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Letter from the Editors

**Welcome** to the inaugural edition of the International Journal of Co-operative Accounting and Management (IJCAM)! This new journal has been formed as a result of the merger of the International Journal of Co-operative Management (IJCM) and the Journal of Co-operative Accounting and Reporting (JCAR). Dr. Peter Davis, Editor of IJCM continues with IJCAM as Senior Editor and Dr. Daphne Rixon, Editor of JCAR, takes on the role of Editor-in-Chief. We are very pleased that all members of both editorial boards have agreed to remain on the editorial board of IJCAM. Papers related to co-operative management should be submitted to Peter Davis, while papers on accounting and reporting will be handled by Daphne Rixon.

Building on the value of both journals, by leveraging co-operative principles, the International Journal of Co-operative Accounting and Management will combine JCAR’s mission of promoting the study of accountancy and reporting for co-operatives, credit unions, and mutual organizations, with IJCM’s mission of developing and professionalizing best management practices in the co-operative movement, to provide a more robust intellectual platform for international scholars of co-operatives and the social economy. Our goal is to appeal to both academics and practitioners and for future editions, we welcome submissions from practitioners.

IJCAM is published by the Centre of Excellence in Accounting and Reporting for Co-operatives (CEARC) in the Sobey School of Business, at Saint Mary’s University in Canada. The journal will explore a diverse range of topics related to accounting and management in co-operatives, credit unions, and mutual organizations. The new journal is double-blind, peer reviewed and available through free online open access on the CEARC website.

This issue features three papers that were presented in the Co-operative Track, at the European Conference on Management, Leadership and Governance, December 11-12, 2017, London, UK. This issue also includes two book reviews.

The challenge that faces a journal like ours is reaching out to both practitioners and academics can mean we fall between the ‘two stools’. Can we make this new amalgamated journal academic enough to meet the professional needs of academics for recognised journals of excellence and at the same time, have the reach and immediacy to be a journal that can be found open on individual co-operative and credit union board member’s and manager’s lap-tops? We will be exploring the possibility of building links to grassroots co-operative and credit union websites for our archived journals and current issue. This is a huge task and we would love to find volunteers in localities and regions, who could help us build these local links to our journal. Many hands make light work. We will be asking all our current and past authors to find us 10 local co-operative and credit union websites in their regions, with the request that each local co-operative ask a neighbouring co-operative and credit union to make a link to us along with theirs.

If we succeed with our vision, we still have to justify the effort by the relevance of our content. This is why we will be particularly pleased to have case studies illustrating successes and good practice, across all types of co-operatives and the credit union and financial service co-operatives. In pursuing this applied research approach, however, we will never lose sight of the wider vision of Co-operation as an Economic and Social Philosophy aiming not simply at organisation-level change management and strategy and/or product/service innovation, but at the transformation of society and economy, as a whole. If you think our vision for this new journal venture is right, we hope you will support the journal, whether as authors, readers, review contributors and not least, as vital link builders to the grassroots co-operative organisations.

Today, global poverty, human rights abuses, wars and not least, the urgent challenges of climate change, environmental degradation, pollution and species depletion mean co-operatives must become, not just a set of different and segmented business models, but aligned together on the basis of their co-operative values to become a global movement for peace, progress and economic justice and democracy. We hope our modest journal will come to play a part in this essential development.

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Self-serving competitive move or a mission-based strategic choice? A discourse analytical study of S Group's nationwide price-drop campaign

Anu Puusa, Professor of Management, Business School, The University of Eastern Finland

Abstract: This article contributes to the discussion of differences in corporate missions in different business forms. The research target is a price-reducing act carried out by a Finnish consumer co-operative S Group. Once launched, this national operation was nationwide news resulting in long-lasting discussions and debate in various forums by various parties.

The research data consists of 27 newspaper articles published during a one-year period. A discourse analytic approach was used to identify the discourses drawn upon to construct versions of the campaign, its motivations and consequences. Four voices (S Group, Investor Owned Firm (IOF) K Group, reporters/the media and societal actors and/or experts) were identified from the data and their analysis reveals that the newspaper constructs a fragmented picture of the purpose, motivations, execution and future vision of the campaign.

The discourse by S Group presents the price-reducing act as a long-lasting, mission-based strategic choice that is in accordance with a co-operative mission. The discourse of IOF constructs the campaign as a self-serving marketing trick and frames S Group as a copyist while K Group is presented as a socially responsible actor concerned for those who potentially carry the burden from the operation. The discourse constructed and upheld by media equalizes the actors by ignoring the differences in their corporate purpose. The discourses are characterized with doubt of alternative motives. They create and maintain juxtapositions between the actors. The societal actors call for extending the discussion in the more societal direction away from the price and towards discussing food as a multidimensional cultural phenomenon.

In conclusion, the discourses reflect the widely adopted ideas of private ownership, profit maximization as the primary purpose of businesses and competition as a given setting in business life. Discourses widely reflect a lack of acknowledgement, awareness or knowledge regarding the unique features of a co-operative business model.

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Keywords: Consumer co-operative, S Group, corporate purpose, dual role, profit maximization

Introduction and background

The co-operative is an old and enduring form of business that operates in several fields globally (Mazzarol, Limnios & Reboud 2011; Birchall 2011). Based on their core idea and mission, cooperatives respond to social and economic failures and they also have an important role in assisting in the development and revival of local communities (Vieta & Lionais 2015, 2). According to Mazzarol et al. (2011,5), the presence of a co-op in a market presses the prices of competing brands down and may set a floor price or benchmark within commodity markets. Spear (2000), in turn, concludes that in general, co-ops stabilize the market and “are regarded as more trustworthy, less likely to engage in opportunistic behaviour and exploit the consumer.”

A co-op is based on principles, such as democracy and equality. It is collectively funded and owned by its members and it distributes benefits on the basis of use. Decisions are made collectively by the co-op society (Nilsson 2001). The co-op’s main aim is maximizing member benefits and offering them the best value, whereas according to Mazzarol et al. (2011, 9-10), “the IOF maximizes the shareholder returns by satisfying the customer needs. Co-ops identify and choose such market segments and areas that have the greatest member need while the IOF target the most lucrative opportunities.”
Thus, a co-op is distinctly different from the investor-owned firm, IOF as well as other organizational forms. (Mazzarol et al. 2011). It differs in their basic organizing principles, means- and ends rationality and in its inherent diversity of interests and aims (Mooney & Gray 2002). According to Vieta & Lionais (2015), co-ops are effective in “provisioning for myriad life needs and do so in more democratic and sustainable ways than investor-owned-firms”. In addition, research evidence strongly supports the view that co-ops are diverse organizations that efficaciously address a plurality of socio-economic needs they continue.

In general, the capitalist entrepreneurial culture has taken root in society in many ways. A limited company is the dominant form of enterprise and people’s general sense of property is dominated by the principles of entrepreneurship (Hahnel 2005; Puusa, Mönkkönen, Varis 2013). The IOF perspective is dominant and largely stressed throughout education and the basic message to students is that the initial purpose of an entrepreneurial activity is the maximization of profits for shareholders, (Fontrodona & Sison 2006; Puusa et al. 2013; Puusa & Hokkila 2014; Smith & Rönnegard 2014) which follows the logic popularized by Milton Friedman. Friedman argued that the businesses' sole purpose is to generate profits for shareholders.

Mooney & Gray (2002, 6) argue that: the neoclassical economics model generally assumes competition among actors as the predominant relationship. Social relationships are assumed to be competitive with similar members of the environment and conflictual with dissimilar members (although the languages of market power, rather than conflict are used).

According to Hind (1997), by principle, co-ops differ from these traditional interpretations and application of many economic and management theories, where the purpose of a firm is being defined. Typically, issues, such as profit, growth, or sales maximization and optimization, are presented as the company’s self-evident goals. According to Hind (1997, 1078) however, in co-op context such objectives are “either superfluous or act as constraints within which other member benefit goals may be aimed”. In theory at least, she continues, they are a means rather than an end.

This article contributes to the discussion of differences in corporate missions in different business forms. The research target is a price-reducing act carried out by a Finnish consumer co-operative S Group. Once launched, this national operation was nationwide news resulting in long-lasting discussions and debate in various forums by various parties. The aim of the article is to interpret discourses in the light of activities linked with different forms of business. Above all, the goal is to analyse how the idea of a cooperative is highlighted in the texts.

Research methodology
The research data consists of 27 newspaper articles published during approximately a one-year period in 2015 in Finnish Kauppalehti magazine, which publishes articles about financial and economic issues. A discourse analytic approach was used to identify the discourses drawn upon to construct versions of the campaign, its motivations and consequences. The study employs both descriptive and interpretative methods in analyzing how messages related to the campaign were being constructed and conveyed in the chosen media. The aim was to analyze which stories were being told and what arguments were brought up and emphasized, which viewpoints were canvassed and which points were overlooked or under-represented? In other words, the aim was to analyse the discourses drawn upon to construct versions of the campaign, its motivations and consequences.

The key findings
Four actors and voices (S-group, Investor Owned Firm (IOF) K-group, reporters/the media and societal actors and/or experts) were identified from the data. Based on the analysis the study concludes that the newspaper constructs a fragmented picture of the purpose, motivations, execution and future vision of the campaign. Several quotations from the data have been included here to provide a vivid picture of the rich data.

Main results: the themes and discourses constructed by the SOK representatives
According to the S Group's narrative, the motives underlying the price-drop (“halpuutus” in Finnish) campaign include the economic slump and the S Group's will to fulfill its basic mission i.e. to work in the best interests of
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its owners, that is, its consumer customers and to support them during financially challenging times. The texts describe the character and duration of the activities, for example as follows:

According to Heikkilä, the price-drop campaign launched in the daily consumer goods trade at the beginning of the year is no fixed-term discount scheme, but a permanent strategic choice.

According to Heikkilä, no prices will be increased if the price of oil goes up or the profits of different cooperatives decrease.

According to representatives of the S Group, these price reductions are enabled by long-term efficiency measures and savings fulfilled in cooperation within the entire Group:

The price drop is possible because SOK and its cooperatives have achieved savings of tens of millions of euros, for example, by cutting costs in electricity consumption, marketing, IT and administration, and by reducing investments. “Prices changed overnight, but cost savings have required hard work,” Alarotu says.

“The lower prices come from our margins,” the CEO says. During the past two years, our cooperatives have produced savings of 60 million euros.

The CEO promises that the lower prices will not be covered by employees. The lower price levels can be maintained by keeping costs firmly under control. According to Heikkilä, there has not been any leeway in prices. “Seeking the highest possible profit is not part of the cooperative system.”

The CEO and other members of the S Group emphasise the strategic nature of the campaign, which is related to the business purpose originating from the cooperative idea and to the S Group’s basic mission, which does not include the goal of maximised profit. In addition, the texts point out that this is a long-term strategic guideline, not a marketing scheme.

A cooperative differs from an enterprise owned by its shareholders in that co-op members invest through the use of services in place of making capital investments. The increased use of services increases the sales volume of the cooperative, and co-op members are rewarded for their use of services in accordance with the principles of the cooperative. This partly explains why reduced prices can produce business benefits in the cooperative system. In the studied texts, representatives of the S Group describe the impact of the reduced prices on business activities as follows:

Price reductions continue. During his term of office, Heikkilä has emphasised the basic idea of the cooperative system, in which the aim is not to seek maximum profit but to transfer profit to benefits obtained by co-op members. The first price-drop week in January increased the number of customers at Prisma supermarkets by 150,000 from the corresponding week in the previous year.

In the daily consumer goods trade, the S Group aims to at least maintain its position as the market leader. “Even though the market in general has decreased due to the general decrease in prices, our success has been excellent in relation to the market,” says Arttu Laine, executive vice president and the number two man at SOK. While the volumes of the daily consumer goods trade fell by 0.9 per cent overall, the S Group estimates that its volumes have increased by the same percentage.

The descriptions presented by members of the S Group indicate that permanence, consistency and cooperative impact are themes of the price-drop campaign. The texts emphasise that this is no single short-term scheme but a strategic choice related to the form of business. It is implemented by means of long-term work and improved efficiency, together with a sense of community and, therefore, cooperation between different members of the Group. The descriptions also indicate the underlying idea related to the cooperative system, i.e. ownership by co-op members. The assessment of the impact of the price-drop campaign and profits raises the idea of duality in the cooperative system. The S Group is the market leader, which operates profitably, while fulfilling its basic mission to serve its co-op members.
Key findings: discourses of representatives of media services

From the texts by editors, we identified several themes and on the basis of these, two main discourses: a discourse to create and maintain competition and a suspicious and questioning discourse. The themes were those of confrontation and setting a competitive situation. This is the discourse which creates and maintains competition. The suspicious discourse was built from the other themes.

The discourse to create and maintain competition

The sub-themes of the discourse that creates and maintains competition were divided into three categories, which are presented next.

• Building and maintaining confrontations through situational descriptions

The discourse which creates, emphasises and maintains confrontations was seen in the texts in many ways: discussion over the entire campaign, intensified expressions to create confrontations and talk about who wins and gains benefits or who loses or suffers as a result of the campaign.

There were a number of texts indicating confrontations and competition. For example, in place of changes in prices, media services use pointed terms full of meaning to describe the studied phenomenon, such as “price war, price race, racing, arms race, head-to-head fight between three leading traders, sufferers, etc”.

In addition to the aforementioned factors, editors set up arguments, so that their texts created suspicion that the entry of Lidl into the market forced Finnish chains to lower their prices and that, previously, large Finnish chains had (artificially?) maintained (excessively?) high prices, already before they were “forced” to lower them through the competitive situation presented by Lidl.

In Finland, the profitability of the grocery trade has even been too high compared with other European countries, but now the lucrative years may be over, permanently.

Margins in the Finnish grocery trade remain high, and there is room for compromise – for lower prices.

• Building and maintaining confrontations by grouping actors into winners and losers, benefiters and sufferers.

It can be interpreted that the idea of a “payer” and the confrontations presented indicate that, from a business point of view, competition is always regarded as an automatic starting point (for example, the possibilities or benefits of cooperation are not raised, even though it is one possible starting point, for example, in the cooperative system). Editors automatically start from the assumption that there are always winners and losers in business life and markets. Nothing is ever done selflessly or in the form of cooperation. This theme was indicated in the texts as follows:

Someone always has to pay for lowered prices, just like when prices go up.

Small Finnish food producers are already getting ready to play the part of a payer. They do not have as much leverage as large suppliers when negotiating over prices. If a shop sells food to consumers at prices below production costs, the producer doesn’t have much to show for it.

This debate over prices has insulted producers, as they feel that they need to cover these campaigns rather than these companies’ own margins.

These texts set up confrontations between different parties: different retail groups (S Group, Kesko and Lidl), S Group vs. producers, trade vs. consumers, etc. Furthermore, these are not neutral texts, as they always have an angle. When reporting, editors take a stand and, in a way, favour one of the parties involved i.e. there is biased argumentation. For example, Lidl is talked about in a highly positive light and in a fairly thin and one-sided manner. The following texts are examples of this:
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Forecasting is not easy, but I expect that the triumph of Lidl will continue.
While nearly all other chains are in a slump, Lidl just keeps on going...

People have started to consume products that have lower prices and prefer to buy discount products and own brands. The obvious winner is Lidl, as its success is based on low prices.

It can be interpreted that the text makes the assumption that the reason why both groups decided to reduce their prices is purely based on competition i.e. a response to fiercer competition as a result of the emergence of Lidl. Therefore, the following theme is related to equalisation.

- **The equalising discourse**

In the analysed texts, all grocery chains and in particular, the two largest groups, Kesko and the S Group, are described as similar entities that follow a similar logic. The texts do not recognise or highlight any differences arising from the different business purposes of these enterprises. For example, the following text describes that the price-drop campaign is a measure copied from other sources and its goal is to increase market share:

The S Group’s magnanimous announcement to lower the prices of key food products was no surprise, or even its own invention. The S Group is fighting to regain its lost market share using a price campaign similar to what large chains in different parts of Europe have used for a long time.

An equalising discourse which does not take any differences between different business forms into account and the theme of forming an alliance are also visible in the following quote from an article:

This campaign is also an indication of fierce competition in the grocery trade. Because Kesko is unable to fully respond to the S Group’s price reductions due to its merchant-based structure, it emphasises the significance of sustainability and Finnish origin. And rightly so. The Central Union of Agricultural Producers and Forest Owners has long blamed the two largest groups for pushing producer prices down. Now, one is absolved and the other – the one committed to dropping prices – remains the bad guy.

Several texts written by editors visibly highlight prices and insist that price and location are the only factors causing consumers to make a positive purchase decision. According to the cooperative ideology, the most important task of a cooperative, however, is to respond to the needs of its co-op members and to maximise their benefits. The business logic of the entire cooperative system is built on this mission. This also commits co-op members. Placing different entities into an equal position is also visible in the texts, in that both chains are said to have loyal customer schemes, even though the S Group’s bonus card differs greatly from a loyal customer scheme, being a key part of the cooperative system.

Equalisation, similar to competition, is also reflected in the texts in that, in addition to discussion over prices, operations are only described and evaluated in accordance with mainstream economics. The financial results of companies and any changes in their market shares are reported in great detail, talking about operating profit, exchange rate fluctuations and quarterly results. This follows a mainstream rhetoric, in which financial figures, interest rates, market share and any changes therein, as well as the growth orientation of companies, are emphasised. Instead, the characteristics of the duality of the cooperative system, the roles of member cooperatives in particular, are not mentioned in the texts.

A long time span is characteristic of the cooperative ideology. It is considered to be a system spanning generations. Operations are not evaluated on a quarterly basis. However, the tendency of editors to describe underlying factors and effects by using financial indicators sets different forms of business in an equal position. In other words, these texts do not pay attention to any differences. Furthermore, these texts do not reflect on the development of profit, i.e. why one is positive and another is negative. They do not ask whether the reason could be a different business purpose or what or whom these enterprises serve. Therefore, they ignore that because they have different forms of business, their success indicators are also different.
The suspicious and questioning discourse

After analysing the texts regarding the price-drop campaign, the second main discourse was named the suspicious and questioning discourse. This discourse had several sub-themes. It can be interpreted from these texts that editors suspect the following aspects of the price-drop campaign: the reasons for its execution/start-up; its timing and purposefulness; its motives; its implementation and enabling factors, i.e. methods and the nature and duration of the campaign.

- **Causes of the price-drop campaign**

Every one of the 27 articles analysed refers to the economic recession, in one way or another. The texts indicate that, according to the journalists, the S Group's price-drop campaign is a response to the competitive challenge of Lidl and its ability to increase its market share expressly on the basis of lower prices. As interpreted by journalists, low prices appeal to consumers, as a result of the economic slump. Furthermore, journalists assume that regaining lost customers and market share by means of a price-drop campaign explains why SOK launched the campaign in the first place. Some texts even indicate that the S Group had no choice but to launch the campaign. However, it should be noted that none of the texts start from the assumption that this campaign was associated with the mission of a cooperative.

Even considering that Kesko started the price race last autumn, and the S Group followed by launching its price-drop campaign at the end of the year. The chains simply had to do something and respond to the price challenge set by Lidl.

German Lidl, combined with the lower purchasing power of consumers, has forced Finnish chains to compete over prices.

The ultimate reason for the price competition which is shaking the whole of Europe is the poor economic situation and the decrease in the purchasing power of consumers. These have reduced the profitability of trade and industry.

- **Timing of the price-drop campaign**

The texts suspect that the price-drop campaign was started for a specific purpose. The timing and launch are regarded as masterful marketing tricks and, therefore, this theme is also linked to the debate over the nature of the campaign. S Group has completely the opposite view. For example, according to Ilkka Alarotu, senior vice president, who was interviewed for a newspaper, “the launch of the campaign on the same day when Kesko held its festivities was a pure coincidence.” He says that “we didn’t want to launch our campaign during the holiday season at the end of the year. This was the first quiet period in January, and this was the perfect time for the launch.”

The journalist’s suspicions are indicated in the following text:

Taking over the headlines was everything but a coincidence. The S Group has increased its visibility on social media over the past couple of years, driven by its supermarket trade. In Alarotu’s organisation, everyone is on Twitter, and everyone talks about their areas of responsibility.

- **Motives/goals of the price-drop campaign**

Articles published in *Kauppalehti* indicate that their journalists question the S Group’s representatives, regarding the motives and goals of the price-drop campaign. The texts reveal that they suspect that the motives are to increase sales, strengthen the market share and make profit. All in all, it can be interpreted that the journalists suspect that there are highly selfish motives behind the price-drop campaign. This interpretation is based on the following texts:

The S Group did not lower its prices out of sheer kindness. It decided to reduce prices to increase its sales. As a result, the aim is to gain at least as high a profit as before, preferably even higher, and to increase its market share.
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The S Group is fighting to regain its lost market share using a similar price campaign which large chains in different parts of Europe have used for a long time.

Reporters fail to acknowledge that the cooperative system does not include the goal of maximising profit, but to provide its co-op members with maximum benefits. While representatives of the S Group state that this is a strategic long-term measure originating from the basic mission of the company, journalists say that this is a short-term marketing campaign. Therefore, journalists are suspicious of the S Group’s announcement, regarding the nature of the price-drop campaign, and some texts simply question the measure and its ulterior motives.

The execution and enabling factors of the price-drop campaign – methods and the nature and duration of the price-drop campaign

According to representatives of the S Group, the price-drop campaign was enabled by savings. The articles published in Kauppalehti reveal that the journalists strongly question the S Group’s messages that it could cover the costs of the price-drop campaign by means of its margins and improved efficiency. This sub-theme is also linked with the previous themes of maintaining competition and confrontations. The journalists not only question the S Group’s measures i.e. savings and lower margins, they also speculate about who ultimately has to pay the bill.

On Sunday, the S Group announced good news of lower prices. The message went viral on social media and news services, and has been widely noted in newspapers. Of course, this is good news, but we should keep in mind that this is not about charity... The S Group hardly intends to reduce its margins. The industry, producers and other stakeholders will face pressures.

Suspicious attitudes towards the S Group’s message of covering the price reductions by means of savings are also visible in the following text, which suspects that some price reductions will be covered by increasing the prices of other products:

The S Group promises that the annual grocery bill of a family of four could decrease by as much as 2,000 euros. This means that products should be carefully selected from those covered by the recently announced price reductions. Who knows what will happen to other products? Perhaps their prices will go up.

The journalist also writes: “Competition just got fiercer, and consumers believe they will benefit from it.” In other words, the journalist questions and suspects the idea that consumers will benefit from lower prices.

As indicated in previous texts, representatives of the S Group assure critics that this price-drop campaign will continue. Therefore, this is not a short-term marketing scheme, as characterised by journalists and Kesko, the main competitor, but a strategic choice, based on the cooperative system. As a result, journalists also question the nature and duration of the price-drop campaign.

In addition to the themes above, the analysed texts covered many other themes, by questioning the campaign or its motives. For example, discussion of sustainability is turned into suspicion of whether the aim is to intentionally direct the public debate in a direction in which the S Group wants it to go. With regard to expanded discussion, the texts draw the impression of new links, not connected to the price-drop campaign, to create suspicion. These are also themes that the Finnish press has talked about previously regarding the S Group by suspecting that the S Group is attempting to have an unwanted impact on the location of its stores. A journalist writes:

Discussion over food prices has expanded to local planning policies and the location of Alko stores, both of which are interesting subjects.

There are also suspicions about whether the S Group will quietly increase the prices of other products to cover the costs of its price-drop campaign.

In summary, the rhetoric used in the discourses based on the analysed texts emphasises competition and sets various confrontations. Competitiveness and the conventional rhetoric originating from mainstream principles of private ownership are visible, for example, in that the texts claim that market share and competition over market share explain the price-drop campaign and, therefore, its motives. In addition, journalists have a
suspicious attitude towards the price-drop campaign and the activities of the S Group by questioning the timing, motives, execution, duration and nature. The corporate form and the cooperative system are not covered at all, except by questioning the arguments presented by the S Group in relation to the cooperative system.

**Key findings: discourses from the K Group**

Texts about and interviews with representatives of the K Group reveal at least the following themes: suspicion over the motives and timing of the price-drop campaign and the sustainability of the measure. These form a discourse which questions the S Group's actions and an equalising discourse. However, these discourses have partly different meanings than those of journalists.

Furthermore, the K Group emphasises its own sustainability and cooperation with parties that are characterised as those paying for the price-drop campaign in the texts. These were called sustainability and alliance discourses. In the texts, the S Group is regarded as a follower or even as a copier. The price-drop campaign is interpreted as a skilful but deliberate marketing stunt, the motive of which is to follow the K Group's activities and/or make profit. In addition, the texts undermine the impact of the measures.

“The K Group continues to lower its prices in January. We will not start any head-to-head battle with our competitor; instead, we have already taken significant action to lower our prices. It rather seems that the S Group has followed our lead,” Helander says.

Rauhala from Kesko says that the S Group's campaign was visible in its stores very momentarily. It calmed down in a few days.

As indicated in the analysis of the texts included in this study, media services largely covered the price-drop campaign as a competitive measure, by looking for payers and sufferers. These roles are mainly played by producers. During the year of analysis, the K Group emphasised actions through which it works together with producers and/or defends their cause, while the S Group's price-drop campaign was even considered to be irresponsible.

While the K Group criticises the S Group's campaign and its ulterior motives, it emphasises the sustainability of its choices, building suspicion about the S Group's sustainability:

“Instead, merchants of the K Group have lowered, and will continue to lower, the prices of products sustainably throughout the product range,” Helander explains. “We take care of small and medium-sized food companies. We should also talk more about international low-cost chains. When they increase their market share, they replace Finnish products with their own products,” Helander says, referring to the German Lidl chain.

To sum up, it seems that many comments presented by representatives of the K Group assess the price-drop campaign in a frame of reference of their own corporate form and operational purpose, without paying any attention to differences between their forms of business. Similarly to journalists, they regard the price-drop campaign as a deliberate, even questionable, marketing stunt. The texts include at least an implicit and built-in assumption that the purpose of business is to maximise profit.

Placing the two groups in an equal position and emphasising competitiveness are included in the texts in many ways. In addition, the financial results and any changes in the market share of both companies are reported. It is interesting that there is no suspicion over why the profits of the S Group seem to improve or be more positive than the K Group’s. The differences between the two corporate forms are ignored, such as that the cooperative system is based on co-op members and its mission is to provide its members with maximum benefits. The price reductions have probably engaged co-op members and encouraged them to use services more extensively than before.

**Key findings: discourses of the social actors and/or experts**

The texts presented under this group talk about phenomena other than the price-drop campaign or its motives, barely touching the campaign at all. These texts are fairly neutral, in relation to the competing discourses. Instead, it can be interpreted that the aim of the authors is to use the debate over the price-drop campaign as a stepping stone in order to increase social discussion over food as a social phenomenon, which in addition to
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the price, is associated with many other, currently more marginal, aspects, such as eating as a phenomenon, health, organic food, local food, taste and food culture. In these texts, the trade is regarded as part of people’s everyday lives.

It can be interpreted that the basic mission of the cooperative system is largely unknown. This becomes apparent in the way that the price-drop campaign is characterised. For example, it is regarded as an advertising campaign.

Public debate over food and drink became the number one topic of the nation on a certain Sunday in January when the S Group launched a massive advertising campaign for lower food prices. The term halpuuttaminen (“cheapifying”) was instantly coined in the Finnish language. Other chains had no choice but to follow the lead. When talking about food, price is always a subject.

The trade requires extensive social debate: analytical perspectives on consumers, traders and politicians about the significance, potential and responsibility of the trade in terms of the economy and health.

Many articles aim to increase understanding and knowledge of food, as a cultural and social phenomenon, to reflect on the dimensions of how Finnish people select their food products and to report the results via research and education. The texts talk about calories, healthy food, different types of food and consumer behaviour with motives to buy. In addition, they discuss the price, together with a number of other features, as a competitive factor.

According to Mäkelä, food products are selected not only because of the price, but also because of health, origin and taste.

In the trade, price has always been, and always will be, a key competitive factor. The current difficult economic situation emphasises the significance of this competitive factor even further, and chains are forced to fight for consumers using notable price reductions. In the extreme, price competition between chains may, however, lead to a one-sided range. In the worst-case scenario, price competition will eliminate any quality- and service-driven chains. This is a development path which I as a researcher and consumer would not like to see. This trend can be affected, at least to some extent, by making choices on the basis of factors other than price.

This change also offers an opportunity, but seizing it requires a new social position for domestic trade. Domestic trade requires a social vision: a shared understanding of what it should be like as part of international competition and how it can both offer a national competitive edge and be a source of various forms of wellbeing.

These last two quotes indicate how this group also does not understand the mission of the cooperative system. These texts do not distinguish between customers and co-op members. In the cooperative system, successful membership is based on multiple factors, other than low prices. When talking about domestic trade, there is no distinction between enterprises with different missions or their historical and present impact, in terms of the economy, culture, society or politics. Furthermore, at a national level, the impact of the cooperative system is clearly not known, at least not in the light of financial figures or history. For example, the texts do not recognise the cooperative system as a force promoting national wellbeing, which considering its history, financial figures and research, it is. Finland, in relative terms, is the most cooperative country in the world.

Conclusion and discussion

The analysis shows how significant the impact of the principles of private ownership and the idea of maximised profit, as the basic mission of companies, is on the discourses. At the same time, it can be interpreted that differences between different corporate forms are not identified. This was particularly apparent in the texts from actors, other than the issuer of the price-drop campaign. Descriptive themes inside the discourses include the short time span of operational reviews and quarterly operations of investor-owned companies. Other themes behind the rhetoric of the discourses included operating profit, return on investment, market share and emphasised competition (or to put in the other way round, non-cooperation). These themes are inseparably connected to the prevailing idea and theory of economics. No other line of thinking is known and research shows that any different approaches are considered to be foreign. Cooperatives that do not aim to maximise profit have been labelled freaks and *enfants terribles* in economics (Levi and Davis (2008).
The analysis also clearly shows that the idea of the cooperative system and its characteristics that distinguish it from other corporate forms are not known or are not desired in the public debate. The results show this in that different actors (shop chains) are regarded as similar entities, for example. Similarly, they are considered to have identical success indicators and operational goals. However, the mission of cooperatives differs from that of IOFs. However, others do not believe the arguments presented by the issuer of the price-drop campaign and they question, suspect or ignore them. This is clearly indicated, for example, in discussions about whether the campaign is a scheme based on selfish motives or a long-term strategic guideline related to the purpose and mission of operations. Furthermore, the texts do not make any distinction between different corporate forms by considering what and, above all, who the activities serve: capital investors or co-op members.

In summary, it is stated that the discourse of journalists, which has been interpreted to be suspicious and even biased, can largely be explained in that, also in the light of research results, cooperatives form a fairly unknown system. Therefore, the reasons for this type of discourse may be ignorance and, conversely, the dominant position of the prevailing private ownership discourse in our society.

References


Ethical agency contracts as a basis for co-operative management and leadership

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Abstract: The paper argues for the concept of an ethical agency contract as a basis for leadership and management engagement and development in the co-operative context. The paper agrees with Sigismundo B. Neto (2012) that agency problems are complex, given the governance structures of cooperatives. Neto does acknowledge the possibility of an ‘ethical agency’ and the paper develops this idea as a possible solution to the mounting record of commercial failure, demutualization and general inertia found in the contemporary co-operative sector. The paper argues this requires both a clear statement of co-operative purpose supporting a definition of co-operative management and leadership’s role to provide the content of an ethical contract. The co-operative business will not achieve its commercial potential without clear differentiation of its brand in terms of its membership of the Co-operative Movement and the social and economic critique of capitalism addressing the challenges of our times that this movement represents. Currently the complex agency challenges inherent in the co-operative governance model and the dependence on the mainstream business school model for co-operative management development are preventing co-operatives fulfilling their mission. This requires a management and leadership recruitment, selection and development programme that can transform the co-operative movements various silos and business models with a common purpose to provide a new political economy that combines business success with global sustainability and individual member economic sufficiency accessible to all the world’s peoples. The paper concludes that co-operative to co-operative networking and collaboration to support this overarching strategic goal cannot succeed without managers committed to a co-operative ethical agency contract grounded on a clear definition of the role of co-operative management and an equally clear behavioural specification of co-operative professional managers as leaders.

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Key words: Agency Theory, Co-operative Identity, Co-operative Models of Management, Co-operative Mission and Vision

Introduction

The paper’s supporting empirical materials have been drawn together over the last fifteen years. The work commenced with a survey covering some 17 consumer co-operatives in the UK, which collectively represented 70% of the Consumer Co-operative Turnover at that time and represented the biggest external survey of the UK Consumer Co-operative Movement, in the post war period. (Davis and Donaldson, 2000, 124-178). The papers from other sources are based on recent international case study research published between 2000 and 2015, including case study works from Germany by Munkner; (2000) in Spain, Bajo and Roelants; (2011) from Brazil, Neto; (2012) in Canada, Fairbairn, Fulton and Pohler; (2015) and a cross-country study by Couchman and Fulton; (2015) and in the UK, by Davis 2012 and 2014, compiled in the wake of the crisis first occasioned by the collapse of the UK CRS Ltd in 2000 (Davis, 2014a) and then followed by the UK Co-operative Bank collapse in 2014. The UK case study of the Co-operative Bank comprises both a consideration of the specific leadership model of Terry Thomas, during his period as CEO of the UK Co-operative Bank, and a wider historical perspective, from the 1950s to the Banks crisis to reflect on the wider British consumer co-operative context in which the CRS Ltd and Co-operative Banks tragic collapses took place in 2000 and 2014, respectively. (Davis, 2014b)
The paper’s structure commences with a broad discussion of the crisis the author believes to exist in co-operative management, in the context of co-operative leadership, purpose and governance. The paper then discusses the various and sometimes conflicting models of governance, leadership and purpose in the co-operative movement, before going on to explore the underlying agency issues raised in the co-operative context. The paper concludes that the agency crisis will not be removed by focusing on governance, but by fixing the developmental gaze more on co-operative purpose and unification around a value-based co-operative professional leadership model. To be effective, we argue this model needs to be rooted in an ethical agency contract defined by terms of stewardship for co-operative purpose and values reflected and fulfilled in the co-operative’s socio-commercial activities and assets.

Co-operative management and governance - an agency crisis

Managers of co-operatives are very much part of the general milieu going under the name of ‘Management’, both in their experience and in their business school training. Today, the co-operative manager remains like managers in general “… socially fragmented, economically polarized and culturally stratified.” (Read and Anthony, 1992, 591-613). One might, in the co-operative context, add ‘culturally isolated’ and ‘undeveloped’. They are underdeveloped in terms of their understanding of the mission and vision inherent in the management of a co-operative business. They are culturally isolated in two senses, first that the co-operatives mission sets them apart from managers in other organisations, and second that their co-operative employers generally show little interest or understanding of the importance of that part of the co-operatives mission concerned with belonging to and building up the Co-operative Movement. (Davis and Donaldson, 2000, 141-143). How we understand co-operative mission and vision remains central to how we might formulate the role of ‘management’ in a co-operative. Beyond these issues their lurks a growing awareness of corruption at the highest levels of management in blue chip corporations and this is also a concern within the co-operative sector as well - complicated in many parts of the world by various degrees of political interference in co-operative governance and business.

The evidence of widespread co-operative leadership and management failure is compelling when measured in terms of ‘co-operative governance’. The failure to engage membership in general and in particular with boards elected on the narrowest possible membership base means the co-operative is failing in one of its defining differences – its democratic governance. The problem is particularly acute in the consumer co-operative sector (the biggest co-operative sector in the UK), but can also be found to be a serious challenge in other sectors like the credit unions. In Agricultural Co-operatives, the problem has been more in terms of reconciling conflicting member interests and rival visions based upon the differing sizes of farm and particular types of farming and / or mix of farmer organizations. (Fairbairn, 1994, 35-51).

In 1999, 75% of British consumer co-operatives attracted below 1% of their membership to governance meetings with the best Societies achieving less than 5%-member attendance. (Davis and Donaldson, 2000, 160) Similar figures will almost certainly be found globally, as little has changed. There have been spectacular commercial failures in Europe and North America, as referenced above. These studies of failures combine to suggest an urgent need to review the various co-operative models of management and leadership.

Perhaps the biggest single piece of evidence of a general agency problem for co-operatives is the often felt need to reassert its own identity that one finds in the International Co-operative Movement. There were revisions in 1937, 1966 and the one that established the current formulation in 1995. (Birchall, 1997) For discussion on the co-operative identity, see as recent examples, Sven Åke Böök (1992), Rita Rhodes (1995), Ian McPherson (1995) and Peter Davis (1995). While the agency problem is a common one for all organisations, the issue for co-operatives is not simply one of conflicting agency interests (Neto, 2012), but conflicting visions and values. (Fairbairn, 1994, 42)
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One important differentiating element in the co-operative purpose and identity is that its organisational purpose includes the formation of a co-operative social movement. This point is worth emphasising as it is a significant departure from the focus in most of the literature on leadership and management of organisations as responding strategically to the market and market regulation - a perspective which dominates the discussion of leadership and management. This literature focuses on the leadership of people in the context of organisational change. A principle goal / purpose of the co-operative business, however, is to promote fundamental social and economic change in the wider society and to collaborate with other co-operatives for this end. Thus a ‘co-operative’ manager and leader’s agenda involves change management aiming at wider social and economic transformation, in addition to the organisational need to be responsive to threats and opportunities presented in the market and the organisation’s supply chain. Building this movement for change around the development of co-operative business is the one unique differentiation that can give co-operatives a genuine commercial momentum, in so far as they mean it and provide member, customer and supplier policies that promote these ends supported by appropriate educational programs.

The case for fundamental change in our global society and economy is not the subject of this paper. The assumption underpinning our paper is that the case for fundamental change in the ownership and management of the global economy is rational and sufficiently well founded to merit academic and public policy debate. Such a debate needs to include the question of the purpose and accompanying leadership model that is appropriate for such an alternative economy and business. The case being made here is that the ethic of co-operation, based on solidarity and open access, requires an appropriate ethical agency contract for co-operative managers and leader’s - one reflecting the co-operative mission and vision.

The Debate over Models of Leadership, Governance and Purpose within Co-operatives

There are several existing, well-established and acknowledged models of co-operative management. First, the Charismatic Model or great founding leader, whose vision, personality and dedication gives them the authority and respect of the members and whose influence is generally decisive in determining the direction the co-operative policies and strategies will take during, and often after, their lifetimes. Johnston Birchall’s exploration of the historical origins of the International Co-operative Movement is littered with great founding fathers and one can identify many lesser figures where their great personal charisma was significant in the development of the movement. (Birchall, 1997) For two good examples of contemporary charismatic leaders see: in Europe, Father Jose Maria ArizmendiArrieta who founded what became one of the most successful employee-owned groups of co-operatives in the world, based in Mondragon in the Basque region of Spain (Bajo and Roelants, 2011, 178-187) and in Asia, Toyohiko Kawgawa, founder of a number of co-operatives in Japan. (Birchall, 1997, 164)

The second type of leadership model is based on direct worker control and is usually operated through consensus decision-making. Leadership and management are essentially seen as a function of the collective and a reflection of the broader lifestyle objectives of the membership. The author of this paper has no argument with the validity of the collective model of co-operative governance where the members concerned are acting in the spirit and principles of Co-operation. However, collective management itself is no guarantee of co-operative identity. The membership of Industrial Common Ownership Movement (ICOM), now part of Co-operatives UK, includes many such small scale co-operatives, yet it is not enough for a business to be collectively owned with collective / consensus decision-making to be called a co-operative. What if the members distribute all their surpluses between them, do nothing by way of working with other co-operatives, give nothing to their local community, either financially or by volunteering, operate with a tightly exclusive and homogeneous membership, invest nothing in education and treat their suppliers and customers in a purely instrumental fashion. Can such an organisation be called co-operative? As the chair of the
committee and author of the report to the ICA Congress in 1995, Prof Ian MacPherson made clear the seven principles in the identity statement were to be taken as a whole. (MacPherson, 1995, 23) Many particularly larger co-operatives operate within the form, but exhibit little of the content implied in the principle of co-operation between co-operatives, as an economic and social philosophy. See Birchall’s discussion of the problems of European consumer co-operatives, for an example of such failure.

The charismatic and collectivist approaches generally, as their businesses grow, transform into the rational bureaucratic civil service-style model of co-operative governance, where management’s function is to respond and execute the policy-making leadership of the elected board. I quote below from the International Co-operative Alliance Guidance Notes for the clearest and most authoritative statement of what is surely one of the biggest myths in modern co-operative governance today - the myth that management is responsible for the day to day running of the co-operative and the board makes the policy. The ICA guidance notes give us the clearest and most unambiguous statement of the civil service model of co-operative management and governance. A careful reading of this guidance to senior executive’s shows the contradictions inherent in this myth, once the realities of management’s greater skills, knowledge and privileged access to information are recognised.

SENIOR EXECUTIVES

There needs to be a clear understanding of the democratic rights and responsibilities of the elected board of a co-operative and its focus on the long-term enterprise strategy and the role of professional senior management, accountable to the board, entrusted with day-to-day management. Senior executives need to demonstrate their practical commitment to and respect for the principle of member democratic control by the way in which they support and service their co-operative’s business decision making. Key strategic policy decisions need to be explained to members clearly, concisely and in a way that the whole membership can understand, with alternative options given where appropriate. The presentation of financial and business information to boards and members in general meeting needs to be in a form that complies with legal and regulatory requirements but also in a way that members, especially those elected to serve on boards, can understand to enable them to exercise their governance responsibilities, with alternative options and strategies detailed and presented. The business risks inherent in decisions that need to be made by elected members should be detailed and risk management strategies identified. Senior executives, whether they are a member of the board or not, have a duty to advise boards about what they consider to be the most appropriate business decisions and actions to take but should not simply expect elected members to rubber stamp the decisions they recommend. There needs to be mutual respect for the two distinct roles of the strategic governance responsibility of the board and the day-to-day business management responsibilities of senior executives. (International Co-operative Alliance, 2015a, 23-24)

This model of delegated leadership, in which elected boards are tasked with the determination of policy and strategy generally supported by directly employed professional managers with ultimate accountability to the Co-operatives AGM has led to widespread managerialism and sterility. The co-operative management literature largely accepts the rational bureaucratic model seeing management practice as being essentially scientific, value-free and politically neutral. This idea of management as a purely neutral science disarms the board and provides the cover for managerialism and the assertion of the managers’ own agency priorities and values. As Cornforth points out, the role of the CEO in co-operatives is hardly paid any attention, (Cornforth, 2015, 95) yet the leadership role and its significance for the direction of the organisation of the CEO in the non – co-operative literature is pretty well unanimously acknowledged. From CEO down to first line supervisor, management has a leadership dimension to its practice with distinctive orientations and skills. These two aspects of a manager’s role (leadership and management)
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can be analytically separated, but not in practice. (Daft, 2005, 18). The vision and behaviour of the CEO is generally taken to be critical in determining organisational culture and goals. The legitimacy of the goals themselves is rarely questioned in any discussion of management and leadership in the context of change management.

To discuss leadership or change management without a discussion of purpose and context is possible for most of the literature because the fundamental reasons for change and the fundamental purposes of capitalist business are assumed to be for the public good. Terms like ‘efficiency’, ‘market forces’, ‘consumer choice’, ‘excellence’, ‘human resource development’, ‘Business Process Re-engineering’, etc. are assumed to be grounded in a neutral science that it is irrational to challenge. Conflict is merely based on misunderstanding and poor communications. It is worth remembering that Co-operation, on the contrary, was founded upon the proposition that capitalist organisation is inimical to the public good and there was a real need for a new economic and social order. While Co-operatives are generally presented as an alternative business model, compatible with free market economic systems, it needs to be pointed out that this does not imply an endorsement of the capitalist organisation of markets. The principle of co-operation between co-operatives is speaking of a wider Co-operative Commonwealth agenda, in which any co-operative is seen as much a part of a social movement as an individual business within a commercial / industrial / agricultural sector. (See the International Co-operative Alliance, 1995, Identity Statement Principle 6) Co-operatives today must comply with the International Co-operative Alliance (ICA) 1995 Statement of Co-operative Identity, which contains the principle of democracy as one of its seven principles, but this alone does not constitute a co-operative. A co-operative operating in the co-operative spirit and culture in pursuit of the goals of Co-operation as a social philosophy needs to be acting effectively on the principles of education, concern for community and co-operation between co-operatives. Minimalist approaches to meeting the requirements of the whole of the co-operative identity, while focusing on merely ensuring that the formal institutional arrangements for governance are met, leads to failure and demutualisation.

What approaches, like the ICA guidance notes, fail to take into account is how the formal adherence to codes and principles can be undermined by the informal use of privileged power and informational access arising from the unimpeded control of the day-to-day operations resting as it must with management and its bureaucracy. On the issue of day-to-day management decision-making, the Guidance notes appear to fall back into silent acceptance that these are all purely value-neutral and taken on the basis of rationality and efficiency being entirely value-free. However, it is in the day-to-day operation and the decision-making by CEOs and other line managers that application of managerial power and authority develops and / or shifts organisational culture. Managing the day-to-day structures and processes and in applying the management tools that we need to operate the co-operative’s business determines real values and norms of behaviour. Davis and Donaldson proposed seven operating principles as guidance which, when supported by appropriate development opportunities, could embody guidance in practical decision-making to support the ‘co-operative spirit’ and mission. (Davis and Donaldson, 1998, 87-104) Notwithstanding these proposals, their authors recognise that, however many guidance notes and codes one puts in place, they will be no more than cosmetic in their impact unless co-operatives take into consideration the issues of agency and the motivations by the individual office holders.

The agency problem in the co-operative context

Neto suggests there are two perspectives to consider when analysing the efficiency and effectiveness of the decision-making processes covering policy and strategy in co-operatives: the distribution of control rights and decision power – the governance perspective; and information value and availability – the management control systems perspective. (Neto, 2012, 75-76). Neto claims that both dimensions are important in systematizing the characteristics of
managerial control typologies and identifies three primary categories. First the for-profit organisations which have control, structure and process systems entirely focused on activities that generate revenue, with their control based on economic-financial numbers. The second are organisations without economic or profit based objectives that aim to provide entirely social or public services characterised as non-profit organisations. Neto’s third category has a combination of economic and social goals but without the goal of profit. These not for profit organisations include the type of business known as co-operatives. Neto claims that this latter type has more complex control systems than the other two as a result of their having both economic and social objectives. (ibid, 75) To some extent, this is an over simplification as the regulatory environment will lay down non-monetary standards which require measurement and record in areas of employment, health and safety requirements, and environmental standards, etc. which apply to all organisations and require reporting and record-keeping, no matter what the organisation’s objects may be. However, the division of these two dimensions in co-operative practice, the business and the social side, has led to the development of a non-co-operative culture in many co-operative businesses and an underdeveloped social dimension. The author has argued elsewhere that it is only in the integration of the commercial and the co-operative dimensions that co-operatives achieve our real competitive advantage (Davis, 1999) and realise the huge potential that mobilisation of our human capital (Davis, 2004) could achieve commercially and socially for greater distributive and natural justice, not to mention addressing the many other challenges attaining to peaceful coexistence and sustainability.

Neto argues, perhaps rather pessimistically, that co-operatives having greater complexity in their governance adds to their costs and detracts from their efficiency, in terms of speed of decision-making. (Neto, 2012, 25) Neto argues that the democracy principle - one member, one vote can in the general assembly generate conflicting objectives or vaguely worded goals. On the other hand, popular determination of policies can add to popular loyalty towards the organisation, either as producers, suppliers, employees or as consumers in their co-operatives. Neto also argues that the equality and solidarity principles can generate higher transaction costs, by distracting management from the economic goals. (ibid, p.76) On the other hand, it can generate team solidarity and greater trust and transparency between stakeholders and within the sometimes conflicting interests within the membership stakeholder. Neto claims distribution of surpluses on the basis of use can also lead to inefficiency though the generation of conflict. However, it is also the case that transparent systems of measurement and the application of the principle of retention for security and growth can reduce conflicts and provide greater solidarity. (Bajo and Roelants, 2011, 190-196) Third, Neto points to the unequal struggle between the agents (managers) self interest and the board’s ability to control this, due to the former’s privileged position in controlling information flows and presentation and also because often the board members are less sophisticated in their ability to interpret the data provided and have insufficient business skills. (Neto, 2012, 81) This latter point was also one Birchall points to in his review of British consumer co-operative performance. (Birchall, 1997, 90)

Neto’s focus and case study materials are based on the Brazilian context, which in many ways may not apply directly in other national contexts, but his general points above are common to all co-operatives. Neto’s further case example of co-operative governance, by democratically elected boards which do not directly employ professional managers, raises special issues for how the agency problem manifests itself in this context of membership engagement, where informal relationships can determine different levels of access to services and surpluses (Neto, 2012, 81-87) This independent management role for the Board is one that can be found in many southern hemisphere small scale co-operatives and credit unions where nepotism and corruption can often be found to exist. This raises, however, an important further issue for northern hemisphere co-operatives, namely the possibility of board and management collusion against the member’s interests. The UK Consumer Movements failure to implement the Gaitskell Report (1958) recommendations for amalgamation of the hundreds of small consumer societies into 40 regional ones was a failure of co-operative democracy. The interests of board members were put
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before the interests of improved services to members. (Davis, 2014b, 2) Often dividends were not sustainable, but took precedence over greater investment. Wider member engagement was often discouraged in order to protect incumbent board members. (ibid) All this needed and received the collusion of the professional manager, whose collaboration would have certainly been bought at a price or agency cost. The low levels of member engagement in British Consumer Societies are possibly further evidence of agency interests distorting co-operative values and purpose. (Davis and Donaldson, 2000, 160)

Neto’s own analysis of the agency problem introduces the concept of risk aversion on the part of boards and managers where the relative degree and mix of risk aversion or risk taking by the parties (boards and managers) can lead to different degrees of agency costs, although in the Brazilian context, Neto notes both the manager and the board are generally to be found in the risk averse category. (Neto, 2012, 78-79) However, Neto does accept the possibility of different logics forming the basis of an agency contract and mentions three alternatives; the economic, political and ethical agency contract. (ibid, 29) It is perhaps clear to see what is implied by economic self interest; but political could be either in terms of the pursuit of personal power and self aggrandizement or in terms of specific ideological commitments; and an ethical basis for an agency contract might well include a religious faith, such as drove Father Jose Maria Arizmendiarieta or it might be manifest in secular humanistic terms as a moral commitment to co-operative values, mission and vision. We believe this ethical agency to be the only acceptable basis for contracting managers and appointing or electing leaders in co-operatives to avoid both additional agency costs and adverse impacts on efficiency that Neto identifies in the co-operative case. It is also plainly the only way to ensure managerialism is prevented. To achieve this, we need to replace the ICA statements exhortations with an attitudinal and co-operative value-based management profile that is consistent with the defence and development of co-operative identity and mission in the competitive day-to-day contexts and limitations the individual co-operative may confront in its operations.

Conclusion

This paper concludes that attempts simply to distinguish co-operative management and its leadership function, in terms of Management-Board relationships, interests and agency supported by the adoption of codes or guidance notes will not provide an adequate defence of the co-operative difference. Form without content will always prove to be hollow. We need to identify and define clearly the roles and purposeful behaviours that co-operative leaders need, in order to have some measure of what leadership that is truly co-operative in content looks like. This takes us from defining purely process to defining purpose. Without a Co-operative leadership and management based on an ethical contract committed to both co-operative process and purpose, the threat of managerialism, the danger of elected members own agency interests, and the reality of large organisations will make it impossible to revitalise and mobilise a movement that has lost its momentum and is failing to sufficiently communicate its alternative vision. We can only expect to witness further incorporation, demutualisation and failure. Neto’s pessimism and Birchall’s caution concerning the co-operatives potential to change society are well-founded, when one reviews the record. As Birchall notes, there is no guarantee of evolutionary progress. (Birchall, 1997, 235)

It is up to us to want to change and to be committed to a strategy for change that is co-operative, non-violent, gradualist, voluntary and market led. There needs to be a clear statement of principle as to what co-operative management means in: a) functional terms of the role and b) in terms of behaviours (See Note 2). Without these statements or templates of management recruitment, selection and development of democratically elected boards through the discernment of members will continue to run high risks of inappropriate appointments. Co-operations hope to raise humanity to something like the fulfilment of its potentiality for good and morality has been unfulfilled so far at the global level, but that is no reason to stop trying. At the individual and local level, there have been real achievements, as well as failures. In the context of defining the role of a distinct form of Co-operative Management,
the author suggests the following refinement of his 1995 proposal for the incorporation of a principle of Co-operative Management in the Co-operative Identity Statement. This principle, the author believes, provides the context for establishing an ethical agency contract between the co-operative and its managers and leaders.

The International Co-operative Alliance must give life and direction to the Identity Statement defining co-operative process with another equally clear statement of co-operative executive leadership and purpose. The two go hand in hand because all co-operative leadership and followership, practiced at whatever level, is concerned to implement the co-operative mission and carry the whole movement forward to eventually realise its vision of the relationship of business to society as a Co-operative Commonwealth.

Co-operative executive management is conducted by men and women responsible for the stewardship of the co-operative community, values, heritage, assets and purpose. They provide leadership and policy development options for the co-operative association based upon professional training and co-operative vocation and service. The co-operatives chief executive officer will sit as a full board member with functional heads also being co-opted in larger societies. Co-operative executive and line management is that part of the co-operative community professionally engaged to support the whole co-operative membership and community of stakeholders in the achievement of the co-operative purpose. The common purpose of all co-operatives being the establishment of just economic relationships based upon democratic ownership of the economy aiming at supporting human social and individual development in the context of environmental and resource utilization and sustainability that respects the dignity of the individual, the common good and concern for all life on earth and its habitat. (Davis, 2015, 9)

The author agrees with Birchall that the realisation of the Co-operative Commonwealth vision is far from being certain and is not in any way the product of historical inevitability. There are many futures set out before humanity, some undoubtedly driven by human greed and vanity, by the processes of accumulation and globalisation, technological revolutions impacting on every aspect of human life and creating ethical problems that could not have been dreamt of a generation ago, plus the mounting pressures of climate change and resource and habitat degradation.

To the author of this paper, most of these futures are too ugly and inhuman to contemplate. He is not alone either in holding to the belief that where women and men of goodwill co-operate, led by persons of virtue inspired by a vision and values grounded in the realisation of both the dignity of the individual and the common good, great things can be achieved. Schumpeter defined entrepreneurs as business people driven to build personal empires through a process of innovation that both creates and destroys. (Schumpeter, 1942, 117). Alternatively, co-operative entrepreneurs use co-operative businesses to build the New Jerusalem, or in more secular terms, the Co-operative Commonwealth. (Note 3) Underlying these two visions and business models is of course a bigger question – what is economic activity ultimately for and what is the responsibility of those who manage this activity for the choices made? In answering the last question, the idea of an ethical agency contract may make a positive contribution for all types of business, but it is surely an essential component for managing a co-operative business.

Notes
1. Birchall, Johnston, pp.83-97. We disagree with Johnson’s conclusions, however, that the parochialism and sectarianism he evidences ‘is the weight of history’ (p.97) preventing the emergence of a modern co-operative retailing. On the contrary, it is the consumer movements own ideological claims and the overall ignoring of the principle of co-operation between co-operatives that has made consumer co-operation so divisive and conservative a force in the movement, often entering into competition with agricultural and worker co-operatives.
Ethical agency contracts as a basis for co-operative management and leadership

2. Davis, P. (2018) in a forthcoming chapter in an edited book entitled Leadership as Profession, Editor, Prof Anders Ragnar Örtenblad, discusses the development of an ideal type definition of Co-operative Leader as a contribution to the identification of behavioral measures and possible learning objectives for co-operative management and leadership development programs.

3. Schumpeter denigrates such ideas as being ‘utopian’ - a flower beautiful in itself, but without any social soil to grow on. (ibid, 276) Such a claim is surprising, given that in 1942 even in the USA, where Schumpeter was based at this time; there were many examples of an emergent co-operative movement with clear social roots in small farmers and workers being imported from the European experience.

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Comparative study on Gender Integration in Co-operatives: The Case of Women-Based SACCOS at the Kenya Union of Savings and Credit Co-operatives (KUSCCO) Ltd.

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Abstract: Approximately 7 per cent of the African population is affiliated to the co-operative movement and in Kenya alone, co-operatives provide some two million employment opportunities. In Africa, as elsewhere, inequalities persist between women and men, in terms of access to and control over resources and opportunities. In employment, women are found more often than men in informal and precarious work, with particularly pronounced imbalances in some sectors (ILO, Geneva 2002). The critical importance of closing gender gaps – which are not only contrary to the realization of women’s rights, but also an obstacle to poverty reduction – is widely recognized. The latest report on the State of Food and Agriculture of the Food and Agriculture Organization of the United Nations (FAO) shows, for instance, that if women had the same access to productive resources as men, they could increase farm yields by 20–30 per cent, raising total agricultural output in developing countries by 2.5–4 per cent, which could in turn, reduce the number of hungry people in the world by 12–17 per cent (FAO, Rome 2011). For women, who due to gender-based norms, often have lower access to and control over economic and social resources and opportunities, co-operatives present distinct advantages. Apart from being able to access economies of scale, as providers of services, producers or as consumers, participating in a co-operative, as a member, elected leader or manager also brings with it enhanced status and voice in the community and society in general (Argawal 2001). Given that there is insufficient research data on gender issues in co-operatives, and in particular, the participation of women in leadership roles, KUSCCO, in collaboration with the Co-operative University of Kenya, will conduct qualitative empirical research that will focus on co-operatives under the umbrella of the Kenya Union of Savings and Credit Co-operatives (KUSCCO) and will explore gender equalities in them and recommend strategies for promoting gender balance.

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Introduction

Co-operatives and Gender Integration
Co-operatives are autonomous associations of people who join together to meet their common economic, social and/or cultural needs through jointly-owned and democratically controlled enterprises. Co-operatives are able to promote economic and social development because they are commercial organizations that follow a broader set of values than those associated purely with the profit motive.

On the other hand, Gender integration is the public policy concept of assessing the different implications for women and men of any planned policy action, including legislation and programmes, in all areas and levels.
In many countries where women are particularly disadvantaged, in terms of legal rights, co-operatives should form national level coalitions and alliances with gender advocacy organizations and other civil society organizations to lobby governments for equal rights (especially in property and asset ownership) and an effective legal framework and institutions that foster gender equality. Without fundamental changes in society, of course, it is difficult for co-operatives alone to alter gender disparities which affect their operations. However, since co-operatives often have the needed representation force behind them, they are in a good position to influence national level policies and should make use of this (Nippierd 2012).

Research by Co-operative University of Kenya
According to a study by the Co-operative University of Kenya on gender parity and age structure in The Kenyan Savings and Credit Co-operatives Sub Sector, Wekesa, A; Gicheru, E (2016), there was observation that there is need for SACCOS to maintain data that can be used to make quick decisions and inferences on the status of the entities, with respect to important dimensions like age and gender. The information is critical for policy formulation in the interest of socioeconomic health of the country. The results indicated glaring imbalance between genders and also across age groups. It came out that membership is predominantly aged above 35. However, it is interesting to note that, in terms of membership and employment, there seems to exist parity between female and male members. Disparity is pronounced in the board management, funds ownership and loan portfolio. Therefore, it follows that there is need for intervention measures to address the disparity, in terms of age and gender. From the research, it’s evident that youth membership is wanting. Female members are dominated in SACCO management, even in cases where membership is predominantly female.

Background of the Study
The values of self-help, mutual responsibility, equality and equity are held in common by all cooperators, but even though co-operatives may have policies of equity and equal opportunities for both women and men, their practices may differ. True equality may not, in reality, exist. For example, although women contribute significantly to the agricultural sector and hence, to the national economy of nearly all countries in the world, the percentage of women members in agricultural co-operatives, compared to men, is notably lower. Women’s participation is also practically non-existent in co-operatives at decision-making levels (Nippierd 2012). In order to correct these imbalances and ensure the sustainability of co-operatives, it is necessary that gender issues are addressed. Whereas every effort is being made to achieve gender parity and social inclusion, the success of such effort is bedeviled by lack of proper, credible and relevant data for effective policy formulation. Of equal importance is the issue of age structure data, which is key in future policy formulation, including leadership succession planning.

What are gender issues in co-operatives?
Below are some specific gender issues of concern to co-operatives and questions that co-operative leaders can ask themselves.

• Low level of participation in co-operative development and particularly that of women.
• Quality of women’s participation in co-operatives.
• Constraints to participation in co-operatives, such as social, cultural, economic and political restrictions on women, their heavy workload, level of education or the selection criteria for members, etc. If any of these constraints exist, what is being done to address the situation?
• Access to and control over resources, such as credit, education, training, production inputs and marketing outlets. Do men and women have equal access and control over resources?
• Co-operative training
• Financial and social benefits. Is it advantageous for women to form co-operatives? Do co-operatives support income- generating activities for women?
Comparative study on Gender Integration in Co-operatives: The Case of Women-Based SACCO’s at the Kenya Union of Savings and Credit Co-operatives (KUSCCO) Ltd.

Why is gender integration important?
Co-operatives are based on the values of self-help, mutual responsibility, equality and equity. They practice honesty, openness and social responsibility in all their activities. In order to enhance the credibility of co-operatives as democratic people-based movements in the eyes of the public and co-operative members, co-operative values must be respected and adhered to.

What are the benefits of gender integration?
By enhancing women's productive capabilities and developing their capacities, co-operatives will benefit from this hitherto underutilized human resource. Many women have special skills in entrepreneurship, for instance, in farming and trading.

Men and women often tackle and solve problems differently. In today's rapidly changing socio-economic climate, the need for innovative thinking and creative ideas is becoming exceedingly important, especially for the co-operative sector. By involving more women in decision-shaping and decision-making, one will enhance the prospects of co-operatives, diversify activities and fortify the co-operative movement.

In the case of trade co-operatives, the involvement of more women in economic activities would result in a more integrated production of food crop and cash crops. This would enhance economic empowerment of the women, thus reducing the gaps in the employment sector, as well as improving their social standing. For example, women are often more concerned with social development issues than men that touch the everyday lives of women, such as employment, health, the environment and children.

Objectives of the Study
The main objectives of the study are:

- Explore gender equalities in co-operatives under the umbrella of the Kenya Union of Savings and Credit Co-operatives (KUSCCO).
- Recommend strategies for promoting gender integration.

Methodology

Study Design
A study was conducted using a descriptive research design to explore and investigate the motivation, access, and benefits of Youth and Women funds through a KUSCCO KUSASA account.

The Study Population
According to the study, the target respondents were comprised of direct beneficiaries of Jiko Safi (Energy efficient cook stove) and KUSASA (KUSCCO Front Office Service Activity), which included entrepreneurs and a traders SACCO. The data was collected through a series of interviews with SACCO staff, members and beneficiaries, which were video recorded and thereafter, transcribed and extracted.
The Kenya Union of Savings and Credit Co-operatives (KUSCCO)
The Kenya Union of Savings & Credit Co-operatives (KUSCCO Limited) is the Union for Savings & Credit Co-operative Organizations (SACCOs) in Kenya. It was formed and registered in 1973, by the Ministry of Co-operatives under CS/No. 2171. As a Union, its main role is to create a platform to lobby and advocate for a favorable environment, in which SACCOs can thrive and impact the livelihoods of millions of members in Kenya.

Besides advocacy, they have a keen interest in promoting the development of viable SACCOs, information dissemination and promotion of a common code of ethics among members, based on the co-operative principles. Its mission is the “promotion of SACCOs through advocacy and provision of quality, diversified, innovative and market-driven products and services for sustainability.”

KUSCCO Support for Women-based SACCOs and Groups
In order for KUSCCO to remain financially independent and support the organization’s core role of advocacy, six business units were formed. These units are the channels through which KUSCCO supports women-based SACCOs and groups. The Union has about 40 women-based SACCOs and over 100 groups affiliated to it. Through our countrywide network, we have ensured that we mobilize funds, empower technically and financially and ensure proper governance structures are put in place for all affiliated women-based SACCOs.

The Central Finance Fund
The Central Finance Department is an inter-lending program for SACCO Societies started in 1989. It mobilizes funds within the SACCO sector, extends the credit boundaries of SACCO Societies and accelerates their lending capabilities. The Central Finance Fund consists of:

- The Inter-lending Facility (CFF)
- KUSASA (The Front Office Facility)

CFF has partnered with USAID through Winrock International in growing the renewable energy sector, by financing purchase of clean and efficient cookstoves to SACCO members. USAID awarded a grant to KUSCCO, as part of an open competition for innovative solutions to overcome distribution and financing bottlenecks in the Kenyan cook stove sector, two key constraints to growth noted in recent market assessments by Winrock and the Global Alliance for Clean Cook Stoves. KUSCCO supports a network of 3,500 member SACCOs that provide credit to their individual members seeking to purchase cook stoves. KUSASA also advances loans to groups of women to grow their businesses and improve their livelihoods.

Risk Management Services
The department provides SACCOs with mutual protection against loan losses. It covers loans to members, committee members’ risks, funeral expenses and member savings.

Education and Training Services
This department was started in 1974 and is the oldest. It trains SACCO officials, staff and members on governance, financial management, human resources, taxation, asset and liability management, among others. It also organizes international trips and has seen SACCO officials visit countries like Israel, UK, USA, Dubai, among others, for benchmarking visits. In terms of capacity-building of women, over the years, the department has ensured that women forums are organized every year, representation of which cuts across the various counties in Kenya. Trainings conducted have been on Gender & Integration of Women in SACCOs, Women Leadership in SACCOs, among others.
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Research and Consultancy Services
It pioneered the first Front Office Service Activities for SACCOs in Kenya, Ghana, Tanzania and Malawi. The consultancy services provided to affiliates include strategic planning, feasibility studies, salary and benefits surveys, succession planning, job evaluations and development of job descriptions, recruitment, re-branding etc.

KUSCCO Housing Fund
It was founded in 1996 and it is one of Kenya’s most affordable housing schemes. It has disbursed over KSh 2 billion to individual SACCO members for plot purchase, house construction and purchase. Women have been great beneficiaries with some of them being assisted to build rental properties to supplement their trade income. This way women have been empowered to be self-sustaining.

Corporate Affairs and Marketing
This is the advocacy arm of KUSCCO. It coordinates corporate communication activities, corporate social responsibility, product strategy and brand management. It publishes ‘The SACCO Star’ magazine on a quarterly basis, as a medium for creating awareness and as an extension of advocacy.

Case Studies of the Co-operatives Under the Umbrella of KUSCCO

Case study 1: Dimkes SACCO

Dimkes Sacco was started in 1998, as a Diocesan Mothers’ Union Project. Mothers’ Union was first introduced in Kenya in 1955, during the tenure of Bishop Obadiah Kariuki and his wife Lilian. It was then that grants from overseas were ceased and this prompted the Bishop to train his followers on being self-reliant. The Mothers Union groups then started development projects within their churches and parishes, such as buying utensils, tents and chairs for hire. They later started building rental houses, which led to the Diocesan Tumaini houses project in Ngong. After the completion of the project, the Diocesan executive committee started thinking of how to improve living standards of the individual members of the community. The idea of starting a co-operative based on faith was born in 1998.

With the help of the SACCO, the Mothers’ Union department was chosen to undertake the pilot project because they were sure the benefit could reach entire families. This was a way of giving back to members who had always given to the church. The Mothers Union Coordinator, at the time, Mrs Tabitha Wanjiku Gikanga worked tirelessly on the idea and ensured that Mothers Union members were registered from the grassroots at a membership fee of KSh 200.

KUSCCO has been instrumental in helping Dimkes grow by extending various consultancy services, for example review of their by-laws, formulation and review of various policies to help the SACCO operate in an efficient manner. We are currently formulating an operations manual that will help, not only in efficient operations, but will also aid in knowledge management, which is a major problem in organisations. KUSCCO has also lent the SACCO over KSh 22m, for lending to the SACCO members to ease the burden of liquidity challenges. This has seen more women take up the loans for various development activities and also educating their children.

KUSCCO, through our risk management services, has covered the SACCO against loan losses caused by various factors and this has helped the SACCO minimize income losses, in cases of, for example, member deaths. Dimkes has also
benefited from our education and training services and has trained their board, staff and members during the various education days and forums organized by KUSCCO.

With the help of the aforementioned interventions from KUSCCO, Dimkes has grown to its current membership of 16,000 and a portfolio of over KSh 900m. It has also been paying high dividends to members and has formed a subsidiary, Dimkes Investment Company, that is helping members acquire property and gain financial empowerment.

Case study 2: Gikomba Upendo Fish Traders SACCO
Gikomba Upendo Fish Traders SACCO was started in 2007, as a women’s welfare, with 30 members. The initial idea was for each member to regularly contribute a specific amount of money, just like in a merry go round, to be able to support each other when need arises. In 2010, the membership had significantly grown to 70 and the officials of the welfare decided to start their own Sacco. To test whether the idea was viable, they started by giving their members individual loans amounting to KSh 5,000 and as trust grew, they strengthened their internal operations structure and they began increasing the loan limit to the members.

By 2012, they had increased the Sacco membership to 97. With the increased contributions, they were also able to get a loan from KUSCCO. The initial amount advanced by KUSCCO was KSh. 1 million, which they paid up within one year, and they were later advanced another loan of KSh. 2 million, which they repaid, and in 2015, they were advanced another loan of KSh. 4m. These loans have helped them in various development projects, among them being the purchase of 3 acres of land in Kisumu (western part of Kenya), which they are planning on developing. They have also bought a 33 seat mini-bus, with the intent of increasing their income. They mainly distribute the money to members who carry out their personal developments. Each member contributes KSh 1,000 monthly and can access credit of up to KSh 300,000, subject to their savings. They give loans to their members at an interest rate of 1.5% per month, 18% per annum.

In an interview with the members of Gikomba Upendo Fish Traders SACCO, the chairlady was quoted, saying “[w]e urge other women to join SACCOs regardless of their income as we also started with minimal income. The SACCOs also provide members with insurance covers and we can be able to protect ourselves from risks and crisis”. Joyce Akinyi, a member of the SACCO, was also quoted that “[t]he SACCO has helped most members build their own homes, open up their own businesses, pay for their children’s education and meet many various basic needs.”

Case study 3: Beneficiaries of the KUSASA Facility
In an in-depth interview with the KUSASA manager, Walter Mukhwana, he stated that “the KUSASA FOSA account has been serving the women and youths in Nairobi and its environs. They offer the Vijana SASA loans, also known as the Youth Fund Loan, which they give to the youth between 18 to 35 years. The purpose for this loan is mainly for business startup and to boost the already existing businesses”.

It is because of this that the number of account holders at KUSASA is continuing to steeply grow, thus helping more youth and women get into more gainful economic projects and essentially, helping eradicate poverty. KUSASA is also the go to financial partner for women, who are a formidable economic source, especially in the rural areas, yet their role in economic production remains largely unrecognized. The continued inability to access and control resources has been a major factor in perpetuating poverty in the country and keeping the economic performance of the country below its potential. However, KUSASA is in the process of rewriting the story and empowering women, through access to affordable loans to start sustainable enterprises.
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Helen Liu, an accountant by profession and a beneficiary of KUSASA is a budding entrepreneur, who has since left formal employment and is now concentrating on her chicken rearing business, was quoted in the interview saying “I started saving small and then attained a certain level of amount which then allowed me to get a loan, currently I don’t regret my decision and am not planning to get back to employment”. Helen represents the change and opportunities that KUSASA is able to offer to its members.

Salome Kavindu, a landscape architect and a beneficiary of KUSASA, quoted that “I opened my own firm because I wanted to start my own brand to be able to also employ other people. I was actually introduced by a friend to KUSASA and I thought it was a good idea, so I started saving with KUSASA, and they were able to give me the Vijana Loan which empowers young people just in case you want to expand your business, you want to improve on infrastructure, etc.” Kavindu calls on the young women entrepreneurs to embrace the SACCO option.

To further advance the agenda of women empowerment, KUSCCO through its central finance fund has started a green energy arm dubbed the ‘jiko safi loan’. The loan is available to both SACCOs and individuals and is used to purchase clean cooking stoves for houses. In turn, this reduces indoor air pollution and associated health complications arising from traditional cooking methods, like open fires and traditional jikos.

What can be done to integrate more women into co-operatives?
The first thing is to include gender on their agendas. The formulation of gender-sensitive policies, strategies and plans is essential. These should be drawn up, in a joint effort between women and men. Co-operatives should address equality issues and make a firm commitment in their mandate to correct imbalances where they exist. For example, co-operatives can state their intention to address the problems of women’s access to credit, land, equipment, extension services etc. and/or to take positive measures to include more women in their training programmes, in decision-making and leadership positions.

Conclusion
From the case studies, it can be concluded that women’s participation in co-operatives has been enhanced and their engagement in utilization of the funds has greatly improved. This is evidenced by the observations made, during the field visits to the women entrepreneurs who benefited from the various SACCOs. KUSASA beneficiaries, Gikomba Upendo Fish Traders SACCO and Dimkes SACCO have immensely contributed to empowering women entrepreneurs in Nairobi and its environs.

Recommendations
In order to harness the co-operative potential for women’s empowerment and the benefits it generates, in terms of development and poverty reduction outcomes, the study recommends the replication and up-scaling of the good practices that are emerging at various levels, with respect to enhancing women’s participation in the movement.

At the co-operative level, such practices include the introduction of practical measures to enable women to join and actively take part in the co-operative’s operations. For instance, skills development programs for women, gender sensitization campaigns targeting both men and women and affirmative action measures, such as quotas for enhancing women’s representation at board level have been tested with positive results and should be more widely rolled out. This can also be done through training and education programs that are sensitive to women’s needs. Co-
Operatives can help strengthen women’s capacities and capabilities, resulting in their increased self-confidence and enabling them to participate more fully in decision-making and assume leadership positions.

Among other actions, efforts should be made to further consolidate the knowledge base on the status of women’s participation, in order to inform the development of responses; to make use of high-impact entry points for channeling support to (potential) women cooperators, for instance, through appropriate sub-sector targeting or a focus on women’s co-operatives when designing support packages; and to ensure that the positive co-operative policy commitments that have emerged in recent decades are matched by appropriate budgetary allocations and accountability mechanisms and that opportunities for making use of linkages to mainstream enterprise development or gender policy frameworks are capitalized upon.

Co-operatives can also establish “gender committees” or units, whose tasks can be, for example, to identify gender-related problems; to ensure that gender awareness training programmes are carried out; to be responsible for gender analysis in program planning; etc. It should be noted here that, by establishing a special unit or office for gender issues or programs, one risks that the gender issue becomes a side-issue that has been “taken care of” and that women continue to be marginalized in mainstream activities. Therefore, a gender unit must be part of mainstream activities or have direct access to policy and decision-making levels.

Co-operatives can use their national organizations and networks to collect gender disaggregated data and help identify different types of projects focused to women’s needs, which can help them increase their income-earning capacities and alleviate their work loads. For example, they can investigate how much time men and women spend on various chores and activities and how this fits in with potential and economically viable and sustainable co-operative activities.

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Comparative study on Gender Integration in Co-operatives: 
The Case of Women-Based SACCO’s at the Kenya Union of Savings and 
Credit Co-operatives (KUSCCO) Ltd.
The interrelations between member-commitment, trust, satisfaction and loyalty in a co-operative context

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Abstract: Member commitment is relevant for all businesses, but it is particularly crucial in the co-operative context due to the unique characteristics of co-ops. In a co-op, an owner’s most important contribution is an active use of its services, not capital investment. Thus far, scholars have aimed at understanding the forms, cause and consequences of commitment. Namely, affective, calculative and normative commitment have been investigated. However, many studies addressing the topic in a co-op context have been theoretical. Additionally, the relationship of members’ organizational commitment to other variables remains unclear.

The purpose of this quantitative study is to examine the relationships between commitment’s three forms (affective, continuance, normative) with trust, satisfaction and loyalty. The study was carried out in one of the regional co-operatives of S Group in Finland. The data consist of 3637 responses. A structural equation modeling was used as an analysis method.

Results indicate that trust and satisfaction positively affect commitment’s three forms, but the relationship between satisfaction and normative commitment was negative. Affective and continuance commitment positively affected and normative negatively affected commitment to loyalty. The data indicates that trust, rather than satisfaction is a powerful positive driver to all three forms of commitment. Affective commitment affected loyalty as expected, but normative commitment negatively affected loyalty.

This research offers new insights to widely discussed phenomenon of commitment by including more variables into examination. This is particularly relevant when researching commitment, not only within organizations, but among customers as well. Moreover, we also contribute to the discussion of organizational commitment in the context of consumer co-ops. We argue that the unique features of co-ops help to explain the research findings, which indicate that commitment has a particular meaning and interconnections with a model that is participative by nature, is characterized by dual nature and has a unique ownership structure, which is based on patronage.

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Keywords: organizational commitment, trust, satisfaction, loyalty, co-operative

Introduction

The concept of organizational commitment has originally been derived from studies of employee behavior (Allen & Meyer, 1990), but since it has also been studied in the context of consumer behavior (e.g. Mukherjee, 2007). Organizational commitment is considered particularly crucial in co-operative context, due to co-operatives’ unique characteristics (e.g., Fulton & Adamowicz, 1993). In a democratically owned co-operative, instead of a capital investment, an owner’s most important contribution is an active use of the co-operative’s services/products. In this context, organizational commitment has often been referred as “member-commitment” (Jimenez, Marti & Ortiz, 2010), which has a vital role in the formation and development of co-operatives, as it measures how well a co-operative is able to differentiate itself from an investor-owned firm (IOF).

Thus far, an affective (Jussila, Byrne & Tuominen 2012), calculative (Jussila, Goel & Tuominen 2012) and normative member-commitment (Jussila, Roessl, Tuominen, 2014) have been theoretically studied in the context of co-
The interrelations between member-commitment, trust, satisfaction and loyalty in a co-operative context

operatives. In empirical studies, scholars have aimed at understanding the cause and consequences of member-commitment in agricultural co-operatives (Jimenez et al., 2010; Fulton & Adamowicz, 1993). However, there is a lack of empirical research on member-commitment in the context of consumer co-operatives and especially, the relationships of it to other concepts, such as trust, satisfaction and loyalty. In this case, the context is relevant, since one of the unique features of a co-op model is that the customers are also owners and workers have a tripartite role.

The purpose of this study is to offer new insights to discussion on organizational commitment, by examining the relationships between commitment’s three forms (affective, continuance, normative) with trust, satisfaction and loyalty. We also aim to increase knowledge of co-op owner’s relationship with the co-op. Co-operatives are facing increasing competition and there is a need to understand the potential deriving from unique features of a co-op business model, as a potential source of competitive advantage.

Theoretical background

The origins of member commitment in co-operatives (Jimenez et al., 2010) are derived from the concept of organizational commitment in the studies of workplace behavior (Allen & Meyer, 1990). According to Allen & Meyer (1990), organizational commitment includes affective, continuance and normative commitment. The affective component refers to emotional attachments to, identification with and involvement in the organization, whereas continuance (calculative) refers to commitment based on the costs associated with leaving the organization (Allen & Meyer, 1990). Later, organizational commitment has also been applied in the context of co-operatives, as a member-commitment (e.g., Jussila et al., 2014; Jussila et al., 2012; Jussila et al., 2012). Affective (attitudinal) member commitment refers to the question of “do I want to maintain my membership in and patronage of the co-operative?” whereas calculative (continuance) member-commitment (see Byrne & McCarthy, 2005; Jussila et al., 2012; Fulton & Giannakas, 2001; Fulton & Adamowicz, 1993) represents a “utilitarian approach” in which the central question is “will co-operative membership (patronage) provide me with more value (rewards minus costs) than what can be achieved by shifting membership (patronage) to some other organization”? Similarly, Jimenez et al. (2010) argue that financial and social costs are the bases of calculative member-commitment (opportunity cost based). According to Jussila, Roessl & Tuominen (2014, 26), normative member commitment “reflects a member’s sense of obligation to maintain membership and patronage in the co-operative”. Jimenez et al. (2010) maintain that family and cultural socialization, organizational socialization and institutionalization of norms operate as bases of normative member-commitment (“obligation-based”).

Previous studies have acknowledged the importance of trust, satisfaction and loyalty to organizational commitment. Trust entails both affective and cognitive dimensions (Hansen, Morrow & Batista, 2002). The interconnections between trust, satisfaction and loyalty to organizational commitment have been studied in research of consumer behavior (e.g., Morgan & Hunt, 1994; Mukherjee, 2007; Valenzuela & Vásquez-Párraga, 2006). Various scholars have acknowledged that customer satisfaction effects loyalty directly and positively. (Richard & Zhang, 2012). However, satisfaction alone is not enough to keep the customer loyal, instead creating an emotional attachment is even more important (Richard & Zhang, 2012). Affective commitment is one form of emotional attachment and it has a positive effect on loyalty (Wu, Zhou & Wu, 2012). According to Morgan & Hunt (1994), commitment and trust are main factors in creating customer loyalty.

Mukherjee (2007) states that trust is a precondition factor, which is prior to relationship commitment and thus, has a positive effect on commitment. McAlexander et al. (2003) also show that, in strongly committed customers, the trust and commitment replaced satisfaction as the most important drivers of loyalty. The research by Valenzuela & Vásquez-Párraga (2006) also show that customers considered satisfaction with the service as only a starting point in their long-term relationship and commitment operated as a mediating path to reach customer loyalty. Further, commitment and trust also mediated the relationship between satisfaction and loyalty. They also found a strong reliance on commitment when developing loyalty, whereas at the same time, there was a strong impact of satisfaction and trust on commitment (Valenzuela & Vásquez-Párraga, 2006).
Previous studies have also proved that affective and continuance/calculative commitment affect customer loyalty differently. That is, affective commitment has a positive effect on satisfaction and customer loyalty, whereas continuance (calculative) commitment does not have as big an effect on satisfaction and only a small effect on customer loyalty (Wu, Zhou & Wu, 2012). According to Fullerton (2005), affective commitment has positive effects on customer loyalty and the willingness to continue the relationship and to pay more from the services. Instead, continuance commitment negatively affects these factors (Fullerton, 2005).

**Context, data and methods**

The study was carried out in one of the regional retail co-operatives of S Group in Finland. The case co-operative is owned by its 79,000 members. Its mission is to provide competitive benefits and services to the owners and to contribute to the vitality of the region where it operates (North Karelia). After a test survey, we conducted a quantitative study with a survey (n=3637). The survey included 41 questions in Likert’s scale. As it comes to the respondents’ background, it can be noted that about 2/3 of the respondents were female (65.5%). Age, annual household incomes and the time of membership were split quite normally. The largest groups were 30-59 year olds, 20 000-79 000 euros and 5-19 years, respectively. Table 1. presents all of the variables and the Likert-scale values received from the survey.

**Table 1. Variables and their average scores.**

<table>
<thead>
<tr>
<th>Co-operation</th>
<th>It is important for me that PKO is a co-operative (3.71)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>I am familiar with features of a co-operative form of business (3.64)</td>
</tr>
<tr>
<td></td>
<td>It is important to me that, as a member, I receive dividends, based on the number of products I have bought and how many co-operative services used (4.29)</td>
</tr>
<tr>
<td></td>
<td>It is important to me that, as a member of the co-operative, I have one vote in decision-making and the same applies to all (3.59)</td>
</tr>
<tr>
<td></td>
<td>It is important to me that all who use the services and products of a co-operative have the possibility to become members of the co-operative (3.80)</td>
</tr>
<tr>
<td></td>
<td>It is important to me that, if I terminate the co-operative membership, the dividends are returned to me in their original value (4.30)</td>
</tr>
<tr>
<td>Other statements</td>
<td>In my opinion, the service supply of PKO is adequate (4.22)</td>
</tr>
<tr>
<td></td>
<td>The bonuses are the most important/main reason for my membership in PKO (3.90)</td>
</tr>
<tr>
<td></td>
<td>Through membership in PKO, I want to support local development (3.77)</td>
</tr>
<tr>
<td></td>
<td>The service supply of PKO is too excessive, in my opinion (2.54)</td>
</tr>
<tr>
<td>Satisfaction</td>
<td>Overall, I am satisfied with the products and services of PKO (3.98)</td>
</tr>
<tr>
<td></td>
<td>The products and services of PKO fulfill my expectations (3.94)</td>
</tr>
<tr>
<td></td>
<td>I have good experiences of PKO (4.09)</td>
</tr>
<tr>
<td></td>
<td>My decision to join and to become a member of PKO was right (4.32)</td>
</tr>
<tr>
<td></td>
<td>PKO offers suitable products and services to me (4.10)</td>
</tr>
<tr>
<td>Trust</td>
<td>I believe that PKO fulfills the expectations I have set for it (3.90)</td>
</tr>
<tr>
<td></td>
<td>PKO genuinely cares about my needs (3.32)</td>
</tr>
<tr>
<td></td>
<td>I trust in PKO (3.77)</td>
</tr>
<tr>
<td></td>
<td>PKO is interested in my well-being (3.16)</td>
</tr>
<tr>
<td>Loyalty</td>
<td>If I had to decide again, I would still become a member of PKO (4.26)</td>
</tr>
<tr>
<td></td>
<td>I can recommend PKO to others (4.18)</td>
</tr>
<tr>
<td></td>
<td>I am a member of PKO with pleasure (4.22)</td>
</tr>
<tr>
<td></td>
<td>I believe that PKO answers my needs (3.89)</td>
</tr>
<tr>
<td></td>
<td>I am going to use the services of PKO in the future (4.38)</td>
</tr>
<tr>
<td>Affective commitment</td>
<td>I could be a member of PKO for the rest of my life (4.06)</td>
</tr>
<tr>
<td></td>
<td>When I talk about PKO, I talk about it in a positive way (3.86)</td>
</tr>
<tr>
<td></td>
<td>I would rather be a member of PKO than a member of some other similar organization (3.56)</td>
</tr>
<tr>
<td></td>
<td>I feel like a part of a “family” in PKO (2.88)</td>
</tr>
</tbody>
</table>
The interrelations between member-commitment, trust, satisfaction and loyalty in a co-operative context

<table>
<thead>
<tr>
<th>Commitment Type</th>
<th>Statements</th>
</tr>
</thead>
</table>
| **Normative commitment** | I am committed to PKO (3.20)  
The membership of PKO is meaningful to me (3.38)  
I feel a strong sense of belonging to PKO (2.89) |
| **Continuance commitment** | In my opinion, people change their memberships to various chains too easily (2.77)  
In my opinion, people should be loyal to their membership (2.70)  
Switching from one company to another seems unethical (2.37)  
I am loyal to PKO and thus, I feel like I have a moral duty to stay as a member (2.45)  
In my opinion, it would be wrong to terminate the membership of PKO, even if another company would offer me better benefits (2.29)  
I have been taught to remain loyal towards the company of which I am a member (2.35) |
|                       | I do not give up a membership in PKO (3.68)  
Terminating the membership of PKO would cause me financial losses (2.95)  
Membership of PKO is a necessity to me (2.29)  
If I would terminate my membership in PKO, other companies could not offer similar benefits to me (3.01) |

A structural equation modeling (SEM) was used as an analysis method. We have over marked statements that were not analyzed in the final structural equation model. We deleted 41 blanks, in which the standard deviation (SD) was lower than 0.3.

The purpose of the study is to examine the interrelations between member-commitment, trust, satisfaction and loyalty. We also examine what kind of relationship members of PKO have with their co-op? The main arguments of organizational commitment were based on the study by Allen & Meyer (1990), for satisfaction and loyalty on the study by Wu, Zhou & Wu (2011) and for trust on the arguments presented by Caceres & Paparoidamis (2007). We established ten specific hypotheses, based on the previous studies on this topic: 1) trust positively affects the three forms of member-commitment (H1-H3), 2) satisfaction positively affects the three forms of member-commitment (H4-H6) and 3) affective and normative commitment positively affect and continuance commitment negatively affect loyalty (H7-H9). In addition, we established the hypothesis that satisfaction affects loyalty (H10). The following figure 1 presents these hypotheses and their interconnections.

![Figure 1. Hypotheses](image-url)
Results
Explorative factor analysis (EFA) was conducted prior to SEM. The initial factor solution produced a four-factor solution representing 65.2 per cent of the total variance of the variables. The Kaiser-Meyer-Olkin (KMO) measure (KMO= 0.975) and the Bartlett test of sphericity ($p < 0.001$) confirmed that the factor analysis was appropriate.

However, this factor procedure formed only four factors instead of the six factors, which was our aim. As a result of this, we re-conducted EFA and forced it to create six factors. We deleted variables with factor loadings < 0.50 and also deleted those variables that cross-loaded to more factors than one. Altogether nine variables were deleted. Finally, all the factor loadings left in the EFA were > 0.6 and no cross-loadings were left in the solution. The final factor solution explained 73.0 per cent of the total variance. KMO (=0.959) and Bartlett test of sphericity ($p < 0.001$) showed that the factor analysis was appropriate. The biggest deficiency of EFA is that there are only two questions for trust factor, but on the other hand, their loadings were very high: 0.819 and 0.773. The following table 2 presents the final pattern matrix.

Table 2. Pattern matrix

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td>The products and services fulfill my expectations</td>
<td></td>
<td></td>
<td>.967</td>
<td>.853</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overall, I am satisfied with the products and services of PKO</td>
<td></td>
<td>.699</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PKO offers suitable products and services</td>
<td></td>
<td></td>
<td></td>
<td>.628</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I have good experiences of PKO</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.628</td>
<td></td>
</tr>
<tr>
<td>My decision to join to become a member of PKO was right</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.819</td>
</tr>
<tr>
<td>PKO is interested in my well-being</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.773</td>
<td></td>
</tr>
<tr>
<td>PKO genuinely cares about my needs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.819</td>
</tr>
<tr>
<td>I believe that PKO fulfills the expectations I have set for it</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.819</td>
</tr>
<tr>
<td>I trust in PKO</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.819</td>
</tr>
<tr>
<td>If I would have to decide again, I would still join to become a member of PKO</td>
<td>.890</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I am delighted to be a member of PKO</td>
<td></td>
<td>.865</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I would recommend PKO to others</td>
<td></td>
<td>.860</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I am going to use the services of PKO in the future</td>
<td></td>
<td>.665</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I believe that PKO answers my needs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.658</td>
</tr>
<tr>
<td>I feel a strong sense of “belonging” to PKO</td>
<td>.925</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The membership of PKO is meaningful to me</td>
<td>.782</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I am committed to PKO</td>
<td>.780</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I feel like a “part of a family” in PKO</td>
<td>.658</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I could be a member of PKO for the rest of my life</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>When I talk about PKO, I speak about it in a positive way</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I would rather be a member of PKO than a member of some similar company</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changing from one company to another seems unethical to me</td>
<td>.922</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I am loyal to PKO and thus, I feel like I have a moral obligation to stay a member of PKO</td>
<td>.882</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>In my opinion, people have to be loyal to their membership</td>
<td>.815</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>In my opinion, it would be wrong to resign from PKO, even if some other company would offer better benefits</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The interrelations between member-commitment, trust, satisfaction and loyalty in a co-operative context

I have been taught to stay loyal to the company of which I am a member
In my opinion, people change the membership of their chains too easily
Ending the membership would cause me financial losses
Membership in PKO is a necessity to me
If I would end my membership in PKO, other companies could not offer similar benefits to me
I do not want to give up the membership in PKO.

The cross loadings of factor correlation matrix should not be more than 0.7. This line was crossed three times (see table 3). Factors 4) affective commitment and 6) trust (0.769), factors 2) satisfaction and 3) loyalty (0.736) and factors 1) normative commitment and 4) affective commitment (0.704) were cross loaded too strongly with each other. The next table shows this.

Table 3. Factor correlation matrix

<table>
<thead>
<tr>
<th>Factor</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1.000</td>
<td>.313</td>
<td>.340</td>
<td>.704</td>
<td>.590</td>
<td>.604</td>
</tr>
<tr>
<td>2</td>
<td>.313</td>
<td>1.000</td>
<td>.736</td>
<td>.528</td>
<td>.407</td>
<td>.566</td>
</tr>
<tr>
<td>3</td>
<td>.340</td>
<td>.736</td>
<td>1.000</td>
<td>.609</td>
<td>.488</td>
<td>.559</td>
</tr>
<tr>
<td>4</td>
<td>.704</td>
<td>.528</td>
<td>.609</td>
<td>1.000</td>
<td>.640</td>
<td>.769</td>
</tr>
<tr>
<td>5</td>
<td>.590</td>
<td>.407</td>
<td>.488</td>
<td>.640</td>
<td>1.000</td>
<td>.473</td>
</tr>
<tr>
<td>6</td>
<td>.604</td>
<td>.566</td>
<td>.559</td>
<td>.769</td>
<td>.473</td>
<td>1.000</td>
</tr>
</tbody>
</table>

Cronbach’s Alpha received high loadings (see table 4). All values received the value 0.7, which indicates good reliability. The lowest value was in continuance commitment (0.798).

Table 4. Cronbach’s Alpha

<table>
<thead>
<tr>
<th>Factor, the name of the factor and the number of questions</th>
<th>Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Normative commitment (n =5)</td>
<td>.918</td>
</tr>
<tr>
<td>Satisfaction (n=4)</td>
<td>.908</td>
</tr>
<tr>
<td>Loyalty (n=4)</td>
<td>.931</td>
</tr>
<tr>
<td>Affective commitment (n=4)</td>
<td>.927</td>
</tr>
<tr>
<td>Continuance commitment (n=3)</td>
<td>.798</td>
</tr>
<tr>
<td>Trust (n=2)</td>
<td>.876</td>
</tr>
</tbody>
</table>

We created an initial confirmatory factor analysis (CFA) –model, based on the final pattern matrix. In CFA-model, all the correlations between the latent variables and the perceived variables are at least 0.7. We added cross loadings to all latent variables, in which we found high values. Thus, only the correlation between affective commitment and trust crosses the line 0.8 (0.83). If the modification index is high, we can increase the correlation to wrong terms. Therefore, we are able to improve the suitability of the model. In this research, we do not do that, as it can distort the model. $\chi^2$/df-value clearly reached the value 5, which is a good value. The suitability indexes of the model GFI, NFI, RFI, IFI, TLI and CFI are clearly above the value 0.9. Therefore, we can conclude that those were also able to reach acceptable values. The RMSEA-value of this research was 0.0062, which can be considered as a good value, at
this large-scale research. Together the suitability indexes show that the model is appropriate. Table 5. shows the suitability indexes of the survey model.

Table 5. Suitability indexes of the survey model

<table>
<thead>
<tr>
<th></th>
<th>RMSEA</th>
<th>GFI</th>
<th>NFI</th>
<th>RFI</th>
<th>IFI</th>
<th>TLI</th>
<th>CFI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>0.062</td>
<td>0.922</td>
<td>0.957</td>
<td>0.949</td>
<td>0.960</td>
<td>0.952</td>
<td>0.960</td>
</tr>
<tr>
<td>Quality</td>
<td>&lt;0.07 good</td>
<td>close to 1=good</td>
<td>&gt;0.95 excellent</td>
<td>close to 1=good</td>
<td>close to 1=good</td>
<td>&gt;0.92 good</td>
<td>&gt;0.92 good</td>
</tr>
</tbody>
</table>

The separation validity of the survey model received relatively high AVE (average variance extracted)-values and they are more than 0.5, which is considered as minimum limit. Table 6. shows the square root values of AVE in places in which the factors are compared to itself. These square root values were bigger in all factors than the mutual correlations of factors. Thus, factors are free from one another and thus, measure faithfully different aspects. Composite reliability (CR) was also good, as it received values more than 0.7. Table 6) shows the separation validities.

Table 6. Separation validity

<table>
<thead>
<tr>
<th></th>
<th>CR</th>
<th>AVE</th>
<th>affect.</th>
<th>satisfy.</th>
<th>norm.</th>
<th>loyalty</th>
<th>continuance</th>
<th>trust</th>
</tr>
</thead>
<tbody>
<tr>
<td>affective commitment</td>
<td>0.927</td>
<td>0.762</td>
<td>0.873</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>satisfaction</td>
<td>0.908</td>
<td>0.713</td>
<td>0.553</td>
<td>0.844</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>normative commitment</td>
<td>0.919</td>
<td>0.694</td>
<td>0.753</td>
<td>0.337</td>
<td>0.833</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>loyalty</td>
<td>0.932</td>
<td>0.775</td>
<td>0.633</td>
<td>0.794</td>
<td>0.390</td>
<td>0.881</td>
<td></td>
<td></td>
</tr>
<tr>
<td>continuance commitment</td>
<td>0.794</td>
<td>0.563</td>
<td>0.736</td>
<td>0.445</td>
<td>0.709</td>
<td>0.530</td>
<td>0.751</td>
<td></td>
</tr>
<tr>
<td>trust</td>
<td>0.876</td>
<td>0.779</td>
<td>0.825</td>
<td>0.646</td>
<td>0.617</td>
<td>0.659</td>
<td>0.587</td>
<td>0.883</td>
</tr>
</tbody>
</table>

Figure 2 shows the final form of SEM and the correlations between latent variables. In order to reach clarity, we deleted the observed variables. All the correlations are statistically significant, with 99.9% significance range. The only exception is the correlation between satisfaction and continuance commitment (0.05), which is significant with 99% significance range. Strongest correlations were between trust and affective commitment (.93), continuance commitment (.74) and normative commitment (.80) and between satisfaction and loyalty (.65). The correlations between satisfaction and the three forms of commitment were the weakest in our research. Satisfaction positively affects affective commitment and slightly positively to continuance commitment (both the value .05). The correlation of satisfaction to normative commitment was slightly negative (-.12). The impact of normative commitment to loyalty was also relatively small, but negative (-.14). Affective commitment impacts quite strongly to loyalty (.35) and continuance commitment relatively strongly (.16). The next figure shows the final SEM (structural equation modeling):
The interrelations between member-commitment, trust, satisfaction and loyalty in a co-operative context

Figure 2. SEM

The first research question of our paper was how does member-commitment, trust, satisfaction and loyalty interrelate in PKO? First, our results indicate that trust affects positively and exceptionally strongly (.74-.93) to the three forms of member-commitment (H1-H3), we can confirm the first hypotheses. Second, we also expected that satisfaction would affect positively to all forms of member-commitment (H4-H6). Satisfaction did affect slightly positively to affective and continuance commitment (both .05). The effect of satisfaction to normative commitment was surprisingly, negative (-.12), which overrules H6. Third, we also examined the relationship between the three forms of commitment and loyalty. H7 can thus be confirmed as the impact of affective commitment to loyalty was positive (.35). H8 can be rejected, as the impact of continuance commitment to loyalty was surprisingly, positive, although not strong (.16). The relationship of normative commitment to loyalty was negative (-.14), which also rejects the H9. H10 can be confirmed as the satisfaction effects strongly and positively to loyalty (.65).

When it comes to the second research question (what kind of relationship members of PKO have with their co-op?), we found that member’s view the service supply of PKO as adequate (4.22), rather than too excessive (2.54). It seems that bonuses are important reasons for membership (3.90). However, for the members of PKO, almost equally important is to support local development by being members of a co-op (3.77). Overall, members were satisfied with the operation and products of PKO, as the average value of satisfaction was 4.03. The average value of trust was 3.41 and loyalty had the highest value (4.27). As it comes to different forms of member-commitment, affective commitment scored highest with an average value of 3.18. Continuance commitment received an average value of 2.74 and normative commitment was 2.42. In the next section of the paper, we will discuss these results in more detail.

Discussion and conclusions

This study provides a contribution to the discussion of the relationship between a customer and a company in a unique co-operative context, where customers are also the owners and workers of the co-op. Based on the study, we conclude that trust is the most important precondition for all forms of member-commitment. This is consistent with previous studies on the topic. For example, Mukherjee (2007) concludes that trust is a precondition factor, prior to relationship commitment and thus, positively affects commitment. However, the relationship between satisfaction and three forms of commitment was relatively weak. Even though members of PKO were satisfied with the products and services, this satisfaction does not always establish strong commitment. In this case, satisfaction does affect loyalty strongly and positively, which is also consistent with the previous studies (e.g., Richard & Zhang, 2012). Richard & Zhang (2012) also highlight the importance of creating an emotional attachment, as satisfaction is
not enough to keep the customer loyal. In line with the earlier studies on consumer behavior (e.g., Wu, Zhou & Wu, 2012; Harrison-Walker, 2001), we found that affective commitment had a positive impact on loyalty. Contradictory to our hypothesis, continuance commitment formed a positive relationship to loyalty and normative commitment formed a negative relationship to loyalty, which may be explained by the fact that there is open and voluntary membership in the case of co-operatives.

As the members are satisfied and loyal users of the services provided by PKO, we argue that PKO has not grown too large, even though it operates in various sectors and in some of those sectors, it is the market leader. We also see that satisfaction might stem from the fact that the case company operates in a relatively rural and sparsely populated area. Despite the challenging business conditions, the co-op offers a variety of services in various locations, hence acting according to its mission. Thus, high satisfaction and loyalty indicates that customer-owners perceive that PKO is fulfilling its co-operative mission and that using the services of their own co-operative is considered rewarding.

When it comes to members’ commitment towards their co-operative, in this case, it seems that continuance commitment is related on a positive note: members evaluate the benefits and value so high that they are eager to continue the membership, even though there are other options available in the market. Thus, the relationship is not based on “a must” (Meyer & Allen 1991), which is typical, particularly when the options are low (Fullerton 2005). What supports this is that normative commitment scored the lowest in average values, which is an indication that members do not feel that they are obligated to maintain membership in the organization (Jimenez et al. 2010). Instead, their affective commitment (which describes a voluntary-based membership characterized with loyalty towards and identification with the company, Harrison & Walker 2001) is relatively high and members are willing to continue the relationship they have with their co-op. Given the uniqueness of the co-op model, that it is solely based on patronage and, since members are owners, users/customers, decision-makers and sponsors of co-op operations, this is an important issue. That is, without committed members who actually use the services of the co-op, the existence of any co-operative would be brief and troubled.

Based on the study, we argue that while the products and services offered by a co-op must be good and competitive, like in any other business, the relationship between a co-op and its customers, as well as factors affecting the relationship, is more complex and multifaceted in a co-op setting, due to the unique characteristics of a co-op model. However, it is also worth noting that the level and type of commitment reveal how well a co-operative has been able to differentiate itself from its competitors, namely IOFs (Fulton 1999). Based on the fact that members have higher affective and continuance commitment than normative commitment, we conclude that the case company is identified as a co-operative that fulfills its mission and the business form is a competitive advantage to it. While competition is currently so strong and the exchange costs relatively low, in many cases, we suggest that continuance commitment has to some extent lost its meaning and clearly is not enough. Therefore, we see that it is important for PKO and other consumer co-operatives to strive towards increasing their members’ affective commitment toward their co-op. Thus, in addition to providing the members with benefits, in terms of better products and services, in general, consumer co-operatives should continue strengthening their members’ trust, satisfaction and loyalty, by continuing to engage in socially responsible activities in the regions, executing openness in their actions and decisions and encouraging members to participate in the decision-making of co-operatives.

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1 The basis for this hypothesis was a survey conducted in 2014 in the case organization (Puusa & Hokkila 2014). According to its results, employees were very emotionally committed to the co-op and the commitment correlated positively with satisfaction.

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The interrelations between member-commitment, trust, satisfaction and loyalty in a co-operative context


BOOK REVIEW by Peter Davis

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This is a very important work of scholarship that deserves a careful and critical readership. Not least because of the unique place the Cuba revolution has in the 20th and 21st centuries struggle against imperialism, neocolonialism and capitalism. If Soviet-style communism seemed dull and dreary, the exuberant music and the charismatic leadership (not least, Che Guevara) gave the Cuban revolution a wider appeal. Then, there was the reality of a superpower, in fact, the superpower’s blockade aimed to strangle the Cuban revolution, just as Salvador Allende’s Chilean revolution was. In the Cuban case, the superpower failed. Can a people ‘shackled by an oppressive centralizing Stalinist state’ really take on such a huge enemy at such close quarters? Can such a people really produce the exuberance that is Cuban music? Can it really produce a leadership with the candor to be as self critical of its own cherished model and its attempts at reform as is Raul Castro’s statement from Granma, 2017 quoted at the start of this book? What other third world country has a literacy rate, a mortality rate, equivalent or better, than the USA and the UK, with almost twice as many doctors per head and although poor, no actual poverty?

The book’s 10 chapters try, in many ways, to come to terms with this past and present, but also and most importantly, the authors look to the future, as Cuba comes out of isolation into the global economy. This is not just a critical moment for Cuba, but for the whole of the southern hemisphere countries struggling with poverty, debt and unequal trade relationships dominated by super powers and multinational corporations. Can a co-operative economy provide an alternative business model that actually does what the co-operators of old dreamed of – deliver a just society without the state, inside a free market context, through voluntary associations who are open to all and are democratically accountable to their members?

This book provides a platform for a largely institutional economics approach, but one couched often in terms of a leftist agenda embracing of worker grass roots activism requiring a political motivation and leadership, but not a from a collaboration and support that could emerge for the big co-operatives operating in the money economy. Authors, like Marcelo Vieta, see Cuba as a basis for a non-agricultural co-operative model, as if this did not exist already and seem not to recognise that co-operation is a social movement, with many economic models, but a single value system. If its authors dream of a bottom-up economic democracy, the role of government policies and institutional context dominates the analytic frameworks of many of its contributors. Of course, such an institutional approach to economics is to be encouraged as more scientific than those who seem to approach economics as a sub-branch of mathematics, presenting a spurious exactitude of natural science to the discipline that has to be a central part of a social science.
The book’s opening chapter has a radical Marxist political economy perspective, which clearly cannot be implemented in current circumstances without prolonging and even intensifying Cuban isolation. (Gambina and Raffinelli, Ch1) A number of the book’s authors are suspicious of the traditional co-operative model, seeing it as providing for small business development and farmer’s commercial operations, with limited applications for a radical worker-based movement. The idea of a barter economy is raised, as both a growing fact of economic life and as an appropriate strategy, particularly among the rural poor. (Veltmeyer, Ch2) There is no reflection or sympathy for the idea of linkages between barter-based co-operation and commercial co-operatives as a coming together of classes in a wider social movement, bringing a solidarity economy combining the marginalized poor in a barter economy together with working class co-operatives, consumer and producer co-operatives and small business and middle class segments, together in a united anti-capitalist alliance for a sustainable, just and democratic economy. (Davis, 2000)

There is a lot of valuable historical background charting the impact of World Bank and IMF policies, the Washington Consensus on Latin America and the grass roots resistance movements that arose in response to the increasing poverty and economic dislocation of these policies, as well as documentation of different stages in Cuba’s development (Veltmeyer, Vieta, Fernandez, Sanchez and Harneker). In the chapters by Royce, Campbell and Harneker, the author’s look to the future prospects for Cuba’s co-operative reforms. The Campbell chapter concludes with some interesting and practical advice for greater education of members and officials of state enterprises preparing for transformation to co-operatives and he recognizes the problems of creating a co-operative in name only. In doing so, he alone almost raises an issue missing overall from the analysis that this is the problem of agency and corruption versus co-operative values, principles, culture and identity. It’s not simply institutional arrangements and market forces that can undermine co-operatives, but just as dangerous are those informal actor’s power plays and the intervention of forces actually hostile to co-operatives inside the co-operatives themselves.

In particular, the authors fail to address the power and threat of organised crime in a poor community and the power and influence of organised criminals at the heart of the USA. For there is a sub plot in the history of Cuba involving the role of the Mafia and the murky relationship between organised crime and capitalism’s struggle to destroy or control organized labour and the dramatic representation of this struggle being the film *On The Waterfront*, which could almost have been presented as a documentary. A neocolonialist dictatorship and the Mafia were all expelled from Cuba by the Castro-led revolution. Frustrated by their inability to bring the Cuban revolution down, the CIA launched its own Bay of Pigs invasion from the Florida mainland. It failed, due to Kennedy’s refusal to be bounced into authorizing US air support. Was it this decision that cost him and younger brother Bobby their lives? The great advantage of the Mafia, for government intelligence agencies and big business, is that a hit by the former can be kept light years away from those who initiated it.

As Cuba is allowed and allows itself to become part of the global economy, these criminal elements will start to return. The co-operative model of governance, in all its forms, is not as robust as its advocates often pretend. A candid examination of co-operative democracy, in both the North and South, will bear out how easy it is for cliques and managerialism to dominate policy and practice and in many countries,
large and small, for the state to interfere and manipulate the sector for the power elite’s own ends. The Cuban revolution has beaten all the odds so far. Many of the authors of this book seem to see co-operation as synonymous with a worker self-management model. Operating in a global market, such an aspiration seems problematic and even sectarian. Novkovic points out that co-operatives traditionally operate in capitalist markets. Certainly, the early definition of communism, prior to Marx and Engel’s Communist Manifesto, saw it to mean merely the association of labour operating freely in a market economy. Some of this book’s authors see socialism’s central planning as the context and a tension for Cuban co-operative development. Will Cuba’s evolving discussion of the meaning of socialism arrive back at this early definition in the end? Can Cubans come up with a co-operative model that looks outwards and actually fulfills the movement’s foundational vision of a Co-operative Commonwealth? This book is an important contribution to addressing this question. In the end, the quality and integrity of the Cuban people’s leadership and how this is reflected, at the micro level, within the management and governance processes in the emerging co-operative economy of Cuba may prove to be decisive in providing the answer. If so, it may be cultural values, rather than structures, that are the decisive element.
BOOK REVIEW by Peter Davis

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Overview

This book is one of the best resources one can find, if one is a student or teacher engaged in any area concerned with the social economy and social entrepreneurship. It contains an excellent review of this very extensive literature, identifying its many themes and conflicting definitions, contexts and categorisations. The book’s analysis commences with a review of the social enterprises various macro theoretical perspectives and their political, social and economic contexts. It then moves into what is, at the books heart, an advocacy of that model of the social enterprise the authors identify as most likely to promote the Social Solidarity Economy, (SSE) in short, a project destined to transform the economy into one that is both sustainable and grounded in community and distributive justice for all stakeholders.

The major part of the book contains sections which focuses on the practical management of social enterprises, by critically reviewing the extensive literatures concerned with measurement, marketing, finance, social and ethical capital, strategy, management, leadership, entrepreneurship, governance, legal identities and human relations in the social enterprise in its many forms. Understanding Social Enterprise Theory and Practice contains a useful glossary and is packed with websites, forming a very comprehensive resource for teaching and student research. Its various chapters are supported by engaging and helpful exercises and the bibliography is an ideal starting point for any serious student looking to identify the leading authorities in this field.

One criticism, or at least warning note, this book is one of advocacy and indeed, the authors make no secret of this. As such, there is less critical content concerning the sector’s failures and under performance, particularly that of the co-operative and credit union sectors. This is a significant omission because co-operatives are the one sector of the social economy that is closest to the author’s political and economic aspirations to create an SSE – a concept, which in many ways, is a very close fit with what was, and in some circles still is, called the Co-operative Commonwealth. The co-operative enterprise still massive with around three quarters of a billion members’ world-wide is easily the biggest and oldest manifestation of a social enterprise. Yet, it is today a sector with serious challenges. These failures and weaknesses find little discussion in the pages of this work and those authorities seeking to make some analysis of these failures are not well represented.

However, this criticism is a small one - the authors advocacy is more than justified, in the context of a business school mentality, which largely is a single advocacy in the opposite direction. The business school model almost everywhere assumes the joint stock company to be the only business model worth teaching and outside of the business ethics ‘options’ the joint stock corporation is generally treated with almost uncritical acceptance. Understanding Social Enterprise Theory and Practice is a book to be highly recommended to anyone who recognises the failure of this standard business school model. Globalisation, led by liberalism and its claims to be ‘lifting people out of poverty’, is based on a reality of questionable statistics and police state politics.

This brings me to my second criticism. The book is strong on practical solutions, models, definitions and what to do’s and the failures of capitalism. It is, however, far less clear about the threats capitalism poses to those who attempt to replace it. It is also rather silent on the reality of the condition of the people at the bottom of the labour market. The people who are most in need of this book will never read it and many will be the very people most immediately challenging for those who are trying to mobilise and help them. The cover of the book has groups of young people in garb that looks like they are just heading for a yoga class, but all walking towards the books’ title Understanding
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Social Enterprise Theory and Practice. Unfortunately, these young people only represent a fraction of the demographic that the social economy enterprise must mobilise, if it is to be truly transformative.

The need to find an alternative business model that addresses the real world of poverty, inequality, human rights abuses, environmental degradation, species and resource depletion and climate change is essential. What I write below challenges some of the ideas found in Understanding Social Enterprise Theory and Practice and points to gaps in its analysis, but I hope the authors’ recognise that these comments are meant to be constructive additions to their hard work and let me conclude this overview by unreservedly recommending the book’s scholarship and coverage as providing an excellent starting point for persons concerned to change the direction and models by which business and economies are currently fashioned.

Some more detailed reflections

Introduction: Mondragon, social enterprise models and the SSE Social Enterprise as the radical transformative business model

What follows is this reviewer’s more detailed consideration of some of those areas in the Ridley-Duff and Bulls’ book that I have briefly questioned in my overview of their work. I must recognise that considerations of time, space and editorial deadlines make this a rather selective dip into such a wide-ranging work and I apologise to the authors for missing important areas. I want to focus on the themes of models, strategy and politics in this work and raise issues around how social enterprise is defined, in so far as it may create barriers to alliances within the social economy that may be critical for the sector’s success and its transformation into a social movement, rather than a sector. I will then focus on globalisation, where I feel the books treatment is deficient in its failure to present clearly the threats this poses. My third and final strategic issue is food security, where I feel the book’s treatment is deficient in its failure to present clearly the threats this poses. My third and final strategic issue is food security, where I feel the book’s treatment is deficient in its failure to present clearly the threats this poses. My third and final strategic issue is food security, where I feel the book’s treatment is deficient in its failure to present clearly the threats this poses. My third and final strategic issue is food security, where I feel the book’s treatment is deficient in its failure to present clearly the threats this poses.

Other areas I would like to comment critically on are those sections dealing with management and leadership and human relations management. For those who might be interested in a perspective that is concerned with the importance of professional management for co-operatives, I have included a reference to my latest contribution on this subject. The role and significance of professional management gets rather passed over by most academics writing within the social economy literature, which is dominated by critical management theorists (see pp.229, 237, 243, 279 and 366), who are grounded in critical theory philosophy, by authors such as Foucault, whose insights into the potential problems posed by professional managers and business administration in larger co-operatives is not really explored in Understanding Social Enterprise Theory and Practice. (see pp.279 and 386).

Ridley-Duff and Bull start with a brief discussion of the celebrated case of the Mondragon Group of Co-operatives in the Basque region of Spain. The Mondragon case becomes a foil for the identification of three schools of social entrepreneurship, which the authors wish to subject to a critical appraisal for the purpose of defining the book’s underlying purpose to present a model of the social enterprise as an essentially radical project to reform the economic system, in terms of its ownership, levels of distributive justice and sustainability.

The first school’s model challenges the very basis of the modern firm as a capital-centred investor-led organisation by insisting the social enterprise is an essentially people-centred business. In the Mondragon case, people not capital is its driving ethos and its ‘inspiration is Catholic Social Doctrine. People not capital is the overriding focus in this school, as the dignity of the individual person is the first principle of Catholic Social Doctrine followed by its second principle - the assertion that individual freedom should not undermine the Common Good.

The second school’s model focuses on the social enterprise as an organisation driven by its social purpose, which itself is grounded in value propositions leading to the organisations adopted social objects. Here we see in the Mondragon case a clear social mission – that of social transformation though education. Of course, both these co-operative ideals – people-centred business and social transformation predate both Mondragon and Catholic Social Doctrine going back to the movements very foundations in the 1830s and 40s (Webb K, 1904, ‘Fundamental Rules’ pp 58-59). However, this detracts nothing from the achievement of Mondragon as perhaps the best example of a people-centred business that has successfully transformed the society it is embedded in (the Basque region of Spain).
and no one can challenge Catholic Social Doctrines spiritual and social inspiration for the adoption of the co-operative model in the Basque country.

The third school emphasises *socialised ownership and control* where the bigger the decision, the more likely it is to be taken at the general assembly. Social ownership and control are seen as central to the maintenance of the integrity of the governance and social purpose of the enterprise. Here, we meet the third principle of Catholic Social Doctrine - the principle of Subsidiarity – that decisions should be taken as close to those affected as possible. This also fits the Mondragon Co-operative Model and challenges the centralisation and secrecy that dominates decision-making in the modern for-profit organisation. Here, Mondragon’s 1000 elected local boards controlling the Group are contrasted to the unitary boards of the modern corporation. *Mondragon incorporates all the three models defining elements and the authors correctly argue it is essential for a social enterprise to meet the radical agenda of establishing the SSE.* We need to be careful, however, not to be so concerned with establishing radical credentials that we miss the need for strategic alliances and collaborations with organisations sharing and or sympathetic to some, at least, of the goals of the SSE.

The authors suggest that another important contribution of this third school, with its emphasis on socialised ownership and control, is its insistence on the *reciprocal interdependence underpinning mutual aid* as a clear line in the sand dividing the social economy, not for profit sector from the non-profit charity sector. They suggest mutuality of service, support and supervision are seen as the essential elements in maintaining the integrity of the social enterprise, as opposed to the one-way top-down managed charity. I feel this definition of the defining feature of the social economy enterprise underpinning it as a radical transformative business model is flawed. Why? The concept of *reciprocal interdependence* (see page 6) lacks inclusivity. I will pick this criticism up in my first question 1. below on what is, I feel, an under-developed issue in the book’s discussion of strategy and politics. I will also criticise the Ellerman definition of a social enterprise as social, when it *rejects private property rights as a rationale for participation in management and governance* (see page 105) as unnecessary and divisive being only fully applicable to one sector of the co-operative economy. I will return to this in the third strategic issue I raise, dealing with Food Security, which given its importance, needed a considered treatment in the discussion of strategy in *Understanding Social Enterprise Theory and Practice*.

My view of chapter 8 on Strategy is that it has much to recommend it, in terms of methodologies for the strategic management of an enterprise and has a very comprehensive coverage of the literature in this area. However, the danger lies in the chapter not engaging sufficiently with the threats and challenges to social enterprise and makes little contact with the challenges faced by those social economy enterprises organising among impoverished communities. Finally, the issues around developing strategic alliances and joint ventures, challenges of direct investment overseas, and mergers and acquisitions needed more discussion. These criticisms have implications concerning management and leadership of the SSE that I maintain requires a greater emphasis on professional management, if the shadow of globalisation and monopoly control is to be confronted and the further collapse and degradation of co-operative assets, demutualisation and privatisation averted. (1)

**Strategic issue 1. Organising the poor: the challenges and threats**

I feel the authors have been too quick to exclude charity from the social transformation process of the SSE enterprise. Some charities at least *do* act to encourage and even depend on the active co-operation and collaboration of the client (the client has to take ownership and control of the support for it to be effective). I would also want to assert that charities surely do have social purpose (the re-integration of the client back into society), so on two out of the three dimensions of what it takes to meet the author’s criteria as a genuine social enterprise with transformative capacities, some charities appear to me to be able to conform to a significant degree. Then, there are so many charities whose aims complement and even look to the SSE. NGOs, like Amnesty International, Friends of the Earth, Green Peace, Global Justice Now, and many others are at least essential allies and sources of data of real importance for those making the case to the electorate and civil society activists for the SSE.

Other charities dealing with individuals in crisis are critical on the ground in communities, where many co-operatives and credit unions organise. Often, they function within contexts where loan sharks, drug dealers and other criminals are active. Organising the poor often involves being confronted by organised criminals and the latter’s ability to thrive within the very underclass and impoverished community capitalism leaves in its wake. Trade Unions are referenced once (p29) in *Understanding the Social Economy Theory and Practice* and do not appear to be recognised...
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as a form of labour supply co-operative and part of the social economy. These bodies historically have often had mafia, as well as employer hostility, to confront often with lethal consequences for their organisers and leaders from both sources. (Fusfeld, R. Daniel, 1992)

The authors insist on the principle of *mutual* reciprocal exchange and supervision as the *defining characteristic* of the social enterprise, if it is to retain its radical credentials and agenda. This excludes many of the poorest and most vulnerable. I wonder whether a far more inclusive, radical and transformative formula for the SSE enterprises would not be ‘from each according to his abilities and too each according to their needs’? Is this statement not showing greater solidarity than the insistence on reciprocity of exchanges? We are all equal in dignity and humanity certainly, but human beings are not equal in our capacities, competencies and personalities. Some of us need help and the common bond of our humanity surely is the only warrant needed to ensure we get it in a movement committed to the philosophy and practice of human solidarity and fairness.

My question is can the social economy sector wanting to move to a democratically owned and governed business model committed to fair shares and a sustainable economy afford to ignore the casualties of monopoly capitalism; the drug addicts, the alcoholics, the abandoned street children, trafficked exploited women, the homeless, and the mentally ill? If the casualties of capitalism are left to a ‘charitable sector’ seen as outside the social economy are we not missing a vital part of our strategic mission to raise the labour market, as a whole, by raising it from the bottom up? The under-class and the criminals that feed off it represent a real threat to those organising the poor and the SSE enterprise needs to work closely with those organisations that are in support of the weakest and most vulnerable in the community.

While definitions and boundaries can help sharpen the analytic focus, we must be careful not to over emphasise them and certainly the SSE enterprise needs to emphasise and support charity, as a key outreach strategy supporting its own goals in marginalised and impoverished communities. An essential element in the organisation of free trade unions, co-operatives and the campaign for the right to vote in the 19th century was the *Temperance Movement* and here we see the Labour Movement’s main target was the gin palace. The reality of unequal capacities is a point which also has implications for how we understand leadership and management in the SSE enterprise.

*Strategic issue 2. Globalisation, liberalisation and authoritarianism. The super state and the technology of surveillance and monopoly*

If there is a question mark over the Mondragon achievement, it is the shadow cast by globalisation, itself led by forces whose values and objectives are the very antithesis of Mondragon’s social purpose. Globalisation is the strategic goal of this phase of monopoly capitalism and gives it access to vast resources and the ability to reconfigure its structures into networks that dominate small states and infiltrate the power elites of the superpowers. *Amnesty International*, for example, is one charity that certainly should be seen as vital to the development of the SSE across the globe. Particularly when today, at least one third of the world’s working classes find themselves imprisoned in police states that deny basic human rights, let alone a socialised economy.

The concluding section of the introduction in *Understanding the Social Economy Theory and Practice* draws on what to this reviewer is Polanyi’s abstract overemphasis on exchanges to typify different stages of economic development. Abstract because Polanyi’s models, as presented by Ridley – Duff and Bull, ignore the significance of power underpinning economic relationships. Exchanges, since the first cities at least, has always taken place under the shadow of the Pyramid, the Norman Castle, Navel supremacy, Imperial preference, etc. Slaves packed in below the decks of ships crewed by pressed men, whose discipline was the lash or the noose, was replaced in time by the more ‘enlightened’ market exchanges of labour for wages. Technology and ‘scientific’ management have continued replacing, regimenting and deskilling labour constantly undermining any ‘balance’ in the exchange between the worker and the capitalist. The latter grounded often on desperate need and hunger by a working class in constant ‘oversupply’.

The role of the state in management of exchange in its various models and stages cannot be overemphasised. To argue, as the authors do, that by the 1970s ‘...social democracy was just finding its feet...’ is highly questionable. The three Wilson governments had been totally bereft of strategy or direction. Social democracy was losing its way and not finding its feet, as a resurgent global capitalism was insisting on greater monetary disciplines. Ted Heath’s attempted reforms, based on corporatism, failed as did Wilsons ‘In place of strife’. Force was soon back centre
stage demonstrated in the UK by the Thatcher government’s turning labour legislation back to the 19th century; it’s doubling of unemployment and it’s violent crushing of the miners. The impact of technology and the role of the state in crushing organised labour, insisting on monetary discipline for the poor, while giving billions away to preserve capitalism from its own internal destructive capacities is surely a much more realistic context for any analysis of today’s globalised socio-economic political system than Polanyi’s models of exchange.

The academic literature, which informs the two pages on socio-economic systems (pp8-9), seems to this reviewer, to be an exercise in burying one’s head in the sand. The existence of a network across the political, economic technostructure and its concentrated organisation of capital, in so few hands, are not exactly irrelevant to the achievement of the SSE. The danger is well documented and recognised from C. Wright Mills (1956) onwards even including Republican US President Eisenhower (NPR Morning Edition 17.01.2011). Today, monopoly, duopoly and monopolistic competition represent the norm, as far as the core economy of engineering, energy, technology, communications and finance are concerned.

This brings me back to Mondragon, the book’s flagship social transformative enterprise, to point out just how small it is, in global terms, in both its resource base and its productive capacity. Fagor may have failed for various specific management errors and unexpected market upheavals, but the Group’s decision not to sustain and rebuild it to take advantage of the next market up-turn was likely to be a recognition of the scale of the competition, as it is a lack of resources. Why the Mondragon group only had the capacity in 2009 to absorb 3% of its bank’s lending resources (Bajo and Roelants, 2011, p195) should be a matter for critical analysis and concern to anyone wanting to replace capitalism with the SSE.

Certainly, crowd funding can do great and exciting things, at the level of the small scale. In Leeds in the 1840s - 50s, it was ‘crowd funding’ via door to door collections of donations that supported the longest lasting co-operative community on the land collected by the Leeds Redemption Society, in support of the Garmlywd Estate in Carmarthenshire between 1848- 1856 (Garnet, 1972). However, in the context of globalisation, without the mobilisation of the largest co-operative financial services and agricultural sectors in co-operation with the very biggest co-operatives in production and distribution, co-operative production will be undermined by a combination of cheap labour and the high-tech economies of scale that monopoly capital can mobilise.

These big co-operatives, mutuals and credit unions do not fit the defining characteristics of a radical social economy enterprise, as defined by Ellerman (p105) in Understanding Social Enterprise Theory and Practice, yet their engagement and commitment to the goals of the SSE will be critical to its achievement.

Strategic issue 3. Food security

Another strategic challenge globalisation and technological revolution poses for the SSE enterprise, which is of central strategic importance for the agenda of socio-economic transformation is food security. The UK co-operative movement’s historical experience testifies to how important this topic is. To read some accounts, you could think the idea of local economies and local currencies was new, but it’s not. It was a popular strategy used by the Owenite Labour Exchanges in the early 1830s and, as far as goods are concerned, operated with some success. Cole and Postgate note that Labour Notes were in some places even accepted by other trades people in the locality (Cole, GDH and Postgate, Raymond, 1966, ppp263-264). As local banks and big firms often issued their own tokens and notes, public opinion was prepared in advance for the idea of a Labour Note valued by the hours of labour it represented as a local medium of exchange. (ibid, p264)

However, the primary commodity needed by all urbanised working people, having been separated from the land, is food. Then as now, food has always taken the largest proportion of workers income for all but the most affluent segments of the global labour market. The inability of the Labour Exchanges to offer food in exchange for goods was one important reason for their failure, as the patrons of these exchanges needed to use cash or a mix of labour notes and cash, if they wanted to purchase food. (ibid, p264)

Food distribution remains today, an effective oligopoly in every industrialised and post-industrialised economy across the globe. Climate change represents, for capitalism, more of a business opportunity than a threat. It presents an opportunity to grasp monopoly control of the food chain through the application of developments in plant biology and genetics. The threat of the monopolization of food production is real and, without the co-operative agri-businesses, almost impossible to stop. Any strategy for the achievement of the SSE that ignores the large co-
operative agri-businesses is set up for failure, yet the model of SSE business established by Ellerman (1990) at p105 in the chapter *The Politics of Social Enterprise* effectively excludes them.

The implications for strategy are huge and ought to be obvious. These large agri-businesses are most vulnerable to demutualisation and privatisation and we need to engage with them, but big as they are, they need to be helped to consolidate further and gain increased leverage, if they are to stand up to the monopoly power of the capitalist food chain. The insistence on abolition of private property will not be a defining characteristic here and while common ownership of the co-operative and its democratic governance will be essential, the politics of farmer autonomy and the need for food security for the world’s growing urban population will need to be the primary arguments of remaining outside the capitalist system. If we lose control of the food chain, we lose - full stop. Co-operative agri-business is an essential element for the SSE project and models that eliminate them or distance them from that project are misguided.

Conclusions

Let me conclude by admitting that it’s easy to criticise and point to the gaps and weaknesses, but the solutions are a lot harder to find. There is a global institutional framework that still encompasses all the various segments of the social economy that calls itself co-operative. The International Co-operative Alliance, the Raiffeisen Union, the World Council of Credit Unions, the Asian Confederation of Credit Unions has been often painfully constructed across many decades, although most of the new SSE enterprises whose virtues are presented in *Understanding Social Enterprise Theory and Practice* are not part of these associations. There are also international trade union associations, which also need to be included.

However, the obstacles to the utilisation of this global framework are huge. Many of the members of these associations are, in fact, under the thumb of their national ruling elites and are not really nearly as autonomous as their affiliation would suggest. The organisations themselves are under-funded by their members, whose leaderships see no need for strategic action at the global level or may fear the consequences of taking such action. These organisations seem, to this reviewer, to be more concerned with celebration than innovation and strategic intervention to establish the SSE and show little interest in any joint activities at all. Notwithstanding the institutional barriers awakening these sleeping giants and the mobilisation of their members ought to be a serious strategic focus, if we are to act globally.

However, if we do this, we must continue to ‘act local’ in civil society where we can make a difference, and in this respect, *Understanding Social Enterprise Theory and Practice* has a lot of good information. While we try to build the SSE from the bottom up, we must always ‘think global’. We must not give up on the established co-operative and credit union movements, as challenging as its institutional frameworks are to mobilise. The message of this reviewer to the authors of *Understanding Social Enterprise Theory and Practice* is simple. Don’t emphasise definitions which may create barriers between legitimate sectors of the social economy and don’t ignore the reality that global monopoly capitalism possesses the technology and the recruits to supplement its extensive economic resources with a growing ability for repression and destabilisation. The local new SSE enterprises and movements need to recognise the realities and dangers, in both the current global and local contexts and to reach out to the older established movement, the trade unions, to our natural allies in NGOs and those ‘men and women of goodwill’ in our wider society that the secular Catholic Social Doctrine seeks to address, along with other progressive faith communities like the Quakers address. However difficult in practice to achieve, we need to seek out and emphasise *inclusive strategic alliances*, not analytic definitions if we are to achieve an SSE. We must transform ‘the sector’ into ‘the movement’ if we are to defeat the forces that seek our destruction and to overcome the crisis we can all see coming.
Note

1. I note here that professional management, with its value-based leadership, plays an essential role in Mondragon’s achievement and does, in fact, enhance not oppose the ultimate rights of the workforce to determination of their organisation’s governance. Indeed, the Mondragon workforce agree, while their managers themselves are equally clear that it’s the workforce that is the key to success (see p 4). In practice, the humility and transparency of a co-operative value-based servant leadership model, professional management engaged in a listening partnership with workers, members and their communities is the key to success in large co-operatives. Co-operative market research combined with learning organisation models of employee engagement and member and other stakeholder relationship, communications can most effectively develop and mobilise co-operative social capital for competitive advantage and the building of SSE in the wider civil society. (Davis, 2004 Ch 3) The professional managers commitment to the values and ethos of Mondragon is perhaps best demonstrated by the executive pay policy of ratios ranging from top to lowest paid of between 3.1 to 9.1, depending on the co-operative, with a group average of around 5.1, as compared with ratios reported from lows of 55.1 to highs of 333.1 in a recent sample of US Corporations (Washington Post, 2nd Feb, 2018).

Additional references*

* A simple bracketed page number is a reference to the text of Understanding Social Enterprise Theory and Practice which is fully referenced at the top of this review.


