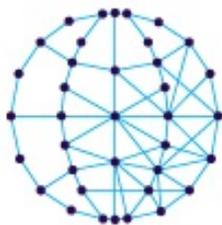


Cooperatives' Power of Innovation
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MULTI-STAKEHOLDER MEMBERSHIP STRUCTURES AND STRATEGIC DEVELOPMENT: THE CASE OF FOOD-SECTOR COOPERATIVES IN QUEBEC

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Abstract

Solidarity cooperatives were given legal recognition in Quebec in 1997. By 2012, 579 solidarity cooperatives were registered with the then *Ministère du développement économique, de l'innovation et de l'exportation*. Drawing from the decade-long history of this cooperative model and three case studies, this article gathers qualitative and quantitative data in order to identify symptomatic practices woven into the organization's culture and operations, diagnose best and worst practices and propose corrective strategies. Borrowing insight from the realms of cooperative management, strategy and identity development, governance, and stakeholder relations provides the comparative theoretical support to confirm or invalidate assumptions provided in data gathering and analysis. This article has two objectives. First, it aims to identify the concrete opportunities and limitations of governance and strategy development in a multi-stakeholder (solidarity) cooperative. Second, it aims to outline a series of best management practices which could help improve the internal structure of this type of cooperative in order to improve governance, stakeholder collaboration, cooperative identity and business efficiency.

Résumé

Les coopératives de solidarité ont obtenu une reconnaissance juridique au Québec en 1997. En 2012, 579 coopératives de solidarité étaient enregistrées auprès de l'ancien ministère du Développement économique, de l'innovation et de l'exportation. S'inspirant de la décennie d'histoire de ce modèle coopératif et de trois études de cas, cet article regroupe des données qualitatives et quantitatives afin d'identifier les pratiques symptomatiques intégrées dans la culture et les activités de l'organisation, de diagnostiquer les bonnes et les mauvaises pratiques et de proposer des mesures correctives. Des théories empruntées du domaine de la gestion coopérative, de la stratégie et du développement de l'identité, et de la gouvernance et des relations avec les parties prenantes fournit le support théorique comparatif pour confirmer ou infirmer les hypothèses fournies dans la collecte et l'analyse des données. Cet article a deux objectifs. Premièrement, il vise à identifier les possibilités et les limites concrètes de la gouvernance et du développement de la stratégie dans une coopérative de solidarité. Deuxièmement, il vise à définir une série de meilleures pratiques de gestion qui pourraient aider à améliorer la structure interne de ce type de coopérative afin d'améliorer la gouvernance, la collaboration entre parties prenantes, l'identité coopérative et l'efficacité de l'entreprise.

Resumen

Las cooperativas de solidaridad obtuvieron un reconocimiento legal en Quebec en 1997. En 2012, estaban inscritas en el ex Ministerio de Desarrollo Económico, Innovación y Exportaciones 579 cooperativas de solidaridad. Inspirándose en la década de historia de este modelo cooperativo y en tres estudios de caso, este artículo reúne datos cualitativos y cuantitativos a fin de identificar las prácticas sintomáticas integradas en la cultura y las actividades de la organización, diagnosticar las buenas y las malas prácticas y proponer medidas correctivas. Algunas teorías tomadas del ámbito de la gestión cooperativa, la estrategia y el desarrollo de identidad y la gobernanza y las relaciones con las partes interesadas proporcionan el marco teórico comparativo para confirmar o invalidar las hipótesis proporcionadas en la recolección y el análisis de los datos. Este artículo tiene dos objetivos: primeramente, se propone identificar las posibilidades y los límites concretos de la gobernanza y el desarrollo de la estrategia en una cooperativa de solidaridad. En segundo lugar, trata de definir una serie de mejores prácticas de gestión que podrían ayudar a mejorar la estructura interna de este tipo de cooperativa con el propósito de mejorar la gobernanza, la colaboración entre los participantes, la identidad cooperativa y el buen desempeño de la empresa.

Introduction

Solidarity cooperatives appeared in the Quebec cooperative landscape in 1997. Created as a solution to local development and social services needs, the model has gained momentum and has become, 15 years after its creation, the second largest type of cooperative in the province. Solidarity cooperatives distinguish themselves from other types of cooperatives, as up to three member categories may co-own a solidarity cooperative in Quebec. The membership and value-based particularities of solidarity cooperatives present a series of opportunities and challenges. Presumably, the cooperative adopts fairer business and democratic practices, and its business objectives and methods are more representative of the collective expectations of its members. However, in the act of fulfilling these associative activities, the cooperative must also learn to operate and evolve in a context where numerous and occasionally conflicting interests must be acknowledged, addressed, and worked through before projects can move forward.

This paradox is at the heart of the question guiding this article: How does the solidarity cooperative's membership structure, as it relates to governance, participation and members' sense of ownership, impact on the cooperative's evolution, i.e. its identity development and strategies? In other words, does a member-controlled governance process act as a lever for the cooperative's strategic development, or is this ownership arrangement an obstacle to the fluid evolution of the cooperative?

This study begins by presenting the solidarity cooperative model as it exists in Quebec, in order to couch the ensuing discussion in the socio-economic fabric and business culture in which these cooperatives exist. It then discusses the effect of its membership structure on the identity development and strategy of the cooperative. Analysis drawn from case studies is woven into these discussions, to identify and address general trends pertaining to their evolution and the development of strategy and identity common to food-sector cooperatives participating in the study.

This study comes at a crucial time for solidarity cooperatives. The first cooperatives to register as solidarity cooperatives have now reached a level of organizational experience that makes it possible to trace evolutionary trends and identify strengths and challenges. Furthermore, solidarity cooperatives have known an increasing level of popularity in their short existence, as the rate of new registration for this cooperative type increases each year. It is thus important to ensure that they are appropriately researched, so that the relevant advisory services and support mechanisms can be put in place to assist them throughout their development and growth. This article hopes to contribute to this community of knowledge on solidarity cooperatives and present some development paths for such support mechanisms.

Solidarity and Food-Sector Cooperatives in Quebec

Multi-stakeholder, or “solidarity,” cooperatives were given official recognition as a cooperative type by the Quebec National Assembly in June 1997 by means of changes in the provincial cooperative law. These changes made it possible for cooperative developers to register cooperatives with a maximum of three member classes. Article 226 of the Quebec Cooperative Law legislated upon four dimensions of this new category of cooperative: their definition, their capitalization, the structure of their board of directors, and their dissolution (Girard, 2008, p. 21). In the years following the original creation of the law, changes were brought to the wording of Article 226 to provide flexibility for cooperative developers.

Significant changes were made in November 2005, when it was determined that cooperatives may register with at least two of the three member classes (rather than all three) and each member may only be registered under one member category (Girard, 2008, p. 21).

Specificity of solidarity cooperatives

Title 2, Chapter 7 of the May 2012 update of the provincial cooperative legislation defines a solidarity cooperative as “a cooperative consisting of at least two of the following categories of members: (1) user members, that is, persons or partnerships that are users of the services provided by the cooperative; (2) worker members, that is, natural persons who are workers of the cooperative; (3) supporting members, that is, any other person or partnership that has an economic, social or cultural interest in the pursuit of the objects of the cooperative” (Quebec Cooperatives Act, 2012, Chapter 7).

Concerning member representation to the board of directors, the legislation states that each member class constitutes one group of members within the meaning of section 831, and each such group shall be entitled to elect at least one director. In other words, a board member representing a given member class should be elected by a group of his or her peers. Furthermore, as the cooperative may, by by-law, allow for the election of external (non-member) directors by the assembly, the number of directors elected from among the supporting members, representatives of a financial service cooperative, a federation or confederation shall not exceed one-third of the total number of directors of the cooperative.

Concerning capitalization, Chapter 7 of the law highlights that the number of qualifying shares that a member is required to hold may vary according to whether the member is a user, a worker or a supporting member, and that the board has the power to issue participating preferred shares to a support member.

Solidarity cooperatives were created in Quebec as a response to the province's new socio-economic realities and the emerging needs concerning the durability of local and regional development, mainly in rural and peri-urban areas. This cooperative type was deemed well suited to foster the involvement and partnership of multiple levels of stakeholders (from service recipients to local governments), a governance formula common in health and other public services (Girard, 2008, p. 19). Two rationales could inform the decision to opt for the solidarity cooperative model: stakeholder participation, and a larger owner pool from which to seek capital. A 2004 report by Chagnon compiled for the MDERR found that, on one hand, solidarity cooperatives were well understood and more accepted by community members, took root in their communities within a very short period of time, benefited from high levels of member participation and involvement, and were capable of mobilizing and 'managing' multiple stakeholders around a common goal (Chagnon, 2004, pp. 9–10). On the other hand, it found that solidarity cooperatives remain under-capitalized, and that most cooperatives do not fully take advantage of the possibility of issuing preferred shares. From a cultural perspective then, it would seem that the associative aspects of solidarity cooperatives are more widely developed and taken advantage of than the capitalization opportunities.

Food cooperatives in Quebec

By July 2012, 152 food-sector cooperatives were constituted throughout Quebec. Sixty-nine (45%) of these were organized as solidarity cooperatives. Food-sector cooperatives include retail stores, bakeries, seasonal markets, cafés, horticultural and herbalist groups, marketing coops and buying

groups. It is worth noting that this data likely presents an incomplete picture of the food-sector cooperative landscape in the province. Some cooperatives may have consciously chosen to classify themselves in other sectors during their constitution, others may have seen their mandate evolve into a food-sector one during the years following their constitution but omitted to formally re-classify themselves in their public registration documents (MDEIE, 2012).

User members tend to make up the majority of the membership in most food-sector cooperatives, even when they comprise other member classes (as is the case in solidarity cooperatives). As these cooperatives are, in many cases, groceries, users self identify as consumers, effectively rendering the cooperative a consumer cooperative by virtue of the weight of this member class and the focus placed by other member classes on answering their needs. They tend, therefore, to resemble consumer cooperatives in both their activities and the high representation of consumers in the membership. Two of the cooperatives included in this study represent this type of food-sector cooperative. A second generation of food-sector cooperatives has emerged in recent years. Focusing on shortening the food supply chain and encouraging local production, these cooperatives unite food producers with consumers, resellers and transformers in a common ownership and accountability mechanism; the third cooperative in this study represents this cooperative model.

Discussion of Participation within a Cooperative and the Membership Structure's Impact on Participation

Member participation in the economic and democratic life of the cooperative is crucial to the cooperative's sustainability and long-term relevance. Wilson and Woodin (2003) mention a key reason for the importance of member participation: members are central to the effective governance of cooperatives, not only by being elected to boards of directors but also by calling to account co-operative leaders and managers (Wilson & Woodin, 2003, p. 4). Without the input of its owners, the cooperative would be governed and operated by its management team, whose interests and priorities may be incongruent or opposed to those of the members.

By virtue of the nature of their activities and the membership structure, food-sector solidarity cooperatives present a number of complexities where participation is concerned. Indeed, one may assume that the original intent of forming a solidarity cooperative, namely to provide a space for formal representation and participation of all stakeholders, would inspire a greater sense of ownership and engagement on the part of members. It may however prove difficult to turn this ideal into a reality.

Impulse to participate: Ideas from democratic theory

Carole Pateman (1970) highlights some of the theories brought forth by contemporary political sociologists regarding participation dynamics of democratic political systems. Two broad observations seem to guide theories of political participation. The first is that the people generally lack interest in politics and political engagement, and that the extent of their participation comes down to exercising a control over the election of their representatives. The second is the acknowledgment of the need for a political elite whose democratically approved authority reigns over the general population (Pateman, 1970, pp. 1–21). This has led to the formulation of democratic theories that presume that “high levels of participation and interest are required from a minority of citizens only and, moreover, the apathy and disinterest of the majority play a valuable role in maintaining the stability of the system as a whole. Thus we arrive at the argument that the amount of participation that actually obtains is just about the amount

that is required for a stable system of democracy.” (Pateman, 1970, p. 7) Citing Shumpeter, Pateman further states that the “classical democratic method (is) 'that institutional arrangement for arriving at political decisions which realizes the common good by making the people itself decide issues through the election of individuals who are to assemble in order to carry out its will'” (Shumpeter cited in Pateman, 1970, p. 17). Her study of worker cooperatives in Yugoslavia demonstrates that, in cases where stakeholders' sense of ownership and responsibility are high, involvement in governance and decision-making is equally high.

The coherence observed by Pateman between the sense of ownership and responsibility and levels of participation vary depending on the stakeholder's relationship to the cooperative. Important as it may be, participation is not innate to most cooperative members, mostly in a consumer context. This seems to also be the case amongst solidarity cooperatives in Quebec. A 2004 survey of Quebec solidarity cooperatives points out that the majority of respondents deemed the members' attendance at general assemblies and other cooperative activities 'sufficient'. Annual general meeting attendance rates were 2.6% for user members and 41.0% for worker members. The representation rate is much higher amongst the workers, although user members tend to be more represented in absolute numbers, as their category constitutes the majority of the membership (Chagnon, 2004, p. 29).

Case study results and possible solutions regarding participation in a multi-stakeholder context

Data gathered through an online survey provides significant insight into the member participation trends and members' expectations concerning the nature and impact of their participation.² Below are some general findings drawn from these survey results.

Overall, the survey provided insight into the levels of knowledge and information available to cooperative members. It is interesting to note that in a larger cooperative where members associate mainly as consumers, answers tended towards neutrality or ignorance on issues concerning participation, engagement, and involvement. On the other hand, in smaller cooperatives, where the majority member class held a stronger association with the cooperative, members tended to answer more assertively, demonstrating a higher level of awareness and information concerning issues of engagement, participation and responsibilities. This is also true of worker members in larger cooperatives. It is interesting to note that management in many of these cooperatives expressed the highest level of informed participation and empowerment.

Certain variables emerge as elements enabling member participation. The intensity of usage and a member's personal stake in the success of the cooperative will lead them to become more involved in the cooperative's associative aspects. Similarly, the age of the cooperative and the period during which a member joined the cooperative may have an impact on the intensity of their participation. Finally, the size of a “community,” in this case the cooperative's overall membership numbers, affects members' perception on the impact of their participation and thus their intent to participate and maintain themselves informed of the cooperative's activities. Similarly, groups that have been involved in crucial moments of the cooperative's life cycle and contributed to creating its associative structures tended to have a positive outlook regarding their efficiency and impact.

It would seem, then, that boards and management teams can expect a relatively low level of participation from members: monthly in “high intensity participation” cooperatives, and annually in “low intensity participation” cooperatives. Pateman's (1970) theory of a political elite thus holds in solidarity

cooperatives, perhaps owing to the low level of information that is sent by the cooperative or absorbed by membership as priorities in their lives. The main obstacle to participation alluded to by members in surveys is lack of time and a perception that they have little to contribute to the cooperative. Survey results indicate that, though members understand the importance of member participation, they do not feel that, as individuals, they can add value to this aspect of the cooperative and thus seldom take advantage of the democratic opportunities for participation offered by the cooperative. The onus is then placed on the management and board to determine the strategic orientations and the evolution of the cooperative, as decided by members' decision to subtract themselves from the decision-making process.

The survey results demonstrate that stakeholders' expectations will only be met as membership is cultivated and engagement is rewarded with incentives for future participation such as tangible results and actions. In cases where participation resulted in decreased motivation for future participation, one is pressed to note that the experience resulted in a decreased sense of ownership and a perception that participation did not lead to a tangible impact. Better communication and cultivation of participation on behalf of management or the board are crucial elements to the development of a strong participatory culture within the cooperative, as alluded to by Birchall and Simmons (2003).

Cooperatives must thus invest energy into educating, mobilizing and training members to participate. Birchall and Simmons (2003) propose that cooperatives can expect to identify three types of members: "the 'true believers,' who can be persuaded to train as potential board members; ... the 'supporters club,' who believe in the aims of the organization and will participate through voting or attending annual meetings or social events; (and finally) those who believe vaguely in the ethos of the organisation, will not participate, but want to be kept informed and to have their views canvassed occasionally" (Birchall & Simmons, 2003, p. 468). Echoing these observations, which one may conceive of as the 'supply side' of participation, Côté (2003) enumerates four types of associative practices cooperatives may implement to answer their participation "demand":

1. Information practices: meetings which enable the various parties to aspire to a high degree of transparency with regard to strategic issues, financial results, and competitive position;
2. Educational practices: trainings or documentation which nourish and enhance the wealth of knowledge crucial to ensuring that the members are equipped to play a significant role in the enterprise;
3. Consultation practices: involving dialogue and transparency with the membership, this activity seeks to involve them in the strategic developments of the cooperative;
4. Decision-making practices: involving governance issues, which are mainly handled by the board of directors (Côté, 2003, pp. 3–5).

Discussion on membership structure's impact on governance activities

In a context where members seldom take advantage of the general assembly and other participation opportunities, the board's role in the governance of the cooperative becomes increasingly important. Indeed, the board holds a central position as a group of member-elected representatives meant to ensure the members' interests are maintained in the cooperative's objectives. It is thus possible to place the board – manager relationship at the centre of an analysis aiming to diagnose the state of a

solidarity cooperative's ability to use its multi-stakeholder situation to leverage the cooperative's strength and capacity to progress.

Bouchard (2004) describes governance as “those control, support and monitoring mechanisms which orient the management team's conduct in the areas of management and concentrates on the ways in which firms are steered and controlled with the objective of achieving its optimal performance through the best possible support and supervision and support of managers. Governance aims to apply rules to govern managers' powers vis-à-vis shareholders” (Bouchard, 2004, p. 18).

This description evokes the functions of the board: it supports, monitors and controls the organs which ensure the cooperative's performance. However, the duality between board and management implicit in this broad description fails to acknowledge the relational elements that inform the relationship between participants in the governance activities. In a multi-stakeholder context, the line between management team and board member is often blurred, as managers may take on board duties by virtue of their position as worker members. The dualistic and clearly defined roles of board member “versus” manager in the generally accepted traditional, one-dimensional governance styles scarcely apply in the context of solidarity cooperatives.

Cornforth (2004) and Sundaramurthy and Lewis (2003) propose hybrid models of governance that embrace the need for both collaboration and controls amongst the stakeholders participating in the board – management work relationship. Their interests, attitudes, concerns, and priorities towards each other and the organization they are working for are allowed to take centre stage.

Cornforth (2004) thus suggests that three areas of tension need to be considered to properly assess a governance situation and propose hybrid models of governance. The first is based on the individuals placed in governance roles, as tensions are likely to exist based on the type of board members, their interest and level of expertise. Are board members stewards and experts who offer support to management in a given field, or are they lay members, voted democratically to represent the membership? (Cornforth, 2004, pp. 22–23). In the case of a cooperative, the pedigree of any board member is likely to situate itself anywhere along the spectrum linking these dichotomous roles. While Cornforth (2004), citing Wilson, indicates that cooperative boards will tend to be composed of democratically elected lay members who will tend to lack executive expertise and thus be supporters of management's approaches (p. 23) such scenarios were not the norm in the cooperatives participating in this study.

The second area of tension concerns the role of the board as a cohesive unit: are boards expected, or indeed meant to, ensure conformity with the owners' interests and the organization's plans and policies, or are they rather formed to drive the organization's performance by adding value to the organization's strategy? (Cornforth, 2004, p. 23). It is difficult to generalize on the attitude of cooperative boards vis-à-vis risk and innovation in the short and longer term as the cooperatives in this study were in stages of their development which required them to remain supple and adaptable before a number of environmental factors and growth phases.

The third and final area of tension addressed the relationship with management: is the board's role to control and monitor management activities, or should they emphasize a partnership approach to management? (Cornforth, 2004, p. 25). Sundaramurthy and Lewis (2003) expand on this topic, suggesting that while there are advantages to managers and directors collaborating as a “governance

team,” they run the risk of embarking in mutually reinforcing attitudes and engage in groupthink, “a pattern of collective defenses aimed at denying or suppressing tensions” (p. 400), and avoid monitoring and critiquing their efforts when performance is high, externalizing blame when performance is low. Sundaramurthy and Lewis also discuss the risk of directors and managers with “excessive stock ownership (who) may strongly identify with the firm, internalizing comments regarding firm performance and strategies” (p. 400) Managers' and directors' personalities are important contingencies to consider in the relationship and approach of a given board. As the case studies demonstrate, the cooperatives participating in this study heeded Cornforth's and Sundaramurthy and Lewis' advice naturally, adopting different forms of behaviour adapted to given situations.

Case study results and possible solutions regarding governance in multi-stakeholder cooperatives

Survey results showed that while respondents in all three cooperatives agreed that they had a responsibility to help govern the cooperative, they identified multiple self-imposed or structural barriers to engaging with governance mechanisms. The cases presented reinforce the idea that, in determining the structure of governance functions and defining its actors, cooperatives should bear in mind the long term effects of the powers and responsibilities of various actors and how they interact with the powers and responsibilities they engage in outside the board room. Indeed, individuals seldom act in entirely altruistic ways and may engage in a self-preserving manner. This risk should be mitigated when defining governance activities. Planning for entrenchment, mitigating potential information asymmetry and defining the boundaries of power in the early stages of cooperative development become essential to long-term functioning of the cooperative.

Furthermore, the importance placed on relationships amongst board members in a multi-stakeholder situation can create confusion and lead people to govern based on interpersonal dynamics, personalizing the governance process in a detrimental fashion. Board members should thus be educated on the full depth and breadth of their function and responsibilities as board members so that board as a unit may collectively decide on the nature and style of their governance. By basing themselves on external or traditional conceptualizations of boards, they will be better able to remain simultaneously accountable to themselves and their cooperative. Conversely, relying on homegrown board-manager dynamics and intra-board methodologies based on the interpretations of the founders' ideas of board functions may lead to self-detrimental traditions and ways of operating. Such traditions have been observed in the cooperatives studied. Two trends that emerged in interviews were a tendency towards operationalizing the board roles so that they become voluntary employees rather than governors steering strategy, nuclear lines of accountability focusing most of the decision-making power on management and workers.

The importance of board training and education cannot be stressed more. It is crucial that board members obtain basic training on the nature of their role, their relationships of accountability to members and their rapport to the executive and operational elements of the cooperative need to be known early in their mandate to maximize the impact and efficiency of their time as board members and to minimize the self-perpetuating and negative habits the boards may have adopted.

Membership Structure's Impact on Identity Development and Cohesion

A number of opportunities and risks were brought to light in previous sections, namely the possibility of over-representation of workers and management in decision-making situations. This section addresses these risks and presents considerations regarding the impact of the membership structure of solidarity cooperatives on member cohesion.

Based on Côté's (2004) article titled *Co-operative Cohesiveness and the Democratic Process: The Key to Managing a Large Co-operative*, cohesiveness is understood as the ability for a cooperative to use its democratic structure to maintain harmony, unity, and mutual feedback between the member representatives and the management, to ensure that the cooperative honors its dual mandate as an association and an enterprise.

Cohesiveness is also the ability to maintain equilibrium between the dualistic (but indivisible) nature of cooperation: business and membership, or the financial and associative (Côté, 2004, p. 3). While cooperatives' equilibrium may tip to one side or the other as a response to market forces or in moments of rapid change, it is crucial that cooperatives not lose focus of the need to regain their equilibrium over the long term. By striving for this equilibrium, cooperatives have a better chance of recognizing and honoring their distinct organizational identity and striving to use it as a business and strategic strength.

However, in order to maintain this equilibrium, cooperatives must first be aware of the distinguishing marks of their identity as a cooperative and as a unique business. During a 2012 video-conference lead by young cooperators from Central America, South America and the Caribbean, an Argentinean colleague presented the following thoughts on cooperative identity: "identity is a changing and evolving process. It is not something that can merely be declared, rather it should be practiced on a daily basis, through both the voicing of ideals and the adoption of concrete actions which implement these ideals" (Gcoop representative). This is true for most evolving entities. However, in the case of cooperatives, the impression and assumptions of various stakeholder groups must be considered when developing the organization's identity. Indeed, any neglect in achieving agreement around the cooperative's identity and the role and powers of stakeholders in allowing that identity to evolve and develop may lead to an identity crisis. This becomes particularly relevant in the solidarity cooperative context, where disagreement and contradiction may appear at various levels: mandate priorities, strategic orientations and development, and power distribution to name a few.

Daniel Côté (2001) outlines the three structural change trends affecting cooperative cohesiveness. First is the rise of the anonymous "individualizing figure," a "concept of abstract individuals who define their belonging as a function of their personal interests." Côté (2003) citing Olson, points out that "'owner-user' members are increasingly becoming customers and are unable to appreciate the true nature of their relationship with their cooperative. The large size of the association leads to the problem of collective action and, as a result, to a free-rider behaviour" (2003, p. 3).

Second is the problem of collective action resulting from the considerable increase in cooperative membership size. In an attempt to strengthen their capital base, maintain their competitiveness and mobilize new clientele, many cooperatives have sought to increase the amount of clients associating themselves to the cooperative as user-members. It seems most cooperatives are faced with recruiting new customers, one member at a time, whilst leaving aside the development and education of members in the realm of associative activities. This damages the strength of collective action, in

addition to eroding the social capital net which the membership represents and is essential when the cooperative is faced with change.

Third is the interpenetration of activity fields leading members to compare their cooperative's products and services with capitalist competitors' with regards to product and services (Côté, 2003, pp. 1–2). In a context where these products and services become increasingly similar, it falls back on cooperatives to educate members in the distinguishing traits of cooperatives, namely the democratic and governance elements they have access to as owners of their business.

Côté (2003) states the importance of a “management model of cooperative specificity, based on a usage logic rather than a capital-based logic, which serves as a counterweight to market forces vis-à-vis members' ‘cooperatized’ activities” (p. 5). Cooperative strategy should thus be inspired by sound business decisions based on a current knowledge and realistic predictions of the market environment, external currents, internal factors and future risks and opportunities which may affect the business. The cooperative's identity, and the values and democratic proposition it embraces, must be woven into this strategic development process. The strategy must demonstrate the cooperative difference in terms of its attention to involving members, using democracy and participation as leverages, and using human capital as a point of competitive advantage. Ideally, this strategy would bring the membership to embrace the commitment to democracy and social change introduced to the coop by the first generation of members, and a commitment to financial support (via transactions) introduced by the second generation.

Case study results and possible solutions regarding identity development and cohesion

The cooperatives participating in this study offer interesting points of analysis for the three elements addressed above. Members generally had a positive perception of collaboration between member classes, did not perceive tension between member classes and presumed all members acted in the best interest of the cooperative. However, in analysis of preliminary interviews conducted with employees and worker members, the importance of membership numbers, associative development, cohesiveness, and indeed early planning regarding division and management of power arises. One cooperative, due to its size and its business concerns, has come to instrumentalize membership. In conjunction to this, the overlap between governance and management functions enshrined in cooperative by-laws has led to a de facto practice of management hegemony,³ to the detriment of the empowerment of members. As members perceive the cooperative to be doing well, motivation to engage and ‘train’ members in ways they can participate has lagged. Indeed only in recent months, as the cooperative has faced difficult financial times, have the board and management teams reached out to simultaneously mobilize, inform, train and involve members in strategic committees. One must wonder whether this emergency mobilization would have been necessary should the cooperative have integrated and practiced associative activities in its strategic operations.

A smaller, younger cooperative offers an interesting contrast to the former case. Indeed, due to its size and members' high stakes in the success of the cooperative, it would seem that they are naturally drawn to engage in associative activities. Furthermore, the clear separation and lines of accountability between the governance and management functions has the dual effect of avoiding lethargy amongst membership, who have a clear understanding of their role and responsibility within the coop, and avoiding management hegemony.

The composition of the third cooperative's board may lead to the perception by user members of a certain level of exclusivity or insularity. Worker members tended to have a significantly more negative perception of the collaboration between member classes, despite expressing similar level of engagement as support members. This may indicate diverging expectations of member classes based on a person's relationship to the cooperative's activities and its membership.

In each cooperative, developing an appropriate version of a strategy based on loyalty and empowerment of members⁴ will become increasingly important as the cooperative grows and new generations of members are called on to participate in its business and associative. Indeed, loyalty is the departure point for ownership, participation, and sustainability of the cooperative. Central to the implementation of this loyalty initiative is an exercise of self-analysis and presentation. Indeed, each cooperative must define how it has presented itself to its members and, more importantly, how it has related to them. These two elements, and the latter more so, define the cooperative's current identity.

Concluding Remarks

This article has sought to understand whether a solidarity cooperative's membership structure acts as a lever or a hindrance to its evolution and strategic development by posing two questions: How does the solidarity cooperative's membership structure, as it relates to governance, participation and members' sense of ownership, impact on the cooperative's evolution, i.e. its identity development and strategies? and, Does a member-controlled governance process act as a lever for the cooperative's strategic development, or is this ownership arrangement an obstacle to the fluid evolution of the cooperative? It explored these questions from three angles: participation, governance, and identity development and cohesion.

Some notable points emerged as case studies demonstrated that three variables indicate a healthy balance between a cooperative's associative and business sides: appropriate, forward looking and pragmatic policy regarding stakeholders' level and type of engagement; the size of the cooperative, and the nature of membership. Member education and management's efforts in developing loyalty and an enabling and supportive environment for participation were also crucial to the appropriate development and evolution of the cooperative. Indeed, an informal hierarchy tends to manifest itself when one analyses survey responses. These hierarchies are created around the depth and intensity of the usage link, as the relationship of user members in one cooperative, and worker/director and support members demonstrates at the latter two. The question thus becomes "How can all members best control and own the governance process to act as lever for the cooperative's development?"

While solidarity cooperatives were created to "socialize" membership and promote the fair and equitable participation of all stakeholders in a cooperative project, this participation should be done with the collective interest of the cooperative in mind. Pragmatic policy should thus be drafted in the early days of the cooperative's existence to avoid power imbalances and role overlap that could be perceived as conflicts of interest in the long run. Member education around the various roles, responsibilities and division of powers should also be put in place before internal traditions become a hindrance to the cooperative's development and create rifts between members.

The size of the cooperative seems to affect levels of participation for a number of reasons: lay members may feel ill-equipped to contribute or perceive that the cooperative is in good hands. They may also sense a detachment from the cooperative, as its larger size removes the sense of proximity

and availability of the staff that had previously engaged on a more personal level. Employees may also find themselves engaged more in the business aspects of daily operations, neglecting associative activities. This leads to an instrumentalization of membership and, in the longer term, erosion of participation and the sense of ownership. The nature of membership plays a significant role in this situation: in cases where members' stakes in the success of the cooperative are minimal (indeed, where the replacement cost is low and they may easily find the products and services offered by the cooperative elsewhere) the usage link will easily erode and participation levels will tend to be low. On the other hand, in cases where the cooperatives' success has a direct impact on a member's livelihood and the stakes are high for both member and cooperative, participation and engagement levels will tend to remain high through time and accountability will be sustained between the governance and management sides of the cooperative.

In the end, it seems that the structure is incidental to a cooperatives healthy evolution. The ownership arrangement and membership structure can be negotiated and approached in a way that maximizes efficiency and buy-in. Indeed, it is instead the mechanisms put in place by the parties engaging in the cooperative project over the long term that seem to determine how and whether the cooperative will succeed in fulfilling its promise to members in the longer term. A great deal of thought and energy should be placed in ensuring that the cooperative honors its commitment to each member class, thereby ensuring a positive and fulfilling relationship for all parties. This positive experience will shape the cooperative's identity as well as develop members' loyalty to it, two key elements in ensuring that members are levers to the cooperative's strategic development and healthy evolution.

Notes

¹ MA, MMCCU, St Mary University, Halifax, Canada.

² The survey posed eleven (11) questions relating to members' relationship to the cooperative, nine (9) questions relating to members' engagement vis-à-vis their cooperative, nine (9) questions relating to members' perception of the role of a member in a cooperative, fifteen (15) questions relating to perceived opportunities and obstacles to participation, ten (10) questions relating to their perception of internal decision-making processes, and twelve (12) questions relating to their perception of collaboration between member classes.

³ Côté (2003) observes that, "in consumer cooperatives, the influence of senior management often plays a determining role in the importance of the associative structure, and more specifically the board of directors, of its components" (pp. 9–10). This speaks directly to the point that Chaves (2004) makes when he points out that "when companies grow and become economically consolidated, a specific economic agent, the management, which is differentiated from the company's ownership, moves into the driving seat, becoming the key figure in company governance" (p. 140). Similarities with Pateman's discussion of the evolution of a political elite are striking. The series of events making this 'silent takeover' possible is different for each cooperative, however instrumentalization of membership, mainly user members in the context of this paper, and the erosion of cooperative cohesion and equilibrium, will lead to this situation.

Chaves (2004) enumerates three strategies managers adopt to "(increase their) margin of discretion in running the firm, which in turn increases their chances of maximising their managerial capital": financial, institutional and political (pp. 150–151). By placing themselves in a position of information asymmetry, diluting the institutional power of membership or enhancing the role of management vis-à-vis member-led governance, managers increase members' dependency and discredit their role as the organization's owners (p. 151).

⁴ The New Cooperative Paradigm concept is a first step towards developing a strategic development process relevant to cooperatives. Côté (2003) describes this paradigm as a management strategy based on loyalty, "a philosophy of leadership that seeks mutually beneficial management of the relationship between the enterprise and its stakeholders." (p. 5) It relies on relational aspects of stakeholder retention, with the objective of minimizing stakeholder turnover and increasing performance and profitability by infusing meaning into the human and service association. Loyalty contains a number of sub-elements within it, and a loyalty approach to management includes the following elements:

- balancing the privilege of loyalty (supply) and the fact that it is meant to be earned (creating demand) through organizational legitimacy
- achieving a high degree of organizational consistency
- achieving employee loyalty, the gateway to customer loyalty
- development of a set of principles and practices that conform closely to how the enterprise does business (pp. 5–6)

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