur affecte en effet le principe d'usager-bénéficiaire de ses membres. Les membres bénéficient de services coopératifs et de formations, en plus du bénéfice économique de la ristourne. Toutefois, il est possible d'observer un glissement du statut des membres vers celui de rentier-bénéficiaire. L'acquisition de filiales à capital-actions fait en sorte qu'Agropur verse également des ristournes sur des opérations qui ne sont pas réalisées à partir des intrants produits par ses membres. Les bénéfices sont donc à la fois directs, fondés sur la production laitière, et indirects, fondés sur des filiales qui transforment du lait de producteurs non-membres. Alors que, traditionnellement, le membre évaluait la performance de sa coopérative sur la base du prix reçu en échange de sa production, le retour sur le capital social investi pourrait-il dorénavant être retenu à des fins de mesure de la performance ? Cook *et al.* (2008) avancent que cette double mesure de la performance permettrait de consolider la loyauté des membres envers leur coopérative, mais cette pratique pourrait avoir des conséquences importantes sur la relation coopérative-membres et l'intégrité coopérative. Bretos et Marcuello (2017) rappellent que les coopératives performantes, tant du point de vue financier que de celui de leur intégrité coopérative, sont celles qui fondent leurs pratiques sur leur avantages concurrentiels spécifiques, particulièrement leurs principes et leurs valeurs.

Côté et Vézina (1989) exposent également les dangers de la rupture de la relation d'usage, à savoir un glissement potentiel vers une relation de propriétaire plutôt que d'usager, et ultimement la conversion d'Agropur en société de capitaux. Agropur a choisi de renforcer sa relation avec ses membres en mettant l'accent sur une offre de services à

la ferme, sur la consolidation de sa structure démocratique, sur l'éducation coopérative et sur un dialogue bidirectionnel entre les membres et la coopérative. Agropur a ainsi répondu à l'appel de Côté et Vézina (1989) qui l'invitaient à réaffirmer sa mission et à assumer « pleinement son rôle de médiation des rapports de force entre les producteurs et leur environnement » (p. 33). La relation coopérative-membres actuelle témoigne du renforcement de cette dernière à travers le temps. Les structures démocratiques et d'animation d'Agropur tendent à confirmer les observations d'Österberg et Nilsson (2009) concernant l'importance d'un système d'information qui permette aux membres de s'exprimer et de saisir que la coopérative agit dans leur intérêt. De même, Bretos et Marcuello (2017) et Côté (2006) rappellent l'importance de la formation et l'éducation coopératives destinées aux membres pour une prise de décision démocratique efficace et le maintien des valeurs démocratiques dans les coopératives.

Comme notre étude de cas expose essentiellement que ce que les membres, administrateurs et gestionnaires d'Agropur disent d'eux-mêmes, il sera intéressant de mener des recherches portant sur la perception des producteurs-membres des autres provinces de la relation coopérative qui les unit à Agropur. D'autres recherches devraient également s'intéresser à la relation d'Agropur avec les producteurs non-membres qui fournissent les principaux intrants de certaines de ses unités de transformation. Comment Agropur se distingue-t-elle dans sa relation avec eux? La coopérative prend-elle des mesures qui reflètent ses valeurs coopératives et facilite le contrôle de la chaîne de valeur par les producteurs laitiers non-membres? Comment traduire les valeurs coopératives en pratique lors de l'acquisition d'entreprises à l'international tout en favorisant l'équité avec les membres qui ont financé cette acquisition à partir de leur capital social? Comme pour Mondragon, la question mérite davantage de recherches. Comme le soulignent Ortmann et King (2007), le modèle coopératif est-il, en raison de ses caractéristiques intrinsèques, limité dans sa capacité d'adaptation à une économie globalisée de plus en plus complexe? Quelles pistes pour réconcilier ce paradoxe? L'internationalisation coopérative pose des difficultés de plusieurs ordres: légal, culturel, économique, contractuel et concurrentiel (Flecha et Ngai, 2014). La filialisation par la simple acquisition permet d'écarter ces obstacles, mais demeure plus difficilement conciliable avec les valeurs et principes coopératifs. Des recherches supplémentaires seront requises pour observer et analyser les stratégies utilisées par les coopératives pour faire face aux « tensions dégénératives » des coopératives qui s'internationalisent (Bretos et Marcuello, 2017) tout en cherchant à consolider leur relation coopérative avec leurs membres.

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