



The three pillars of the co-operative

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ABSTRACT

This paper proposes an analytical model for co-operatives that takes their unique position between the public, private and civic sphere into account. We suggest that the economic capacity, the organizing capacity and aiming for change are the foundational pillars of co-operative organizations. Co-operatives come in many different forms and functions – it is difficult to give a clear demarcation of this field – but these three pillars can offer a common foundation for all the different types of co-operatives. The ideas set forth in this paper may advance the long-neglected academic discussion towards a better understanding of the common characteristics of the co-operative.

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1. Introduction: the re-discovery of the co-operative

Sterksel forms part of the municipality Heeze–Leende in the province of North-Brabant and has a population of 1320; a run-of-the-mill Dutch village. In 2002 the only supermarket in the village closed down. Earlier, the village had already lost the post office and the bank. The inhabitants of Sterksel organized themselves; the supermarket in Sterksel is now run by its customers, the inhabitants. The co-operative supermarket opened in 2004 and continues to operate today. There is one employed manager who runs the store together with fifty volunteers from the village. The co-operative has 250 members, which amounts to around 60% of the entire population of Sterksel (Unknown, 2010). The store also has a social function, with a coffee corner and a grocery service where people are picked up from their homes so they can do their groceries and are dropped off at home again afterwards. The store has become a node in the local community network with a function that surpasses the original goal: keeping the local store open. The municipality has now set up another co-operative in order to bring fibreglass to the homes of the villages.

Sterksel forms part of a wider trend: the re-discovery of the co-operative. The co-operative never disappeared in practice, but there is a recent renewed interest in the co-operative. People are starting new co-operatives in a wide range of fields, the United Nations declared 2012 the International Year of the Co-operatives

(United Nations, 2009) and after years of neglect in academic literature, there is even some renewed interest in the co-operative in the academic field (Jussila, 2013). Co-operatives are a worldwide phenomenon with many variations: farmers co-operating to sell their produce, mutual warrants, forms of financing, generating energy and running a store (ICA, 2012). Academic literature has chosen an equally wide range of lenses for discussing the co-operative. Some focus on the democratic foundations (Spear, 2004), some emphasize the role that could be fulfilled in market economies (Bateman, 2013; Normark, 1996), some emphasize its economic shortcomings (Abramitzky, 2011), while others see the advantages of its social and innovative character (Mills, 2001; Novkovic, 2008).

This wide range of lenses may be partly due to the fact that the co-operative comes in many different forms and functions, but might also have to do with the fact that the co-operative falls in between the often-used categories of market, state and civil society. In this paper we will argue that that it is difficult to comprehensively understand co-operatives from only one of those lenses. Co-operatives can be better understood if one looks at the three pillars of the co-operative: its organizing capacity, its economic capacity, and its capacity for change. These three pillars take into account the unique position the co-operative has, sharing characteristics with 'normal' companies, civil organizations and public organizations.

We will start by further exploring the idea of three pillars, and then we will take this lens to look at nine different co-operatives. In the final paragraph we will discuss our findings.

2. The analytical model

As shortly mentioned above, the co-operative is judged and valued through many different lenses. Anheier (2005) sees

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the co-operative through the lens of the civil society. He states that the non-profit sector, and with it the co-operative, fulfils the role of third party alongside the “other two major institutional complexes of modern society: the public sector and the market” (Anheier, 2005, p. 95). The co-operative consequently is the counterbalance of the market and the public sector. Chevallier (2011) sees the co-operative through the market economy lens and sees co-operatives as actors that distort the market. Van der Sangen (2001) emphasizes the economic advantages of the co-operative: it can self-finance and is thus less dependent on other capital. Somerville (2007) emphasizes the institutional form and values of the co-operative, while Gijssels, Coates, and Deneffe (2011) refer to the co-operative as an actor with the potential to deal with societal challenges. van Ham (2009) refers to the co-operative as an alternative organizational form for the enterprise and Vermeulen (2012) emphasizes the democratic governance model of the co-operative.

It is clear that the co-operative does not directly fit into any of the better-known organizational forms (company, civil organization, public organization) completely (Anheier, 2005, p. 52), but it does share characteristics with them all. Because of this, the co-operative cannot only be judged on its economic capacity, its organizing capacity or its capacity for change. What is unique about the co-operative is that it combines – and needs to combine – all of these capacities. A co-operative is founded through the desire for change, the members need a way to organize themselves and they need a viable economic business model. Without these pillars, the co-operative will often cease to exist.

2.1. Aiming for change

Co-operative organizations are inspired by a drive for change; they want to change something in the existing marketplace, want to add something to their community (ICA, 2010; van Opstal, 2010), improve a certain condition or serve an interest that other parties do not value (e.g., social housing). These can be society-wide ambitions, like the many energy co-operatives that have shown up recently with the aim of making the transition to sustainable energy. The first energy co-operative in United Kingdom was founded in 2007 in Cumbria and, since then, thirty new energy co-operatives have been registered in the United Kingdom alone (Willis & Willis, 2012, p. 5). The driving force behind these co-operatives is a societal transition to sustainable energy and self-sustainable communities. The ambitions can also be slightly more modest, like keeping the supermarket open in Sterksel. Even though more modest in its goals, this co-operative supermarket is more than a place to buy groceries; it also strengthens the social fabric of the village through its grocery service and coffee corner. Co-operatives can be pragmatic solutions to pressing problems, as the first modern co-operative Rochdale Society that ensured lower price of food (van Opstal et al., 2008). Co-operatives can aim for a good or service that is currently not provided by market or state or only at a high cost. An example of such a high cost is the disability income insurance for freelancers or loans for farmers at the end of the nineteenth century. They do not simply offer an alternative for an existing service; many of them are motivated by a drive for change. Co-operatives are operating in a system, but often strive to change that system as well.

2.2. Economic capacity

The co-operative performs a certain task and acts as a platform for change – possibly in very distinct domains (Schulz, van der Steen, LeCointre, & van Twist, 2012; van der Steen et al., 2011). In order to do so, it needs a viable business model. A co-operative can

pool the investments of the members, can create a better market position than individual members have, and can decide to spend the profit on the things members find important. These qualities enlarge the economic capacity of the co-operative. When we look at the society as a whole, we see that the co-operative fills a gap in the market economy (The Henry Jackson Society, 2012). Co-operatives are not on the stock market and their members are usually benefited more by long-term ‘profits’ than short-term ‘profits’, and since the pressure from being listed is not present the organization can possibly focus more on the long term (Mintzberg, 1996, p. 76). This might explain the popularity of the co-operative in these times of economic crises (Hertz, 2009; de Moor, 2012). This does not mean, however, that the tension between short-term interests and long-term interests ceases to exist in co-operatives. The decision economically best for the members in the short-term might actually threaten the existence of the co-operative in the long term (Tuominen, Tuominen, & Jussila, 2013).

2.3. Organizing capacity

Co-operatives are suggested as possible alternative modes of organizing – with less of the perverse effects of ‘share-holder value’ but nonetheless with a profitable business models (ICA, 2012; van Opstal, 2010; Tuominen et al., 2013). The co-operative can mobilize its members, organize involvement, and sometimes count on voluntary capacity of its members. This way the co-operative supermarket in Sterksel can exist, while a purely commercial supermarket would not survive. This organizing capacity can have a snowball effect. After the co-operative supermarket, Sterksel also organized fibreglass co-operatively. Once a community is organized, future undertakings seem like a smaller step. Because of this, some claim that co-operatives are the way to organize disadvantaged neighbourhoods (Mayee & Hoyt, 2011). The co-operative benefits from its democratic foundation: it results in participation and inclusion of its members. Although inclusion of members means exclusion of other people at the same times. Because of this organizing capacity of co-operatives, the link between scale and the co-operative is complicated. The economic capacity might require scaling up (as has happened with the Rabobank and Friesland Campina); while at the same time the organizing capacity might require a smaller organization. A large scale makes meaningful interaction with the members more difficult, at least is there are no adequate subsystems in place.

2.4. The pillars of co-operative

We consider (1) the aiming for change, (2) the economic capacity and (3) the organizing capacity as the three foundational pillars of the co-operative. A co-operative will run into trouble if any of these pillars is weak. If there is no viable business model, a co-operative will not survive. If the economic capacity of the co-operative is pressured (too much) by fierce competition, the co-operative will struggle as well. If there is no organizing potential, it is difficult to distinguish the co-operative organization from a run-of-the-mill company. If the organizing potential is insufficient, and the decision-making process ostracized, the co-operative will not survive either. In the long term the necessity for change may dry up. If its reason of existence ceases to exist, the co-operative will run into trouble as well (Fig. 1).

If we look at the first co-operative grocery stores for example, we can see how that happened. There was less need for a co-operative to change the market since other stores also started offering better prices. The economic capacity also diminished: from the moment supermarkets arose, the advantage they booked due to scale was so big that the small co-operatives could not compete. But the disappearance of a co-operative was not

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