



Individuality vs. communality—A new dual role of co-operatives?



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ABSTRACT

As people, values and times change, co-operatives also restructure themselves making the reappraisal of co-operative theory topical. This article contributes to the co-operative theory by exploring the very core of co-operative ideology, the dual nature. The literature review contributes to the theoretical basis regarding the most distinctive characteristic of a co-operative form of business by reasserting the concept of dual role. Secondly, the empirical case study explores the interpreted meanings and manifestation of dual role in a worker co-operative context. Based on the research, we suggest that considering the duality of co-operatives' goals, social and financial goals are not the ones defining and guiding the operations. Instead, individuality and communality are two rival forces that form an inherent contradiction in worker co-operative operations. The article highlights how individuality gains dominance in a co-operative due to its extreme democracy and flexible structure, and how this deteriorates communality, the bearing force of the community. Thus, we suggest that finding a balance between the conflicting needs and expectations of an individual member and the co-operative reflects the 'new dual nature' of co-operatives. We also argue that when properly balanced, both shared and individual goals will provide an ideal work community for modern entrepreneurs.¹

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1. Introduction

Today, co-operatives comprise some of the world's largest businesses contributing globally to resilient employment, a sustainable economy and the well-being of workers (ICA, 2013). Despite their undisputable significance, co-operatives have attracted little interest in the field of management science; they have been largely overlooked within mainstream economics and management theory (Mazzarol, Limnios, & Reboud, 2011; Jussila, Goel, & Tuominen, 2012; Puusa, Mönkkönen, & Varis, 2013). The shortage of scholarly research available poses serious challenges in co-operatives being understood and taken seriously in literature and policy (Saksa, 2007; Jussila, Kalmi, & Troberg, 2008). Co-operatives are also widely ignored in education (Fontrodona & Sison, 2006; Tuominen, Jussila, & Rantanen, 2010; Puusa et al., 2013; Puusa & Hokkila, 2014). The situation has resulted in poor level of knowledge regarding co-operatives and the ideology behind them. According to Levi and

Davis (2008), the rejection is due to co-operatives being the "enfants terribles" of economics. They refer to the distinctive characteristic of co-operatives, their dual nature. A co-operative, like any other business, needs to have a viable idea and strive to maintain its competitive edge. Simultaneously, it is a social community owned by its members whose operations are primarily based on their members' needs and wellbeing. The complex nature of co-operatives, namely their basis and reliance on co-operation, is considered problematic from the neoclassicists' perspective as it does not fit into the boundaries of neoclassical framework (Mooney & Gray, 2002, p. iv). In addition, co-operatives are continuously restructuring themselves to adapt to the changing environment, making the restructuring of co-operative theory evident (Mazzarol et al., 2011).

It is the dual nature of co-operatives that explains their economic, social and cultural impact. Thus many like Mazzarol et al. (2011) argue that more research is required to better understand the unique characteristics of the co-operative business model. Mooney and Gray (2002, pp. 1–2) call for a strong link between theory and practice: it is important that 'theoretical guides remain embedded in the concrete reality of co-operative organization, rather than in an autonomous logic independent of environment and history (such as neo-classical economics)'. Therefore, the need for new approaches has been identified in the attempt to increase understanding of the actual practices and for the theories to become more

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compatible with the core idea and its manifestation in the business world.

The aim of this paper is to reassert the concept and provide deeper insights into the current interpretations of the dual nature (see Draheim, 1952; Holger, 1986; Michelsen, 1994; Neto, Barroso, Marcelo, & Rezende, 2010; Syrjä, Sjögren, & Tuominen, 2011; Zamagni & Zamagni, 2010; Puusa & Hokkila, 2015b) by exploring it in a worker co-operative context, which so far has been a virgin field from this particular conceptual perspective. Henzler (1960) states that highlighting the duality is especially important in academic research concerning co-operatives since they have been accused of abandoning their original mission (see Anderson & Henehan, 2005; Puusa et al., 2013). This according to our understanding culminates specifically in their dual nature that is based on the co-operative values and principles that form the ‘irreducible core’ of all co-operatives, regardless of their type (ICA, 2013). Thereby this article answers the question of how are the defining characteristics of the dual role manifested in the interpretations of worker co-operative members found in the textual data?

Finnish worker co-operatives serve as an interesting context for this study as Finland is the most co-operative country in the world in terms of co-operatives’ sales relative to GDP and the number of co-operatives relative to the population (Jones & Kalmi, 2009). Also the formation rate of new co-operatives in Finland ranks highly in European-wide comparisons (Kalmi, 2013). Co-ops increased in the mid-1990s after one of the severest recessions in Finland’s history and the resultant high unemployment. Their number more than doubled in the years 1995–1997, which was in complete opposition to the trend of declining numbers of other companies (Pättiniemi & Solhagen, 1999; Kalmi, 2013). Currently they are becoming an ever more salient form of business in many fields although they still cover a relatively small number of new companies established yearly. Worker co-operatives also have comparatively short presence in the Finnish economy and the practical and theoretical understanding of this type of co-operative is scarce (Kalmi, 2013; Pättiniemi & Tainio, 2000).

There is a limited amount of research concerning worker co-operatives’ fundamental characteristics and their interpretation. Some research highlight the differences between capitalist firms and worker co-operatives in terms of financial benefits (see e.g., Craig & Pencavell, 1992; Pencavell & Craig, 1994; Mikami, 2003). Recent studies have called for more empirical research on worker co-operatives regarding non-pecuniary member benefits (Pencavell, 2015). Hence, the overall poor knowledge and a relatively small number of new co-operatives motivated us to explore the experiences of those entrepreneurs who have chosen a co-operative as the form of their business. The above arguments give a reason to assume that there might be a particular ideological attachment towards the co-operative idea behind the choice and its motivation.

Burdin and Dean (2012) state that worker co-operatives have dual objectives as they emphasize both employment and income per worker. Pättiniemi and Tainio (2000) elaborate that the dual nature of a worker co-operative suggests that the primary social responsibility of the community is to organize employment opportunities for its members through mutual effort. Simultaneously, it has economic responsibility to ensure financial stability to secure the continuity of its members’ employment. Their study on Finnish worker co-operatives shows great variation in the social and economic emphasis of the co-operatives thus indicating strong duality in their nature. Troberg’s (1997, 2000) research on Finnish co-operatives revealed a variety of problems in organizing and managing co-operation generating from differing views among members, unprofessional management, and poor familiarity with co-operative principles which lead to desultoriness, indecisiveness, member passiveness and weak financial status. Many of these iden-

tified problems in co-operative literature (see Cook, 1995) arise from divergent interests and for example Mazzarol et al. (2011) elaborate that the control problem arises from co-operatives’ dual functions.

Nevertheless, worker co-operatives have a special character; they are said to be the “purest” form of employee-owned companies as the employees have both the control and majority rights to the business returns (Ben-Ner & Jones, 1995, p. 537). Kalmi (2013) states that worker co-operatives are the fullest expression of democracy in business. Burdin and Dean (2009) point out that because of the unique structure they have distinctively egalitarian adjustment mechanisms at their disposal. Even during recession they refrain from exploiting workers and prevent redundancy (Birchall, 2012). These findings on worker co-operatives make the practical existence and relevance of both business and social goals evident and further validate our interest in the dual nature in this context.

This study represents a significant departure from previous work in three ways: (1) Despite the significant status of the dual nature in the literature and its well-recognized relevance in shaping the identity of co-operative business, there is a shortage of references that would cover the relevant aspects broadly and consistently. Therefore, this paper makes a contribution to co-operative theory with an extensive literature review. (2) Prior literature on dual nature mainly relies on theoretical arguments. This study uses these statements as a framework for empirical investigation. (3) Prior research has dealt with the dual nature in general terms, without framing the type of co-operative. Our study acknowledges the differences between various types of co-operatives and explores the concept in a certain type of co-operative; worker co-operatives.

2. The meaning and manifestation of the dual nature

Based on their history and the ideology that motivated the creation of co-operatives in the 18th century, co-operatives are distinguishable from other business forms in many ways. The most important distinguishing characteristic is their dual nature which was discussed by George Fauquet in 1935 and was first defined as a concept by Draheim (1952). A co-operative is a business enterprise and a social group of members and as such has both a business and member community roles. Nilsson (2001) describes the dialog between the two roles through the concept of integration; the member is both a patron (customer/supplier) and an owner (shareholder). Because of this dual nature, co-operatives have been described as complex organizations with a variety of goals, some of which may be in conflict with one another (Draheim, 1952; Skurnik, 2002; Mooney & Gray, 2002; Puusa et al., 2013). On the other hand, their dual nature creates basis for the unique co-operative identity. Therefore, ensuring a balance between the roles is crucial. Zamagni and Zamagni (2010, p. 1) state, that “*whenever one of these aspects is sacrificed to the other, the co-operative is denatured, losing its identity*” (see also Nilsson, 2001; Mazzarol et al., 2011).

2.1. Business role

Neck, Brush, and Allen (2009) describe co-operatives as having a social mission with economic returns, while Mazzarol et al. (2011, pp. 14–15) describe co-operatives as having an economic mission with social impacts and social outcomes. Practically, co-operatives contain a social amendment, which serves as a platform on which to build their competitive idea. Despite their social function, co-operatives are not created for social purposes alone (Mazzarol et al., 2011) as many co-operatives are driven by collective economic self-interest. They have an economic rationale (Nilsson, 2001, p.

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