

Contributions to Management Science

Michael Ambühl
Stefano Brusoni
Anja Niedworok
Martin Gutmann *Editors*

Cooperatives in an Uncertain World

Perspectives from Switzerland and Its
Neighbors

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ISSN 1431-1941 ISSN 2197-716X (electronic)
Contributions to Management Science
ISBN 978-3-031-56199-3 ISBN 978-3-031-56200-6 (eBook)
<https://doi.org/10.1007/978-3-031-56200-6>

Mobiliar

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Vorwort

«Fürstentum Genossenschaft—wenn der Sympathiebonus zum Imageproblem wird», «Ist die Genossenschaft ein Auslaufmodell?», «Strengere Regeln für Genossenschaften», um nur einige der Themen zu nennen, mit denen Genossenschaften in den Medien auftreten. Ihre Existenz ist nicht ohne einen Anteil von Skeptikern, die ihre Fähigkeit, sowohl wirtschaftlichen Wohlstand als auch sozialen Wohlstand zu erreichen, in Frage stellen. Doch im 21. Jahrhundert erkennen immer mehr Stimmen das Potenzial von Genossenschaften an, bei der Bewältigung der vielfältigen Herausforderungen unserer Zeit neue Wege zu beschreiten.

Das vorliegende Buch, das die Genossenschaftslandschaft der Schweiz von ihren historischen Anfängen bis zu ihren heutigen Erscheinungsformen umfassend beleuchtet, will diese Fragen aufklären, welchen Beitrag Genossenschaften in ihren unterschiedlichsten Ausprägungen in Zukunft leisten können. Das Buch unterstreicht nicht nur die Bedeutung von Genossenschaften, sondern beleuchtet auch die vielfältigen Herausforderungen, denen sie im komplexen Umfeld in der heutigen Zeit gegenüberstehen. Die Genossenschaften sind Teil dieser sich wandelnden Welt und müssen sich auf die Herausforderungen und Chancen eines Umfelds einstellen, das geprägt ist von internationalen Krisen, technologischen Innovationen oder sich verändernden Anforderungen der Gesellschaft.

Dieses Buch ist Teil des Projektes «Genossenschaften im Wandel». Ziel des Projektes ist es, die Rolle und Bedeutung von Genossenschaften in der Schweiz, aber auch die Herausforderungen, mit denen sie konfrontiert sind, zu untersuchen. Der Leser ist eingeladen, sich auf eine Reise durch die Welt der Genossenschaften zu begeben, die von Wirtschaft, Wissenschaft, Praxis und Politik zunehmend beachtet wird. Die Geschichte der Schweizer Genossenschaften entpuppt sich als ein fesselndes Narrativ mit Lehren und

Einsichten, die weit über die Landesgrenzen hinaus reichen. Das ist, kurz gesagt, eine wichtige Geschichte, die sich auf die politische Landschaft der Schweiz bezieht, die selbst eine Genossenschaft ist.

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Preface

“Principality Cooperative—when the sympathy becomes a problem”,¹ “Is the cooperative a discontinued model?”,² “Stricter rules for cooperatives”³: cooperatives are not without their fair share of skeptics, as this sample of recent headlines attests to, who question cooperative’s ability to effectively pursue both economic prosperity and social welfare. However, as we stand in the twenty-first century, an increasing number of voices are acknowledging the potential of cooperatives to be game changers in addressing the myriad challenges of our times.

This book, a comprehensive exploration of the cooperative landscape in Switzerland from its historical origins to its contemporary manifestations, aims to unravel what contribution cooperatives in their various forms can make in the future. The book not only underscores the significance of cooperatives but also sheds light on the multifaceted challenges they face within the environment nowadays. Cooperatives are part of this changing world adapting to the challenges and opportunities of an environment characterized by international crises, technological innovations, or changing demands of society.

This book is a part of the project “Cooperatives in a Changing World,” the aim of which is to investigate the role and importance, as well as the challenges, of cooperatives in Switzerland. The reader is invited to embark on a journey through the cooperative world, which has gained increasing attention from business, academics, practitioners, and policymakers. As we navigate the intricate intersections of tradition and innovation, community and globality, and social and economic progress, the story of Swiss cooperatives emerges as a compelling narrative with lessons and

¹ <https://www.deepl.com/de/translator#de/en/F%C3%BCrStentum%20Genossenschaft%20%E2%80%93%20wenn%20der%20Sympathiebonus%20zum%20Imageproblem%20wird>, access: 2023/09/2.

² <https://www.nzz.ch/wirtschaft/kampf-der-systeme-warum-genossenschaften-auch-heute-noch-funktionieren-koennen-ld.1400952?reduced=true>, access: 2023/09/2.

³ <https://www.faz.net/aktuell/wirtschaft/unternehmen/schaerfere-regeln-fuer-genossenschaften-18198386.html>, access: 2023/09/2.

insights that resonate far beyond the country's borders. This is, in a nutshell, an important story, and one that is related to Switzerland's political landscape which is itself a cooperative (Eidgenossenschaft).

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Prefazione

“Principato delle Cooperative—quando il bonus simpatia diventa un problema di immagine”,⁴ “La cooperativa è un modello in disuso?”,⁵ “Regole più stringenti per le cooperative”⁶: come testimonia questo campione/questa rosa di titoli recenti, le cooperative non sono scovre da scetticismi che mettono in dubbio la loro capacità di perseguire efficacemente obiettivi sia di prosperità economica che di benessere sociale. Tuttavia, attualmente, un numero crescente di attori riconosce il potenziale delle cooperative nell’affrontare le innumerevoli sfide dei nostri tempi.

Questo libro rappresenta un’ esplorazione completa del panorama cooperativo in Svizzera dalle sue origini storiche alle sue manifestazioni contemporanee e si propone di svelare quale contributo le cooperative, nelle loro varie forme, possono dare in futuro. Il libro non solo sottolinea l’importanza delle cooperative, ma fa anche luce sulle molteplici sfide che esse devono affrontare oggi. Le cooperative sono parte di un mondo in evoluzione e devono adattarsi alle sfide e alle opportunità di un contesto globale caratterizzato da crisi internazionali, innovazioni tecnologiche o e le mutevoli esigenze della società.

Questo libro fa parte/è parte integrante del progetto “Cooperative e le sfide del XXI secolo”. L’obiettivo del progetto è quello di esaminare il ruolo e l’importanza delle cooperative in Svizzera, ma anche le sfide che le stesse devono affrontare. Il lettore è invitato a intraprendere un viaggio attraverso il mondo cooperativo, il quale ha guadagnato un’attenzione crescente da parte di imprese, accademici, professionisti e politici. La storia delle cooperative svizzere emerge come una narrazione avvincente con lezioni e spunti che risuonano ben oltre i confini del Paese. In breve,

⁴ <https://www.deepl.com/de/translator#de/en/F%C3%BCr%20stentum%20Genossenschaft%20%E2%80%93%20wenn%20der%20Sympathiebonus%20zum%20Imageproblem%20wird>, access: 2023/09/2.

⁵ <https://www.nzz.ch/wirtschaft/kampf-der-systeme-warum-genossenschaften-auch-heute-noch-funktionieren-koennen-ld.1400952?reduced=true>, access: 2023/09/2.

⁶ <https://www.faz.net/aktuell/wirtschaft/unternehmen/schaerfere-regeln-fuer-genossenschaften-18198386.html>, access: 2023/09/2.

la storia delle cooperative svizzera è fondamentale e strettamente in connessione con il panorama politico della Confederazione elvetica.

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Preface

«Une principauté nommée coopérative: quand le capital sympathie pose un problème d'image»,⁷ «La coopérative, un modèle voué à disparaître?»,⁸ «Des règles plus strictes pour les coopératives»⁹: tels sont quelques-uns des titres donnés à des articles consacrés aux coopératives dans les médias. Leur existence ne va pas sans susciter un certain scepticisme quant à leur capacité à garantir à la fois la prospérité économique et le bien-être social. Toutefois, au 21^e siècle, de plus en plus de voix reconnaissent le potentiel des coopératives à offrir de nouvelles approches pour relever les nombreux défis de notre époque.

Le présent ouvrage, qui passe en revue de façon exhaustive le paysage coopératif en Suisse, de ses débuts historiques à ses représentations actuelles, a pour but de clarifier comment les coopératives, sous leurs formes les plus diverses, peuvent contribuer à façonner l'avenir. Tout en soulignant l'importance des coopératives, ce livre met également en lumière les multiples défis auxquels elles sont confrontées dans un environnement actuel complexe. Les coopératives font partie de notre monde en constante mutation et doivent faire face aux défis ainsi qu'aux opportunités d'un environnement marqué par les crises internationales, les innovations technologiques et les exigences changeantes de la société.

Ce livre fait partie d'un projet intitulé «Les coopératives dans un monde en pleine évolution», qui vise à examiner le rôle et l'importance des coopératives en Suisse, mais aussi les défis auxquels elles sont confrontées. Les lectrices et les lecteurs sont invités à entreprendre un voyage à travers l'univers des coopératives, un milieu auquel l'économie, la science, la pratique et la politique accordent toujours plus d'attention. L'histoire des coopératives suisses forme un récit captivant,

⁷ Article original en allemand (Neue Zürcher Zeitung, 10.05.2021), voir: <https://www.nzz.ch/wirtschaft/genossenschaften-welche-lehren-raiffeisen-und-migros-ziehen-ld.1614403?reduced=true>

⁸ Article original en allemand (Neue Zürcher Zeitung, 06.07.2018), voir: <https://www.nzz.ch/wirtschaft/kampf-der-systeme-warum-genossenschaften-auch-heute-noch-funktionieren-koennen-ld.1400952?reduced=true>

⁹ Article original en allemand (Tages Anzeiger, 01.10.2014): <https://www.tagesanzeiger.ch/strengere-vorschriften-fuer-genossenschaften-659551953092>

riche en réflexions et en enseignements allant bien au-delà des frontières nationales. Pour résumer, il s'agit d'une histoire majeure qui se rapporte au paysage politique de la Suisse, lequel repose lui-même sur le principe de coopération.

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Acknowledgments

We want to express our gratitude to Mobiliar—the Swiss insurance cooperative that enabled the project “Cooperatives in a changing world.” This research would not have been possible without their financial support. In particular, we are grateful to Urs Berger, Dorothea Strauss, Belinda Walter-Weger and Marta Kwiatkowski.

We also want to thank the contributors who have co-authored the different chapters of this book. We thank them for their generosity and dedication not only in writing their specific chapters but also in acting as reviewers of other chapters. They made it possible for the book to be built on academic research and, at the same time, be written in a way that is easily accessible to cooperatives.

The completion of this scientific work has been made possible through the collective effort, support, and inspiration of numerous individuals and organizations. We extend our gratitude to the following: ETH Foundation and all research collaborators who have generously shared their expertise and engaged in fruitful discussions throughout the course of this book. Your contributions have enriched this work immeasurably.

Finally, we wish to thank the team at Springer Nature for their professional support during the publication process.

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Chapter 1

Introduction



Michael Ambühl, Stefano Brusoni, Anja Niedworok, and Martin Gutmann

1.1 The Cooperative Potential

This book explores how cooperatives can and are meeting the challenges of a changing world. While concepts to describe the dire and unpredictable state of our world have proliferated—VUCA (Bennis & Nanus, 2007), poly-crisis (WEF, 2023), tipping-point (Lenton et al., 2019), wicked problems (Reinecke & Ansari, 2016), grand societal challenges (Ferraro et al., 2015), to name but a few—scientists across diverse disciplines are clear that the present is a particularly perilous time for our global civilization. Climate change has already begun to impose severe human and financial costs across the world. Digitalization has changed how we do business and relate to one another, in some cases, such as with generative AI, essentially overnight. At the same time, violent conflict and geopolitical tensions are again affecting the lives of millions. Across a host of other social, economic, and ecological themes—such as gender equality, poverty, and deforestation—our progress has stalled, if not reversed, as measured by the Sustainable Development Goals (Gutmann & Gorman, 2022).

The premise of this book is twofold. First, cooperatives can provide—and in some contexts already are providing—an effective organizational form to tackle many of these challenges. Their role though is often underestimated because, while cooperatives are many, they tend to be small and integrated in a local context. Therefore, one theme cutting across the book is a discussion about how we can make cooperatives' impact more visible, as well as scalable.

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The second premise is that there is much we can learn from the recent history of Swiss cooperatives. The Swiss cooperative movement has a long and distinguished history. Far too often, however, the discourse about Swiss cooperation remains isolated: it neither integrates input from international, English-language studies, nor does such studies in return pay much attention to the Swiss example. This is a missed opportunity because there is much that we can learn from the Swiss experience. Another theme cutting across the book, therefore, is connecting the analysis of Swiss cooperatives with that focused on cooperatives in different countries. There is much, we believe, that we can learn from the Swiss context to inform debates happening elsewhere.

While the world has changed, human-centered and participative organizations, such as cooperatives—defined by the International Cooperative as “people-centered enterprises jointly owned and democratically controlled by and for their members to realize their common socio-economic needs and aspirations” (International Cooperative Alliance)—have endured as organizations that can strengthen local economies and societies. They can contribute to a resilient society by offering an alternative economic model based on the principles of values-based orientation, cooperation/participation, and profit optimization instead of profit maximization. In times of crisis, cooperatives often highlight this as their advantages (Hettlage, 1998; Voß, 2002; Birchall & Ketilson, 2009; Allgeier, 2011). In fact, these moments of crisis have been a decisive impetus for cooperatives’ development and evolution. For example, the Industrial Revolution and the associated problems led to the establishment of the first cooperative in the industrial age in Rochdale in 1844 (Fairbairn, 1994). The emergence of credit cooperatives in the German-speaking region in the mid-nineteenth century also traces back to times of crisis (Faust, 1977; Brendel, 2011).

Because cooperatives fundamentally address the needs of all members, certain excesses of capitalism are limited or mitigated avoided. The goal is not to pursue quick and large profits. Instead, cooperatives are designed to operate successfully and responsibly in the long term (Schäfer, 2022). However, this fundamental praise is met with an equally fundamental criticism. The cooperative idea is accused of being the realm of social romantics—values-based orientation in an economic context is not necessarily desired (Schäfer, 2018).

One concept used to understand the types of challenges the world is currently facing is that of Grand Societal Challenges. The GSC represents wicked barriers that, if removed, would help solve widespread societal problems (George et al., 2016, p. 1881). These kinds of challenges are complex and uncertain by nature (Ferraro et al., 2015) and our understanding and amelioration of them depend on the different evaluations of the actors affected (Kim et al., 2019). They are widespread, often connecting global problems. However, they manifest locally. Therefore, they operate at different geographical locations (Mair et al., 2012, 2016) and are at intertwined scales (Chatterjee et al., 2023). Consequently, effective responses to Grand Societal Challenges require deep knowledge of the peculiar institutional characteristics of the local communities affected by these problems (Claus et al., 2021), and a deep understanding of the broader systems of values and principles that shape them (Berrone et al., 2016; Jarzabkowski et al., 2019).

While most of the Grand Societal Challenges are global, this book focuses particularly on Swiss cooperatives and, in select cases, cooperatives in neighboring countries. The reasons for this are manifold. For one, cooperatives are a firm fixture of the Swiss economy and society. Cooperatives can be found in a wide range of industries and sectors in Switzerland, including agriculture, banking, insurance, housing, and consumer goods. Among the most well-known cooperatives in Switzerland are the supermarkets Migros and Coop, which are owned and operated by their members.

An average Swiss resident today may purchase groceries, buy insurance, bank with, rent an apartment from, and subscribe to a cooperative ride-sharing platform. According to the most recent estimate, every other Swiss is a member of at least one cooperative (Weiss, 2012, p. 8). The proportion of residents interacting with cooperatives in some form—as a customer, worker, or supplier—is almost certainly higher.

The high degree of integration of cooperatives into Swiss life is also evident in a global comparison. Ranked by cooperative members per capita, only France and Finland rank above Switzerland. Ranked by cooperative employees per capita, only one country—New Zealand—tops Switzerland (Grace, 2014, p. 2). In 2022, Switzerland was home to six of the world's 300 largest cooperatives—more than comparatively sized countries such as New Zealand, Norway, Belgium, and Austria (World Cooperative Monitor, 2022). Beyond the global comparison, the tenor and cadence with which cooperatives are spoken of in politics and the media hint at an organizational form with strong roots in Switzerland.

Moreover, Swiss cooperatives are strongly committed to sustainability and social issues. In addition to their economic focus, cooperatives inherently have a social orientation (dual character). These two aspects can sometimes be in tension with each other. While some cooperatives have business activities that serve as social activities, there are also cooperatives where the business model is detached from social activities and other entities fulfill the societal engagement role.

Overall, cooperatives have played an important role in the Swiss economy and society for many years. They offer a unique and democratic model of business ownership and can provide significant benefits to both their members and the broader community. However, in order to fully realize their potential, cooperatives must adapt to the evolving economic and social landscape. This may involve adopting new technologies and business models, as well as finding ways to attract and engage younger members. Adaptability is an essential tool for organizations operating in the market, including cooperatives. Cooperatives have successfully demonstrated this in the past, becoming a resilient business model. As we will see in the chapters of this book, it is exactly these features that enable cooperatives to respond in ways that other business forms cannot.

1.2 The Book

All of the above-mentioned challenges and upheavals are cross-border phenomena and thus require action on a local level—in our case the Swiss cooperatives—but also a collaboration on a wider scale. Therefore, the book proceeds in three sections, starting with Swiss perspectives moving to international contributions, which can serve as learning cases, for example, when facing legal changes. The first section, titled “Cooperatives in the Swiss Context” and composed of four chapters, provides a comprehensive exploration of the diverse landscape, legal framework, and historical development of cooperatives in Switzerland. In Chap. 2, Anja Niedworok and Martin Gutmann delve into the contemporary landscape of Swiss cooperatives. In particular, they provide a quantitative overview of cooperatives, which they complement with a qualitative assessment of the different types of cooperatives, with examples such as Migros and housing cooperatives.

In Chap. 3, Nadia Fabrizio examines the unique features of Swiss cooperative law, exploring how it shapes the purpose, financing, and growth potential of cooperatives. On the question of whether the current legal landscape promotes or prevents cooperative growth, Fabrizio’s assessment is mixed. Building on this, Fabrizio recommends specific modernization measures in Swiss cooperative law.

In Chap. 4, Monique Bolli’s chapter focuses on the participatory governance characteristic of cooperatives discussing the tensions surrounding inclusion, perceptions of obsolescence, and the balance between idealism and pragmatism in sustaining the cooperative mission. In particular, based on extensive interviews, she describes three inherent tensions: first, that inclusion is not a given through participation, second, that many perceive cooperatives as outdated, and three, that to avoid mission drift, different approaches are required.

Lastly, in Chap. 5, Martin Gutmann offers a comparative analysis of the origins and trajectory of cooperatives in Switzerland, revealing both unique dimensions and similarities to cooperatives in comparable countries. Together, these chapters contribute to a comprehensive understanding of cooperatives in the Swiss context, challenging perceptions, exploring legal frameworks, highlighting participatory governance, and examining historical trajectories.

The second section of the book, titled “The Future of and with Swiss Cooperatives,” delves into the prospects and challenges surrounding Swiss and international cooperatives. Richard Sturn’s Chap. 6 “Digital Transformation and Solidarity in Cooperatives” explores how digital advancements impact the cooperative sector. Sturn highlights the potential for new power asymmetries and the selective displacement of traditional institutional functions. However, he also emphasizes the promising potential for cooperatives in a digitalized world, particularly in knowledge-based and data-intensive sectors. Sturn calls for a balance between technological integration and upholding cooperative values of solidarity and collaboration.

In Chap. 7, Anselm Balk and Michaela Schaffhauser-Linzatti present a qualitative and quantitative study on the perception of Austrian cooperatives during the

COVID-19 pandemic. The findings indicate that both experts and cooperative members consider cooperatives well positioned to meet current and future challenges. The agricultural and energy sectors are particularly identified as having significant potential. However, there is a need to further implement cooperative values and communicate them effectively to the public. Members express ambivalence toward digitalization, welcoming it for improving efficiency but remaining cautious about reducing direct member contact.

Sonja Novkovic's Chap. 8 "Changing the Mindset: Cooperatives and Complexity. Looking into the Future," highlights the unique nature of the cooperative enterprise model and its potential to contribute to socio-economic transformation for sustainability. Novkovic suggests that cooperatives offer a different mindset, placing the enterprise within the social sphere and prioritizing social impact and collective goals. By challenging existing paradigms and embracing a radical imagination, cooperatives can play a crucial role in driving the needed transformation.

Chapter 9, which Kata Isenring titled "Balancing Flexibility and Stability: Leveraging Cooperatives for Organizational Resilience," provides an overview of recent resilience research in organization and management studies, focusing on cooperatives. It advocates a shift from viewing resilience reactively, emphasizing the need for organizations to proactively design capabilities to anticipate and effectively respond to adverse events while reducing vulnerability. Through three Swiss cooperative case studies, the chapter demonstrates how their democratic principles and community engagement foster problem-solving and adaptive capabilities, enabling them to navigate challenges while minimizing susceptibility.

Theresa Theurl's Chap. 10 "Cooperative Ecosystems: Perspectives and Challenges," investigates the concept of cooperative ecosystems and their potential for cooperatives. Theurl examines the dimensions of cooperative ecosystems, such as governance structures, resource sharing, and knowledge exchange. By leveraging partnerships and collaborations, cooperatives can create synergies, enhance innovation, and expand their impact. The chapter also highlights the challenges associated with cooperative ecosystems and provides recommendations for their growth and sustainability.

In summary, this section delves into the future of Swiss cooperatives, exploring various dimensions such as digital transformation, crisis response, mindset shift, societal resilience, and ecosystem perspectives. The chapters collectively highlight the potential of cooperatives in navigating the evolving landscape and contributing to a sustainable and resilient future. Emphasizing solidarity, collaboration, and transformative action, the section underscores the importance of cooperatives in shaping a thriving cooperative movement in Switzerland.

Section Three, titled "Cooperatives and Grand Societal Challenges," broadens the scope to examine larger challenges and the cooperative response thereto. It includes three chapters that examine the Italian context, as this forms a unique counter-perspective to the Swiss example of cooperative experience.

In Chap. 11, "Collaborative responses to grand challenges: the case of La Scuola Open Source," Nunzia Coco examines the relevance of cooperative initiatives and open innovation strategies in tackling contemporary global "grand challenges"

encompassing economic, financial, and health crises. Through a case study of “La Scuola Open Source,” a cooperative project in a socially disadvantaged context, the chapter analyzes the dynamics of crowdsourcing as a means to navigate societal shifts. Emphasizing the significance of open practices and design-driven methodologies, the study illustrates their role in fostering a strong community identity and propelling a community-driven endeavor into a formalized cooperative entity, offering valuable insights for practitioners and policymakers addressing pressing societal challenges.

In Chap. 12, “The evolution and evaluation of the Italian legislation on social cooperatives and social enterprises: facilitator or obstacle to their diffusion?” Silvia Velmer delves into the historical significance of Italian cooperatives, which have traditionally served as a cornerstone of the national economy, catering to members’ needs with accessible products and services. The chapter focuses on the transformative journey of social cooperatives, originally conceived to address local social concerns, evolving into pivotal providers of welfare services in Italy. It highlights the evolving dynamics between social and conventional cooperatives, emphasizing the former’s enduring commitment to social impact, particularly in the face of contemporary global challenges, owing to their deep-seated community integration.

Chapter 13, “Opportunity recognition and innovative solutions to societal challenges: the case of community cooperatives in Italy,” written by Riccardo Maiolini and Tommaso Ramus, offers initial empirical insights into the distinctive challenges faced by community cooperatives in recognizing entrepreneurial opportunities. These entities, dedicated to generating value for their community rather than exclusively for their members, grapple with the complexity of accommodating diverse community needs within resource constraints. Drawing from the experiences of eight Italian community cooperatives, the study suggests that their deep community integration both complicates opportunity recognition and stimulates creative processes to devise innovative solutions, ultimately contributing to social innovation. These findings contribute to the emerging research on community-based enterprises and enrich the broader discourse on entrepreneurship, underscoring how cooperatives serve as agents of social progress while remaining rooted in a human-centered ethos aimed at uplifting marginalized populations.

In Chap. 14, “Is SwissCovid a Responsible Innovation for a Grand Societal Challenge? The Case for Better Deliberative Capacities in Innovation Governance,” Andreas Scherer, Christian Voegtlin, and Dana Entenza underscore the necessity for collaborative efforts among public, private, and non-profit entities to tackle Grand Societal Challenges (GSC) through Responsible Innovation (RI), a framework emphasizing innovations that prioritize non-harm and positive impact on people and the environment. Responsible governance plays a crucial role in enabling such innovations by managing diverse rationalities, worldviews, and conflicting objectives of participants. The chapter builds on deliberative democracy literature, contending that authentic, inclusive, and consequential deliberation is essential for addressing tensions in innovation governance. The case study of the SwissCovid contact tracing app is used to illustrate these criteria, revealing that participant behavior and the urgency of the issue can influence the quality of deliberation and consequently, the

responsible nature of the innovation. The chapter proposes the implementation of robust institutional safeguards and principles to enhance deliberative capacities in innovation governance, contributing to the existing literature on deliberation quality in this context.

In Chap. 15, Chiara Carini, Paola Delvecchio, and Ilana Gotz offer a comprehensive overview of large cooperatives worldwide, highlighting their pivotal role in fostering equitable and sustainable development. It draws upon data from the World Cooperative Monitor, a project led by the International Cooperative Alliance with support from Euricse, showcasing the economic importance and societal impact of cooperatives and mutuals globally. The chapter specifically focuses on results from 12 editions of the project, emphasizing the economic scale of cooperatives, their resilience during the COVID-19 crisis, and their contribution to achieving the Sustainable Development Goals.

Chapter 16 “Cooperative Approaches as a Way to Build Resilient Societies,” written by Friederike Edel, Maximilian Grund, Johanna Möbius, Armin Schuster, and Werner Stork, delves into the impact of cooperative approaches on modern societies, particularly in the context of evolving into resilient and responsible entities. It emphasizes the need for a more precise understanding of societal resilience, examining its development at individual, organizational, and societal levels. The authors posit that every citizen serves as a co-producer of resilience within the state and society, with the cooperative approach providing essential impetus, and they analyze the similarities and differences between cooperatives and other forms of resilient organizations.

In Chap. 17 “Understanding cooperatives from a Bourdieusian perspective,” Gaëlle Cotterlaz-Rannard and Manuel Méndez utilize Bourdieu's theory of capital forms, including economic, social, cultural, and symbolic dimensions, as a relational framework, to analyze the distinctive attributes of cooperatives. Through longitudinal case studies of a housing cooperative in Switzerland and a cultural cooperative in the UK, the authors investigate how cooperatives strategically accumulate and convert diverse forms of capital, providing insights into the dynamic processes that enable them to operate effectively and gain recognition across various community levels.

1.3 The Contributions

The contributions of this book are several. First, it emphasizes the role of cooperatives in effectively addressing social challenges. Cooperatives are not the remedies for everything, nor are they themselves immune to many of the upheavals of our current moment in time. Yet, as the chapters in this book show, cooperatives have certain predispositions—their anchor in a social purpose beyond generating revenue; their attention to participation; their focus on providing local answers to global challenges—to adapt and respond well to the severe difficulties our world is facing.

The second contribution is to showcase specifically Swiss cooperatives, which, while numerous and diverse, have made scant appearances in the international literature. Cooperatives in general, however, could and should be more appreciated. Their significance is often underestimated due to their predominantly small scale and localized nature. Much of their impact is limited to a specific context in a specific area. Still, their impact is visible and important. Nevertheless, it is important to foster the discussion about how to enhance their visibility and the scalability of their activities. By improving coordination, collaboration, and overall organizational effectiveness, organizations can have a greater positive impact on their environment and society. Swiss cooperatives have much to offer to this conversation.

Third, the book suggests that how cooperatives foster collaboration among diverse stakeholders is exemplary. Cooperatives pool diverse resources and knowledge bases together.

Cooperatives offer a transformative approach to business organizations, within which individuals may reconcile the fulfillment of their own needs with the broader needs of society. Shared prosperity, collaborative decision-making, sustainability, resilience, community building, and ethical business practices are part of this model. Cooperatives can provide a very effective example of a different ways of organizing economic activities, an example that—while integrated into the fabric of Swiss society—has not received the public recognition that it deserves, at home and abroad. This cooperative framework represents a powerful and value-driven way of doing business with the potential to create a more equitable and sustainable future.

There are many questions this book does not answer fully. Many issues remain open. Much remains to be done. What impact will digital technologies have on cooperatives? What new legislation will be designed and implemented to regulate the growth of cooperatives? How can we maintain high levels of participation as cooperatives scale up their activities? This book does not provide answers to all these questions, but hopefully suggests a structured way to frame the conversation about cooperatives, both in Switzerland and abroad.

Cooperatives have given much to Swiss society, and they can offer much more.

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Part I
The Swiss Cooperatives Then and Now

Chapter 2

The Swiss Cooperative Landscape: A Quantitative and Qualitative Overview



Martin Gutmann and Anja Niedworok

Abstract Cooperatives play an important role in the Swiss society. Swiss cooperatives can be found in cities as well as rural Alpine areas, from nationwide organizations to small, less corporate-like ones. This chapter illustrates the diversity of Swiss cooperatives today through a quantitative and qualitative lens. The first section gives an overview of Swiss cooperatives today in terms of numbers and distribution along geographic groupings, economic activity, size, and economic impact as well as their public perception and recent media resonance. The second part of the chapter sketches how various cooperatives are coping with a challenging and changing economic landscape. This includes a discussion of how large and established cooperatives are evolving, using a case as an example, and an examination of how smaller cooperatives are adapting and sometimes thriving in new, socially critical areas: farming, housing, and energy. Finally, the conclusion summarizes key findings and what the future may hold.

Keywords Cooperatives in Switzerland · Public perception of cooperatives · Challenges for cooperatives · Socio-economic change and cooperatives

2.1 Introduction

This chapter explores this diverse landscape of cooperatives in Switzerland today through quantitative and qualitative lenses. While this chapter's aim is primarily to give a broad overview of the cooperative landscape today rather than to advance any specific argument, a few noteworthy points will crystalize by its end. First, the landscape of Swiss cooperatives is diverse: cooperatives come in all sizes and are

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involved in most sections of the Swiss economy. They differ in the extent to which they engage with the market, to how they balance economic with social goals, and to how palpable their cooperative identity is. There is, in short, no “typical” Swiss cooperative. Second, despite a series of scandals involving larger well-known cooperatives, the available evidence suggest that cooperatives continue to enjoy a favorable standing among much of the Swiss population. Finally, while there is a rich tradition among some commentators, both in Switzerland and abroad, of questioning cooperatives’ viability in the new, dynamic, and disruptive business environment of the twenty-first century, there are ample success stories of Swiss cooperatives adapting, surviving, and even thriving.

As explored in the Introduction, cooperatives are a prevalent organizational form in Switzerland. Moreover, compared to neighboring countries, Swiss cooperatives stand out for their high degree of “corporatization.” In some sectors, such as retail, they dominate the market. Migros, for example, is the largest retailer in Switzerland, with CHF 28.93 billion in revenue in 2021, over 97,000 employees, and over 2 million members (Migros Group, 2022; Statista, 2021). Moreover, their streamlined branding and operations make them all but indistinguishable from corporations to the average consumer. To an uninitiated customer, the interior of a Migros differs little from comparable, upscale joint or privately owned grocery stores in neighboring countries (Nicholls & Huybrechts, 2017, p. 473). When asked about the organizational form of Mobiliar, a prominent cooperative insurance provider in Switzerland, 34% of respondents in a survey in 2016 believed it to be a corporation (with only 37% correctly identifying it as a cooperative) (Jungmeister et al., 2016, p. 206).

At the same time, the landscape of cooperatives in Switzerland is diverse. Along with Migros and other cooperatives of national reach, there are smaller, less corporate-like, and often less market-oriented cooperatives across the country—from cities to remote Alpine valleys—that play an important role in advancing social and economic aims. Housing cooperatives, for example, play an increasingly prominent role in urban areas, where affordable housing is an increasing social concern. For example, the Wohnbaukommission in Zurich, Switzerland’s largest city, is a non-profit cooperative founded in 1956 that provides 3800 rooms across 68 properties for the city’s university students (Wohnbaukommission, 2022). Similarly, in a remote valley of the Bernese Alps, the Ecole d’Humanité, a small boarding school organized along the principles of the reform education movement, is also a registered cooperative (Lembke-Ibold, 2010). Numerous farming communities in the same region and across Switzerland use cooperatives to organize grazing on common Alpine pastures and bring their dairy products to market (Stuber et al., 2018).

In the first section, we attempt to sketch an overview of cooperatives in Switzerland today. First, relying on economic data, we try to establish a comprehensive overview of the absolute numbers and distribution of cooperatives along geographic groupings, economic activity, and size and economic impact. Using surveys and secondary sources, this section further explores public perception of cooperatives and discusses recent media resonance. The second section aims to move

beyond this broad overview to examine on a more granular level how various cooperatives are coping with a challenging and changing economic landscape. This includes a discussion of how large and established cooperatives are evolving, using the case of REKA as an example, and an examination of how smaller cooperatives are surviving, adapting, and, in some cases, thriving in new, socially critical areas: farming, housing, and energy. Finally, the conclusion summarizes key findings and tries to take stock of cooperatives in Switzerland today and what the future may hold. Before beginning with the chapter's proper sections, however, the remainder of this Introduction briefly outlines the definition of cooperatives used in this chapter and elaborates on the sources on which it is based.

Robert Purtschert, one of the preeminent scholars of corporatism in Switzerland, has pointed out that while in some countries, cooperatives that have an explicit market orientation are regarded as “atypical,” such cooperatives are an accepted and prevalent form in Switzerland (2007, p. 384). For this reason, in categorizing cooperatives in Switzerland, Purtschert recommends thinking in four clusters (2007, pp. 384–386):

1. Market-oriented cooperatives
2. Self-help cooperatives
3. Social-political cooperatives
4. Public special purpose cooperatives and associations

These clusters speak to the broad integration of cooperatives at different levels and for other purposes of Swiss society.

At the time of this chapter's writing, there were 8312 entities registered as cooperatives in the Swiss Federal Commercial Registry (ZEFIX, 2022). This includes cooperatives within all four of Purtschert's clusters. This number has been declining year on year—in 2020 there were 8559 cooperatives (Idée Coopérative, 2020a, p. 10).

While the Commercial Registry allows for a quick and easy overview of total registered cooperatives, it does not classify entries according to the General Classification of Economic Activities (NOGA) sectors and activity areas. For this reason, we have used the STATENT dataset from 2018 as the primary basis for our overview of cooperatives in Switzerland. STATENT is a dataset of organizational structures (Statistik der Unternehmensstruktur) in Switzerland compiled by the Swiss Federal Office of Statistics, based on raw data from the registers of the Old-age and Survivors' Insurance (AHV). The database provides basic indicators of the structures of the Swiss economy including the number of enterprises, business locales, and employees.¹ As such, working with the STATENT dataset offers a researcher a more granular view of cooperative types and distribution. In our analysis, we focused on entities that were legally registered as cooperatives *and* were

¹ <https://www.bfs.admin.ch/bfs/de/home/statistiken/industrie-dienstleistungen/erhebungen/statent.html>.

market-oriented and private enterprises—in other words, the first of Purtschert’s clusters.²

Where appropriate, the numbers generated by our own statistical analysis are compared and contrasted to the figures cited by *Idée Coopérative* and IG Genossenschaften in their recent reports.

In addition to our data analysis of ZEFIX and STATENT datasets, this chapter is based on three types of sources: academic literature, reports from industry associations, and newspaper articles. With a few recent exceptions—in the area of sustainability and energy—it is rare for international, English-language studies to examine cooperatives in Switzerland or to engage in comparative studies with Switzerland as a case. This can likely be attributed to Switzerland’s small size and to the fact that Swiss scholars, past and present, writing on cooperatives do so overwhelmingly in German. Swiss academic literature on cooperatives, in turn, is limited in size and most of it can be attributed to one of two clusters: Robert Purtschert’s now emeritus group at the University of Fribourg—with an emphasis on non-profit management—and a group centered on the University of Lucerne’s *Institut für Wirtschaft und Regulierung*—with an emphasis on legal aspects and governance. This group, too has largely seized to operate. It is, however, notable in an international comparison, as few countries have established cooperative law studies (Cracogna et al., 2013, p. 804).

Switzerland has a number of cooperative advocacy groups, with one particularly prominent: *Idée Cooperative* (known until 2019 as IGG). Its “Cooperatives Monitor” [“Genossenschaftsmonitor”], published most recently in 2020, is based on an extensive survey conducted by a policy research firm into a variety of dimensions of cooperatives in Switzerland today. As such, it presents one of the most comprehensive studies into cooperatives today and forms one key resource in this chapter. Similarly, a study conducted in 2016, under the name IG Genossenschaften, forms another pillar of this chapter. This study is based on interviews with 1013 randomly selected Swiss (IG Genossenschaften, 2016).

Finally, the authors conducted a search for coverage of cooperatives in the online repositories of several Swiss German-language newspapers (*NZZ*, *Republik*, *Finanz und Wirtschaft*, *Bilanz*, *SwissInfo / SRF*, and *Luzerner Zeitung*).³ The content analysis was unstructured, serving to gain a general overview of the types of themes associated with cooperatives that are reported.

²Specifically, the following filters were used: Legal form: cooperative; Economic sector according to the General Classification of Economic Activities (NOGA): sector of financial enterprise and non-financial enterprise; Market orientation: market; Private or public: private; Type of enterprise: market-oriented enterprise.

³Keyword search: “genossenschaften,” “genossenschaftswesen” alone and combined with “öffentliche Meinung,” “Trends,” and “Skandal.”

2.2 Cooperatives in Switzerland: Numbers and Distribution

2.2.1 Geographic Distribution

Cooperatives are present in all regions of Switzerland. We analyzed distribution along three geographic criteria: established economic regions, Cantons, and language regions. Seen by a number of entities (count value), the highest concentration is in the so-called “Espace Mittelland” with 26%. This is followed by 19% in Eastern Switzerland and 16% in the Greater Zurich Area (see Fig. 2.1). Ticino has the lowest percentage of cooperatives at 2%.

Ranked by Cantons, Bern has the highest number of cooperatives with 553, followed by Zurich (503) and Lucerne (272). This proportion is similar when using the larger Commercial Registry dataset, which lists 1416 in Bern, 1122 in Zurich, and 572 in Lucerne (ZEFIX, 2022). Appenzell Innerrhoden ranks last with seven cooperatives, based on the STATENT data. However, ranked by cooperatives per capita, Grisons, Uri, and Basel City, in that order, rank at the top (see Fig. 2.2). Notably is the fact that Bern, Lucerne, Grisons, and Thurgau rank in the top third both by absolute and per capita cooperatives.

In the distribution along language regions, 82% are located in German-speaking areas, 14.7% in French-speaking areas, 2.2% in Italian-speaking areas, and 1.1% in Romansch-speaking areas. This distribution is not proportionate to the percentage of the population speaking the four languages. For comparative purposes, according to the Federal Office of Statistics, in 2020 62.3% of Swiss residents spoke German,

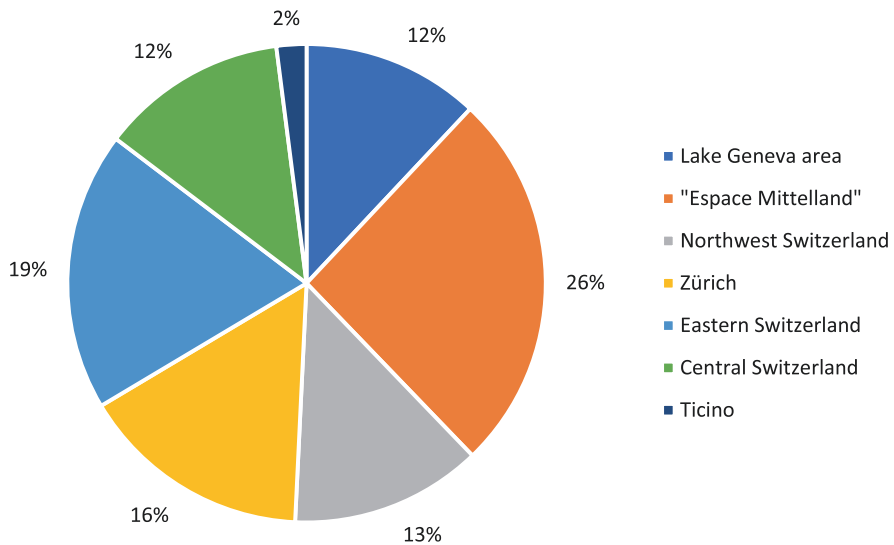


Fig. 2.1 Geographic distribution of cooperatives in Switzerland (STATENT)

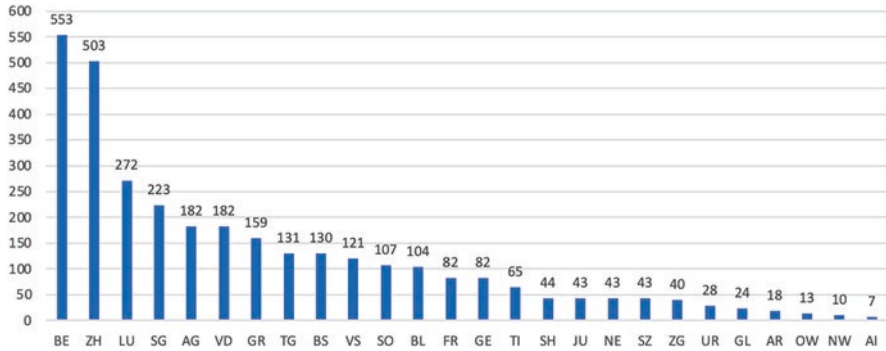


Fig. 2.2 Cooperatives per Canton (STATENT)

22.8% spoke French, 8% spoke Italian, and 0.5% Romansch (with the remaining speaking a different language) (Bundesamt für Statistik, 2022).

We also analyzed the cooperative distribution along population density categories. Fifty-three percent of Swiss cooperatives are based in urban areas, with 25% in semi-urban or rural population centers and 22% in rural areas. Given Switzerland’s small size combined with its efficient transportation infrastructure, these numbers cannot be used to infer preferences among cooperatives, members, or customers based on an urban–rural demographics. According to the Federal Office of Statistics, the average Swiss worker commutes 29 min each way (Bundesamt für Statistik, 2019). While farming cooperatives in remoter valleys may serve an exclusively rural population, many of the cooperatives in rural and semi-urban areas will be intimately integrated into surrounding urban areas, in terms of their employees, customers, and suppliers.

2.2.2 *Distribution by Economic Activities*

Another perspective on cooperative distribution is by economic activity. According to the three-sector model, as defined by the Swiss General Classification of Economic Activities (NOGA), cooperatives are overwhelmingly active in the tertiary sector (83%), followed by the secondary (13%) and primary (1%).

Below the sector level, the Swiss General Classification of Economic Activities (NOGA) defines 21 sections (A–U),⁴ aligned with the European Union economic activities classification system. Cooperatives in Switzerland are principally active in 17 of these. Three of these sections account for nearly half of all Swiss cooperatives: “Real Estate, Renting and Related Activities,” “Wholesale and Retail Trade, Repair of Motor Vehicles and Consumer Durables,” and “Financial Intermediation, Insurance (excluding compulsory social security)” (see Fig. 2.3) The remaining

⁴<https://www.bfs.admin.ch/bfsstatic/dam/assets/341592/master>.

three sections that have a count value of higher than 100 are “Other Services” (302), “Manufacturing industries/production of goods” (172), “Power supply” (126), and “Health and social services” (103) (see Fig. 2.3).

The count value of cooperatives in specific sections is, of course, not the same as financial volume. Ranked by revenue, the ten largest cooperatives in Switzerland (in 2019) were (Idée Coopérative, 2020a, p. 5):

1. Coop
2. Migros Group
3. Fenaco
4. Schweizer Mobiliar
5. Raiffeisen Schweiz
6. Pensionskasse Energie
7. Pax Holding
8. Schweizer Reisekasse (Reka)
9. Swisslos
10. ESA

Of these, four are in “Wholesale and Retail Trade, Repair of Motor Vehicles and Consumer Durables” (Coop, Migros Group, Fenaco, and ESA) and another four in “Financial Intermediation, Insurance” (Schweizer Mobiliar, Raiffeisen Schweiz, Pensionskasse Energie, and Pax Holding). Only one, Schweizer Reisekasse, is in the section of “Real Estate, Renting and Related Activities,” despite the fact that the count value for this section is 1065 or nearly a third of all Swiss cooperatives. Moreover, REKA is active in tourism and short-term rental and therefore, functionally, none of the ten largest Swiss cooperatives are involved in primary housing. This speaks to the fact that cooperatives have emerged as a well-suited vehicle for implementing *small-scale* participatory housing development and rental projects in major Swiss cities (more on this below). There is a large number of small such cooperatives, in terms of financial volume and membership, spread out across the major Swiss cities. Similarly, “Power supply” is a growing area of cooperative

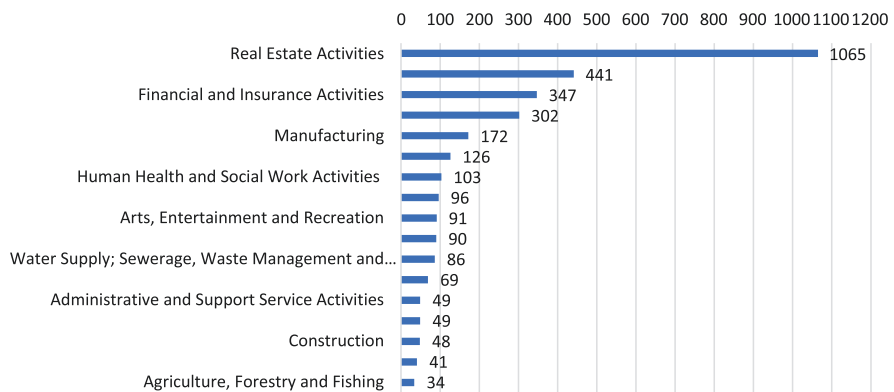


Fig. 2.3 Number of Swiss cooperatives by economic activity (STATENT)

involvement, but as of yet largely on a small scale, often municipal level. The mechanisms that drive this development in the housing and energy sections will be discussed below (see Sect. 2.3.2).

2.2.3 *Economic Impact and Employment*

According to a study by *Idée Coopérative*, cooperatives make a disproportionate contribution to the GNP. The largest 20 cooperatives alone account for 15% of GNP (*Idée Coopérative*, 2020a, p. 10). This analysis is limited to the largest cooperatives; a comprehensive examination of the economic contribution of all Swiss cooperatives would be needed to definitely define its contribution vis-à-vis other organizations. Put differently, without an analysis of the financial data of all cooperatives, it is unclear how robust the extrapolation of the ten largest cooperates is. This is especially so since among these ten are Swiss market leaders such as Coop and Migros in retail and ESA in automobile and parts purchasing.

Cooperatives in Switzerland come in large and small sizes. This is true of financial volume as well as of employment numbers. Our analysis of the STATENT dataset revealed 713 cooperatives with one employee (and 1211 when counting full-time equivalent rather than persons) and a further 401 cooperatives with only 2 employees. Overall, roughly 70% of Swiss cooperatives (2221) employ fewer than 10 employees. Around 25% employ 10–49 employees (761) and 6% (190) employ between 50 and 250 people. Only 1% employ between 250 and 449 (17) and even fewer employ 500 and more.

Our analysis of the STATENT dataset identified a total of 150,047 cooperative employees in Switzerland. An examination of the annual reports of some of the largest cooperatives suggest that this figure is an underrepresentation when taking all cooperatives into account. In employees (not FTE), the Migros Group reported 97,727 employees in 2022 (*Migros Group*, 2022), the Coop 95,826 in 2023 (*Coop*, 2023), Raiffeisen Schweiz 11,652 in 2022 (*Raiffeisen*, 2022), and Mobiliar 6226 in 2022 (*Mobiliar*, 2022).

While the size of the enterprise by revenue and employees is correlated in the retail section, as seen in the case of Migros and Coop, such a relationship does not carry across all cooperatives. Swisslos, for example, which in 2022 had a revenue of 490 million has only 195 employees (*Swisslos*, 2022). This is a result of Swisslos objective as the organizer of the German-speaking Cantons' lottery system, which requires no retail staff.

In summary, one can state that the Swiss cooperative landscape is composed of a small number of large cooperatives, with thousands of employees and making a substantial impact on the economy, and, on the other end of the spectrum, a high number of mid to small cooperatives.

2.2.4 The Social Impact of Swiss Cooperatives

Swiss cooperatives are very active in addressing societal challenges and to create social impact (please see the paragraph about numbers and distribution above). To address societal problems and the measurement of impact of activities in this context, social impact measurement has become important also for Swiss cooperatives (Ebrahim & Rangan, 2014; Nicholls, 2009), also due to changing legislative requirements in reporting that cooperatives must do. The topics of the social impact evaluation debate can be clustered around the nature of social impact (Choi & Majumdar, 2014), the relationship between social enterprises' interventions and social impact (Ebrahim & Rangan, 2014) as well as the methodologies to assess social impact (Nicholls, 2009).

While many organizations know quite well how to assess financial performance, there are only a few generally agreed-upon methodologies for social impact measurement (Kroeger & Weber, 2014; Nicholls, 2009). Numerous, competing key topics and methodologies for social impact measurement exist; each with its own strengths, weaknesses, and purposes (McLoughlin et al., 2009). The Swiss cooperatives are often responsible toward multiple stakeholders, so it becomes clear that the impact assessment challenge might be even more critical than it is for for-profit firms. Cooperatives have the pressure to show a portfolio of measures to assess their impact from both a business and societal viewpoint (Molecke & Pinkse, 2017). Ambiguity around social impact and its measurement can lead to frictions within and among various stakeholders involved (Molecke & Pinkse, 2017), though recent legislative developments related to the “social” sector in various countries have led to increased attention dedicated to developing formal measurements of social impact. Such formal methodologies aim to create evidence-based measures that capture the social impact of cooperatives.

A rich landscape of methods for the measurement of social impact is developing. Yet, the lack of accepted conventions challenges the accountability to multiple stakeholders and for multiple purposes. While the ambiguity in social impact measurement is well known (Ebrahim & Rangan, 2014; Emerson, 2003; Kroeger & Weber, 2014; Nicholls, 2009), less understood is how cooperatives and social enterprises deal with it to address the demands of their multiple stakeholders (Molecke & Pinkse, 2017). Clear is, that Swiss cooperatives tackle social and sustainable challenges by applying different methods for their assessment at least to such an extent that impact is ensured.

2.2.5 *Perception and Media Resonance*

A question that concerns researchers in the broader, international cooperative studies literature is the extent to which working for a cooperative is or is perceived as different from working for other organizations. Some international studies have demonstrated a clear link between job satisfaction and employee health in cooperatives that have a prominent social mission, including in France, Spain, and India (Castel et al., 2011; Umesh, 2019; Ollé-Espluga & Xavier, 2019), as well as globally (Pérotin, 2017). There is, as of yet, no such scientific study in the Swiss case.

Nevertheless, there is anecdotal evidence to suggest that cooperatives are progressive and popular employers. The STATENT dataset does not indicate the gender, age, health, or job satisfaction of employees. Various newspaper articles, however, have highlighted the popularity of cooperatives and other socially and environmentally responsible employers among younger workers (Kofler, 2013). Idée Coopérative's survey in 2020, too, revealed 40.3% of leadership positions in mid-sized cooperatives to be held by women. This, the study's authors note, compares to 19% of all non-listed Swiss enterprises (Idée Coopérative, 2020a, p. 19). The same report notes that the cooperatives surveyed are a popular employer to younger generations of Swiss. Another survey by Idée Coopérative in 2021 came to a similar conclusion and emphasized that cooperatives were particularly popular among Gen Z and Y employers (Amstutz & Scherer, 2021).

Further studies are needed to gain a comprehensive overview of perceived benefits of working for a cooperative vis-à-vis other organizations, and potential differences in these perceived benefits among different types of cooperatives.

Anecdotal evidence suggests, however, that coupled with the popularity of working for socially oriented cooperatives, the large prominent cooperatives that operate in ways similar to large corporations appeal to employees no differently from the comparable corporations. Coop, for example, makes regular appearances in newspaper articles that chronicle unfair work practices (Egg, 2020; Bernatta, 2022), as we will see below.

The public perception—that is beyond those who work for a specific cooperative—of cooperatives in Switzerland is largely positive. In fact, various commentators regularly portray cooperatives as an organizational form intimately linked to Swiss culture and political traditions (see Chap. 5). An empirical study survey data from 2011 to 2016 revealed a generally positive image of cooperatives in the public imagination. Eighty-one percent of respondents in 2011 and 88% in 2016 placed a high or complete trust in cooperatives, compared to only 32% and 56% in corporations (Jungmeister et al., 2016, p. 210).

While the trust in cooperatives enjoys a certain stability, cooperatives are profiting from shifting perceptions of economic growth among the population as well. A variety of quantitative and qualitative studies have demonstrated that the Swiss population is growing increasingly weary of growth as a business goal (Kneubühler, 2016). In a study based on survey data from 2016, the authors report that only 34% of Swiss respondents look favorably on economic growth, in general, while 58%

prefer the economy to remain at its present level (IG Genossenschaften, 2016). This mistrust of growth and a growth motive among corporations does not spill over to cooperatives. The authors of an article on the subject of cooperative perceptions in Switzerland write, “Cooperatives enjoy in comparison to corporations a small *growth bonus* in the eyes of [Swiss] population, which is, however, revoked when cooperatives behave too much like corporations, in particular when market mechanism and structures with negative societal consequences are established” (Jungmeister et al., 2016, p. 207).

Despite the strong public perception of cooperatives, they have not been spared negative press in the past decade. A series of scandals, such as those affecting Migros, Coop, and Raiffeisen, were prominent talking points in Swiss media. Often these have revolved around strong personalities—a case in point being the Raiffeisen scandal. Raiffeisen is the third-largest bank in Switzerland and is a cooperative made up of 200 local branches. Between 1999 and 2015, the bank’s CEO Pierin Vincenz sought to overhaul the banking cooperative through the acquisition of other businesses and an emphasis on digitalization. Vincenz was described by one news source as, “Flamboyant, eager to engage with the media and known for bold strategic gambles, Vincenz was the antithesis of a discreet Swiss banker” (Allen, 2022). He stands accused, along with a few other former employees, of embezzlement, fraud, and bribery (2020). While Raiffeisen is not charged, the Swiss regulator FINMA noted serious flaws in its governance in a 2018 investigation (2018).

Occasionally more critical analysts have laid the blame not on the strong personalities at the helm, but directly on cooperatives as an organizational form. Thus, for example, the NZZ reported in the wake of the Migros scandal in 2021 that “cooperatives are, according to experts, more prone to abuse of power because misbehavior is less visible” (Gratwohl & Müller, 2021). Others claim that cooperatives are not per se an inappropriate organizational form, only so in the case of large institutions, such as national banks (2018).

Despite these critical voices, there is no scientifically robust study to suggest that cooperatives in Switzerland are in fact more prone to mismanagement or abuse of power. Moreover, the scandals at the large, well-known cooperatives have led to an overhaul of governance structures, including, for example, at Migros in response to the Piller scandal. These include new mechanisms for oversight and sanctioning, as well as term limits for board members (Gratwohl & Müller, 2021). Moreover, cooperative scholars and associations have recently pushed best-practice guidelines for cooperative governance. This includes Idée Coopérative’s formulated best practices for cooperative corporate governance in 2021, corresponding to Swiss Code of Best Practice for listed companies (Brechtbühl et al., 2021) and Franco Taisch’s *Genossenschaftsunternehmen. Ein Leitpfaden* (2012).

2.3 Swiss Cooperatives in Changing Times

2.3.1 *The Established Cooperatives*

One critical research area is the ability of cooperatives to respond to evolving pressures. While some scholars have noted that Swiss cooperatives on the whole stand out for their adaption of traditional, corporate management processes and structures (Kalogeraki et al., 2018), this obviously does not hold true across the board. In fact, as one scholar notes, those cooperatives that failed to make such transitions in the post-war period often went out of business (Ekberg, 2012).

The fact that well-known Swiss cooperatives, including the retail giants Migros and Coop, as well as financial service institutions, such as Mobiliar, operate in ways indistinguishable from comparably sized corporations, can, on the one hand, be read as a sign of resilience and staying power. One such cooperative, that has evolved with time but can look back on a long history is the REKA.

REKA was founded with a strong social mission: to enable and facilitate travel for the working classes. As such, it was part of larger Swiss and European social movements around the turn of the century. Often summed up in the German-speaking countries as the *Lebensreform*, this social movement saw advocacy on behalf of nature experiences, a reform of education, healthy eating, and the experience of nature (Locher, 2021). The movement's advocates professed an idealized form of relating to nation and nature that, at times, blended the ideological imperatives of the right and left (Gutmann, 2016). In Switzerland, the last decade of the nineteenth century and the first decade of the 20th witnessed a broad effort to make travel and domestic tourism available to the broad Swiss public. The Swiss Alpine Club, founded in 1863 initially as a vehicle for the well-to-do classes to exchange information on Alpine peaks, but by 1900 keen to attract the working classes to mountain tourism as well, the Naturfreunde group of Zurich, tourism began to gain traction across the population. In 1935, Migros founder Gottlieb Duttweiler founded a travel agency, the Hotelplan, and 4 years later REKA was founded.

REKA operated primarily by REKA Marken, since 1966 known as REKA Checks, which are a credit system for families to purchase cheap vacations. By 1976, REKA sold checks to a value of above CHF 100 million (in 2000 hit the 400 million mark and 500 3 years later) (REKA, 2022). REKA Checks, or REKA money as it is now known, allows REKA to attain its social mission because it offers discounts on bookings; in 2021 REKA calculates that these discounts amounted to CHF 103 million (REKA, 2020, p. 26). To further its mission, it launched a foundation to collect funds for travel for socially vulnerable families in 1989. Today, REKA operates several vacation rentals across Switzerland and neighboring countries—including 13 vacation “villages”—for a total of 1787 rental units. Its operating income in 2021 was 78 million Swiss Francs (REKA, 2020). Like other Swiss large cooperatives, a professionalization in management and market dominance, broadening to reach beyond its initially intended audience, while still serving its original purpose.

2.3.2 *The Small Cooperatives: Farming, Housing, and Electricity*

As we saw above, agriculture, energy, and housing are three economic activity areas in which cooperatives are, at least numerically, well represented in Switzerland. This is interesting because especially the latter two are domains of significant social concern in which the federal government has and is increasingly withdrawing through a process of liberalization. This has left municipalities to contend with housing and energy, especially renewable energy, shortfalls. Cooperatives have emerged as a particularly well-suited vehicle for municipalities to accomplish this work.

Smaller cooperatives, that serve niche communities or focus more on social goals, are under more pressure than the large, established cooperatives. Often, however, this has to do with the economic sector itself—farming is a tenuous occupation in Switzerland regardless of how one is organized. As such, cooperatives are also emerging—or re-emerging—as vehicles to address critical vulnerabilities in Swiss society. Farming being a case in point.

Farming is deeply rooted in Swiss culture and national identity and was deliberately molded with tourism in the post-World War II period (Lindemann-Matthies, 2010). Since a reform in the mid-1990s, Swiss agricultural policies aim at a multi-functional sustainability, with government support targeting both rural economic wellbeing, food output, conservation, and environmental sustainability (Mann and Lanz 2013). At the same time, the reforms of the 1990s removed some forms of farming subsidies, leading some to speak of a “partial withdrawal of the state” (Bardsley & Bardsley, 2014, p. 12). Additionally, Swiss farmers are hampered by the fact that the Alpine landscape is topographically and climactically more challenging to farm than traditional farming scapes in Germany, France, Denmark, and other European countries. As such, farming cooperatives have regained their importance as one vehicle through which, in the words of a group of authors, meet “the needs of rural communities within a liberalizing economy” (Bardsley & Bardsley, 2014).

These facts have led to a revitalization of traditional Alpine cooperatives, as a way of pooling resources and leveraging size and administrative support. One such example is the Gran Alpine cooperative in the Canton of Graubünden. The object of Bardsley and Bardsley’s 2014 study, this cooperative is composed of 442 farmers from 9 Alpine valleys in the Canton of Grabünden. Flour from the farmers is collected and milled at one mill, and pasta is produced at two locations and hops are brewed (Gran Alpine, 2022).

In Alpine dairy cooperatives, cows in private ownership are brought together in the summer to graze collectively on high-alpine pastures organized by the local municipality or cooperatives. At the end of the summer period, the most prized output from this collective effort, cheese, was divided among the cooperative members in a ritualized festival known in the Berner Oberland as the Chästeilet. For example,

the Chaesteilet Jististal dates back to 1739 (Stuber et al., 2018, p. 2). However, today the tradition has become anchored in local tourism initiatives.

A 2014 study that examined how cooperatively organized mountain farming communities in the Canton of Grisons finds that they are adapting successfully to the challenges of farming in an ecologically challenging environment. In particular, the authors note, the cooperative structure allows the farmers to mitigate risks “to farmers’ production, values and local identities” (Bardsley & Bardsley, 2014). A 2017 study of Swiss dairy cooperatives, too, came to similar conclusions (Forney & Häberli, 2017).

Such studies of a Swiss focus are important globally as well because, as Jasper Grashuis points out, “Farmer cooperatives have been portrayed in the literature as flawed and complex organizations with ambiguous objectives,” despite the scarcity of robust research on this very point. Emerging studies in Switzerland, such as the ones cited above support Grashuis’s contention that many agricultural cooperatives achieve, “survival and longevity by means of strategic adaptation” (2018).

Building on works that highlight the success of cooperatives in involving citizens in the entire development process of new living spaces and that demonstrate such projects’ market success (Arnold & Barth, 2012; Bayulken & Huisingh, 2015), a 2015 study examined the development of an eco-development in Switzerland. They found that, “cooperatives represent an ideal playground for involving citizens in promoting urban sustainable processes” and that the concrete project they studied, the Hunziker Areal, “led to a changing perception of the innovative potential of citizens” (Purtik et al., 2016, p. 122).

The success of cooperatives in responding to increased pressures on the housing market in Switzerland is more complex. With a creeping trend to liberalization in past decades, traditional mechanisms for ensuring housing for lower-income residents, such as public housing or demand-side subsidies, are less able to find support across a broad base of the political spectrum. In Switzerland, cooperatives have emerged as an ideal vehicle to maintain access to housing stock among the lower and middle classes, especially in the expensive urban centers. A study based on data from five large Swiss cities by Balmer and Gerber shows that, paradoxically, housing cooperatives are “the only measure that can gain a political majority within the local context are those supporting private non-profit housing, such as cooperatives in a non-monetary manner, because only competing profit-seeking investors might be adversely affected” (Balmer & Gerber, 2017, p. 367). Moreover, the authors found that cooperatives are more cost-effective than more direct government interventions (Balmer & Gerber, 2017, p. 378).

Another area in which emerging research suggests cooperatives may be particularly well suited is in diversifying and decentralizing energy production. Schmid, Meister, Klagge, and Seidl propose in a 2019 study that energy cooperatives in Switzerland and Germany are well suited to facilitate citizen political and economic participation in renewable energy production and to link this participation to municipal and other governmental levels (Schmid et al., 2019). Based on a quantitative analysis of survey data, a 2020 study by the same authors suggests that municipalities were more likely to support cooperative energy providers if the municipality

was a member. Such support most often took the form of facilitating or providing space for solar panels on roofs (46%), “fast processing of approval procedures (41%) and “purchasing energy at cost-covering prices” (26%) (Meister et al., 2020, p. 10). Furthermore, the authors predict that such support will become increasingly important as they observe a trend of reduced national support for renewable energy (Meister et al., 2020).

Despite widespread municipal support, smaller energy cooperatives that emphasize renewable energy struggle with unfavorable market conditions. Large-scale studies, most recently one by the Swiss Federal Institute for Snow and Avalanche Research (WSL) found that despite widespread public support for and engagement with energy cooperatives, it was difficult for them to compete with traditional energy providers (Rivas et al., 2018). In a summary of another study, the authors note that “energy cooperatives are being squeezed: it is very difficult to sell electricity with ecological added value at a price that covers the cost of production. In the past, more than half of the cooperatives cited this difficulty as an obstacle to growth. Looking to the future, even more respondents are expecting to see their growth restricted by sales difficulties” (Projects n.d.).

In farming, housing, and energy, then, cooperatives are a strong vehicle for promoting a widespread public good from which the state is increasingly retreating. While they have been reasonably successful at doing so, conditions remain challenging.

2.4 Conclusion

While there are no comprehensive surveys of the perception of cooperatives globally, several scholars suggest that cooperatives have an undeserved reputation as “small-sized, undercapitalized, and [...] short-lived” (Carini & Carpita, 2017, p. 261). In nuanced examinations of cooperatives in specific regions or countries, however, the same scholars find widespread evidence to refute this perception (Iliopoulos & Valentinov, 2018). Switzerland, as we have seen, certainly bears out this point. Cooperatives in Switzerland have a long and rich tradition in a wide variety of economic activity areas. Moreover, today there are healthy cooperatives with long traditions that dominate or play a substantial role within their markets: Migros and Coop in retail, Raiffeisen in banking, and Mobiliar in insurance, to name but a few.

There is, of course, no doubt that many smaller cooperatives are under pressure. One result of this is the merging of smaller cooperatives into larger ones. This phenomenon, visible in Switzerland, is widespread; in a German study, reasons included competitiveness and viability, with some smaller cooperatives either financially unable or due to organizational reasons not able to survive alone. Expectations of modern management, for example, of controlling and liquidity planning are tough for small cooperatives to handle (Fandrich et al., 2005, p. 11). In Switzerland, the

absolute number of cooperatives has declined from 3445 in 2011 to 3212, based on our STATENT analysis. A positive trend can nonetheless be inferred. Nadja Fabrizio notes in a 2022 study that only 0.3% of new companies formed in Switzerland today are cooperatives (Fabrizio, 2022). However, in 2019 there were 14% more cooperatives founded than in the previous year (Idée Coopérative, 2020b), and again in 2020, there were 6% more than in 2019 (Idée Coopérative, 2021).

The launch of a mentoring program for cooperative start-ups in 2018 (Ticker, 2018) and other advocacy and support efforts, such as Idée Coopérative, will only further the attractiveness of cooperatives in new ventures that target emerging challenges in Switzerland. *Idée Coopérative* too was launched in part to support the cooperative ecosystem in Switzerland by representing cooperatives, organizing exchanges and information sessions, and by engaging in a broader dialogue with society on the topic (Eichenberger, 2020).

While cooperatives seem well positioned to play a growing role in emerging topics such as energy and housing, certain hurdles remain to founding cooperatives in the Swiss context. Fabrizio cites several reasons for this low number: the need for at least seven members and other legal requirements, the fact that cooperatives are not naturally associated with entrepreneurship and that there is a lack of information among potential founders and advisers on the potential and particularities of cooperatives (Fabrizio, p. 4).

The framework conditions for new and existing cooperatives could also be optimized. It is, as of yet, not legally possible to join a cooperative online (Köpfli & Perret, 2016). This and other legal and structural changes are currently being discussed (for more see Chap. 3).

Despite such obstacles, the authors believe, as this chapter has shown, that the cooperative ecosystem in Switzerland remains vibrant and relevant. Beyond the established, market-leading cooperatives in retail and insurance, there are ample of smaller cooperatives that, despite their challenges, are making a critical impact in their chosen areas of work. It is our hope, and belief, that this will continue to be true for the foreseeable future.

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Chapter 3

Swiss Cooperative Law: Driver or Obstacle to Cooperative Growth?



Nadja Fabrizio

Abstract Today's cooperative law is still characterized by the typical self-help cooperative. The most distinctive feature compared to other forms of companies is the purpose of the cooperative, which also determines other characteristic features, such as financing. Well-known, large companies have developed in Switzerland on the basis of cooperative law. However, there are hardly any new companies founded in the legal form of a cooperative today. This chapter examines the question of whether cooperative law is designed in such a way that it tends to promote or inhibit cooperative growth. It concludes that—on the one hand—today's cooperative law offers potential for (slowly, but rather sustainable) specifically cooperative growth: in terms of members, assets, market shares and profit. On the other hand, with a view to areas that are classically considered essential for growth (especially purpose and financing), Swiss cooperative law is more of an obstacle. Concrete proposals on how cooperative law could be made more growth-friendly are critically examined. The chapter concludes that the challenge here is to remove obstacles to growth without sacrificing essential characteristics of the cooperative, for this could eventually lead to the cooperative's *raison d'être* as a separate legal form being called into question.

Keywords Growth · Characteristics · Cooperative purpose · Financing

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3.1 Introduction: Swiss Cooperative Law as an Enabler of or Hurdle to Cooperative Growth

Cooperatives in Switzerland are governed by “Title Twenty-Nine: The Cooperative” in the Code of Obligations, which has remained essentially unchanged since its entry into force in 1937¹ (in detail see Troxler, 2021, § 1 N 198 ff). This means that the current cooperative law is still based on the model of the genuine cooperative, that is, the typical self-help cooperatives of the nineteenth century (for details see Troxler, 2021, § 1 N 208): These typical self-help cooperatives are a reaction to the Industrial Revolution and Capitalism of the nineteenth century, which had brought many people into economic hardship and dependency (see Chap. 5). Since protection and help could not be expected from the state (there was no welfare state yet) and only a few were able to extricate themselves from their misery, like-minded people joined forces, to overcome a particular economic shortage, be it, for example, a lack of affordable goods for daily use or a lack of fair loans (Troxler, 2021, § 1 N 16 ff., N 40 ff., N 66, N 73). These typical self-help cooperatives, which seek to satisfy a concrete common need through mutual or joint self-help (instead of being profit-orientated), are thus the guiding principle of the Cooperative Law of 1936.

While the demands of the economy and society have changed since then (for example, for economic hardship there is the welfare state today; and from the 1960s onward, a change in values also set in Troxler [2021, § 1 N 181, 1 N 87]), cooperative law has remained largely unchanged; it has only been revised selectively and rather casually in recent years and decades (see Troxler, 2021, § 1 N 198 ff.).

So today² we have the ambivalent situation that on the one hand, well-known Swiss companies are organized in the legal form of cooperatives and existing cooperatives (as of January 01, 2023, there were 8.248 [according to the Federal Office of the Commercial Register]) cumulatively make a constant contribution to value creation (with a share of more than 10% of GDP) to the Swiss economy (see, e.g., Kilgus, 2021a, § 2 N 53 ff.; Genossenschaftsmonitor, p. 10). On the other hand, the absolute number of cooperatives has been declining since the mid-1990s (see Kilgus, 2021a, § 2 N 14) and the legal form of cooperative is chosen for only 0.3% of all new company formations; to put it differently, for many years now, only around 90–150 companies a year have been founded in the legal form of cooperatives (Kilgus, 2021a, § 2 N 44 f.).

On the one hand, there are reasons why cooperatives (like Migros, Coop, Raiffeisen, Fenaco, Mobilar, and Mobility) are so successful, but on the other hand, there are also reasons why the legal form is so rarely chosen. Various publications deal with the possible reasons for the latter (see, e.g., Fabrizio, 2022, p. 10 ff.; Troxler, 2021, § 1 N 181 ff.). For the purposes of this chapter, however, the focus

¹The Federal Act on the Revision of Titles XXIV to XXXIII of the Swiss Code of Obligations of December 18, 1936, entered into force on July 01, 1937.

²Considered status of literature and other sources is the date of submission of the manuscript (March, 2023).

will be on a specific research question: This chapter seeks to answer the question of whether this current legal framework enables or stifles the growth of cooperatives and, if the latter, what the legal situation would have to be to facilitate the former.

Answering this question requires giving a brief overview of the meaning of business growth and on the current legal framework. Parts 3.2 and 3.3 provide this overview. In the subsequent main part of this chapter (3.4), selected characteristics of a cooperative are examined with a view to the research question: The principle of open membership and the identity principle, the cooperative purpose, the minimum number of 7 members, the financing and the organization, respectively, reorganization of cooperatives—are these characteristics rather a driver or obstacle to cooperative growth?

3.2 Business Growth

Business growth, in simple terms, means an increase in the size or scope of a company's operations. It is commonly seen as a prerequisite for the survival of a company. Therefore, companies seek to grow in order to achieve economies of scale, to exploit business opportunities, to meet market competition by diversifying their product range, to gain economic and market power, to increase profit (whether in order to distribute them to owners or to reinvest in the business etc.) and to increase the value of the business.

In principle, there are two types of growth: organic and inorganic growth. Organic growth, also called internal growth, sees a company grow in a planned and slow way from within. Such growth is typically achieved by a company reinvesting part of its profits into the company year on year. In this way, it can ultimately finance growth through intensification, diversification and/or modernization.

In contrast, inorganic growth (so-called external growth) takes place from the outside. Classic forms of inorganic growth are corporate mergers, whether through company acquisitions, mergers or cooperation agreements (joint ventures). In contrast to organic growth, inorganic growth can be rapid and enables the immediate use of the acquired assets (for the whole section, see MBA Knowledge Base, The Concept of Business Growth).

3.3 Legal Framework

From a legal point of view, the cooperative is (only) one of the ten forms of companies provided by the legislature enumeratively.

Like the other forms of companies which in principle pursue economic purposes (cf. Art. 59 para. 2 Civil Code [CC]), cooperatives are regulated in the Code of Obligations (CO) (third section). This means that the provisions on cooperatives are part of the general company law; they are not regulated in a special law, as is the

case in some other countries (Fabrizio, 2021a, § 3 N 3, for example, in Germany and Austria, see Fabrizio, 2021b, § 6 N 10).

Furthermore, the Company Law in Switzerland provides a separate legal form for the cooperative with respect to their pursuit of cooperative purposes (codified in Art. 828 ff. CO). This is by no means a matter of course. The United Kingdom, for example, does not provide a separate legal form for the cooperative, but cooperative purposes can in principle be pursued in any legal form (e.g., company, limited liability partnership or general partnership) (cf. Snaith, 2021, § 6 N 11).

However, even in Swiss company law, the cooperative holds a special position, as suggested by the title of the third section of the CO, which clearly distinguishes between “commercial companies” on the one hand and “cooperatives” on the other (Fabrizio, 2021a, § 3 N 4).

3.3.1 Legal Definition and Characteristics

Depending on the discipline, there are different definitions of what a cooperative is or what constitutes it (see Chaps. 2 and 4). Legally, cooperatives in Switzerland are defined in Art. 828 CO as:

1. [...] a corporate entity consisting of an unlimited number of persons or commercial enterprises which primarily aims to promote or safeguard the economic interests of the company’s members by way of collective self-help or which is established for charitable purposes.
2. Cooperatives with a predetermined nominal capital are not permitted.

In order to be able to answer the research question adequately, it is worth taking a closer look at the individual components of this legal definition:

As a corporate entity, a cooperative is a legal entity, but—like the other corporations of the Code of Obligation (company limited by shares [AG], limited liability company [GmbH]) and Civil Code (association [Verein])—a *company* with *owners* (shareholders or members), *not*, like foundations (Stiftung), independent *special-purpose fund with state supervision*.

A cooperative is an *association of persons*, which necessarily presupposes that it must consist of a plurality of persons (see Fabrizio, 2021d, Art. 831 N 6). According to Art. 831 para. 1 CO, “[at] least seven members must be involved in the establishment of a cooperative” (emphasis added). Compared to all other forms of companies, the minimum number of members for a cooperative is quite high: associations of persons (such as the simple partnership [einfache Gesellschaft], the general partnership [Kollektivgesellschaft]) need only two members (cf. Art. 530 para. 1 CO; Art. 552 para. 1 CO); legal entities such as a company limited by shares (AG) or a limited liability company (GmbH) require a mere single shareholder (cf. Art. 620 para. 1 CO; Art. 772 para. 1 CO).

The reason for the higher minimum number of members is, above all, the idea of *collective self-help*. Put differently, the idea is that a cooperation is composed of a multitude of forces that are stronger together, but weak on their own (Fabrizio,

2021d, Art. 831 N 1; Troxler, 2021, § 1 N 76 ff., each with further references). According to the Federal Supreme Court, the minimum number of seven members of a cooperative is a *defining* element of a cooperative (“*begriffsbestimmendes Element der Genossenschaft*,” BGE 138 III 407, E. 2.5.2.). This means that a cooperative must have at least seven members at all times: not only at the time of the establishment but also (uninterruptedly) during its existence.

Furthermore, the cooperative is a company *whose number of members is not fixed nor limited* (cf. Art. 828 para. 1 CO), which means that in principle, a cooperative can accept new members at any time and to an unlimited extent. This requirement is called “non-closed membership,” also referred to as the “principle of open membership” or “principle of the open door” (see Fabrizio, 2021c, Art. 828 N 26 ff., with further references; in detail Forstmoser, 1974, Art. 839 N 7 ff.). A consequence of this requirement is that cooperatives with a predetermined nominal capital are not permitted (cf. Art. 828 para. 2 CO); instead, the capital must be modifiable (see Fabrizio, 2021c, Art. 828 N 113 ff. with further references; Meier-Hayoz et al., 2018, § 19 N 41; Baudenbacher, 2016, Art. 828 N 26; Natsch, 2016, Art. 828 N 15).

Moreover, the cooperative is an association of persons *for the joint pursuit of a common purpose*. The phrase “by way of collective self-help” underlines this, but is—especially from today’s perspective—obsolete (Fabrizio, 2021c, Art. 828 N 80, N 94 ff.; Forstmoser, 2020, pp. 215, 220). This is because “collective self-help” is *not a formal legal criterion*, but a “*sociological element*” (Sten. Bull. 1932 S 198 [Amstalden, rapporteur], emphasis added), intended to emphasize the “cooperative” character (see Fabrizio, 2021c, Art. 828 N 8 f.; Sten. Bull. 1934 S 752 [Scherer, rapporteur]). That is, a cooperative is a corporate entity based on the *solidarity* of its members, their *cooperation* and *joint economic activity* (Fabrizio, 2021c, Art. 828 N 81, with further references; cf. Sten. Bull. 1932 S 197 [Amstalden, rapporteur]). However, the Supreme Court ruled in 1967 that a member of a cooperative could only be obliged to make contributions to the cooperative if such an obligation was provided for in the articles of association (BGE 93 II 30, Guiding principle 2). Yet a cooperation can also be founded without such contributions (BGE 93 II 30, E. 4.). With this ruling the Supreme Court accepted that membership in a cooperative does not necessarily mean contributing to the activity of the cooperative, and thus, at the same time, accepted the “collective self-help” in reality being insubstantial (Fabrizio, 2021c, Art. 828 N 90; with further references Forstmoser, 2020, p. 215; Troxler, 2020, p. 703; other view: Reymond & Trigo Trindade, 1998, pp. 14 f.). Today, collective self-help as a means of pursuing the company’s purpose(s) can only be found in the so-called *typical cooperatives*. That is cooperatives that seek to satisfy a concrete common need by the members themselves actively participating (for example, a solar cooperative in which the members only pay for the solar system, but not—respectively less—for the installation of the solar panels on the roof, because the existing members lay the solar panels themselves for new members, and so on). Whereas for so-called *atypical cooperatives* (such as large retail cooperatives without any obligation for members to participate) it has become largely irrelevant (Forstmoser, 2020, p. 220).

As a consequence of being based on the members' joint activity, a cooperative is a company that is based on *persons* (see Fabrizio, 2021a, § 3 N 94 f.). In contrast to *capital-based* companies (such as the company limited by shares [AG]), *person-based* companies have partly comprehensive membership obligations, including the duty of loyalty toward the company (in general on the characteristics of personal companies Meier-Hayoz et al., 2018, § 3 N 5). This is why, in a cooperative, the member and his or her personal commitment and abilities are of great importance (Meier-Hayoz et al., 2018, § 3 N 9 f., N 14, N 16 ff.). At the same time, membership rights do not depend on a capital investment (with the exception of the interest on share certificates, of which several may be acquired pursuant to Art. 853 CO). Instead, they depend, for example, on the relationship of the cooperative members to the cooperative: on their personal commitment, their contribution to the cooperative and their use of cooperative facilities (cf. Art. 859 para. 2 CO) (Meier-Hayoz et al., 2018, § 3 N 30). The person-based (not capital-based) character of the cooperative is also shown by the principle of equal treatment (Art. 854 CO), most clearly expressed by the mandatory rule: one vote per person (Art. 885 CO). And it is shown by the fact that in principle it is not possible to transfer membership by legal transaction (subject to the exceptions by law, namely in Art. 849 para. 3 CO and Art. 850 CO) (see Fabrizio, 2021a, § 3 N 91 f.).

A cooperative is a company with *specific purposes* to be pursued. Until December 31, 2020, a cooperative's objectives were primarily economic ones. Non-economic purposes—or in other words *ideal* objectives—could be pursued by cooperatives, but there was disagreement as to which degree this should be possible. Because of Art. 828 para. 1 CO stated that a cooperative “*primarily* aims to promote or safeguard specific³ *economic* interests of the company’s⁴ members” (emphasis added; on the state of opinion see, for example, Fabrizio, 2021c, Art. 828 N 46 ff.). Although not in line with the then applicable law, commercial registrars and jurisprudence always considered cooperatives with a non-profit, i.e., non-economic, purpose to be permissible (for a summary of the legal situation applicable until the end of 2020, see Fabrizio, 2021c, Art. 828 N 102 ff.). This understanding finally translated into law on January 01, 2021, at which point the “non-profit oriented” cooperative also became expressly permitted.

Another characteristic of a cooperative is the so-called *identity of members and customers*, the so-called identity principle (Fabrizio, 2021c, Art. 828 N 53, with further references). That means, that—on the one hand—a cooperative should direct its activities primarily toward its members and not toward third parties (Fabrizio, 2021c, Art. 828 N 53). Business with persons, who are not members on the other hand, is—due to a strict understanding of this principle—only permitted within limits (for details, see Fabrizio, 2021c, Art. 828 N 54 ff., with further references). For a long time, however, cooperatives (particularly large ones) have been treating members and non-members almost or entirely the same (see, e.g., Reymond &

³The original wording was “*bestimmte wirtschaftliche Interesse.*”

⁴The official translation contains the word “society” instead of “company.”

Trigo Trindade, 1998, p. 4; Gerber, 2003, pp. 212 f., 253 ff; Forstmoser et al., 2012, p. 20; Natsch, 2005, pp. 94f.). Although this practice contradicts the guiding principle of the historical legislature, today nobody—neither jurisprudence nor the courts—would seriously question its admissibility. A reason is the approval of membership without any obligation to contribute (see above; Fabrizio, 2021c, Art. 828 N 58): If it does not make a difference if a member contributes to the cooperative or not, why distinguish between members and others?

And finally, a central characteristic that distinguishes the cooperative from other forms of companies is the restriction to the *pursuit of certain economic interests* of the members: A cooperative must provide its members with *certain* economic benefits, i.e., satisfy a very specific need (e.g., the need for fair loans, for affordable housing, for mobility for all or for affordable consumer goods) (Fabrizio, 2021c, Art. 828 N 60f., with further references). It may not pursue a so-called dividend-seeking purpose, that is seeking profits with the (sole) aim of then distributing them to the members (respective to their capital participation) (Fabrizio, 2021c, Art. 828 N 69; Chabloz, 2017a, Art. 828 N 20; Forstmoser et al., 2012, p. 7; Druey et al., 2015, § 9 N 22). That was common sense in jurisdiction und jurisprudence, based on the word “*specific*” (“bestimmte”) in the phrase “which primarily aims to promote or safeguard *specific*⁵ economic interests of the company’s⁶ members” in Art. 828 para. 1 CO (emphasize added). Yet, as the word “specific” was deleted from this phrase in the revision of the commercial register law, it is uncertain whether this restriction for cooperatives is still valid. There is no indication in the legislative materials that the word was deleted deliberately, that is that there was an actual intention to make a complete reorientation of the cooperative purpose (cf. BBI 2015 3654, which does not even mention the deletion of the word). It seems, however, more likely that it was only intended to simplify the wording by deleting a (supposedly) obsolete word (Fabrizio, 2022, p. 9). Nevertheless, there are representatives of jurisprudence who assume that the new wording of Art. 828 para. 1 CO will finally enable the cooperative to pursue the same purposes as the company limited by shares [AG] and the limited liability company [GmbH] (Forstmoser, 2020, p. 222).

3.3.2 Membership

Membership in a cooperative is structured fundamentally differently than, for example, in a company limited by shares (AG). With a view to answering the research question, it is therefore necessary to develop a basic understanding of membership in a cooperative and the rights and obligations of members:

⁵The original wording was “*bestimmte wirtschaftliche Interessen*.”

⁶The official translation contains the word “society” instead of “company.”

The rights and duties of a member in a cooperative depend rather on his or her personality, than his or her capital participation. That is why a cooperative is a so-called *person-related company*.

The rights and duties of the members (like the rights and duties of shareholders in general, regardless of the form of the company) can be divided into *pecuniary* and *non-pecuniary* rights and duties. First of all, the *rights of the members* of a cooperative:

The *non-pecuniary rights* can be divided into participation rights on the one hand and protection and control rights on the other. The central *participation right* of the members is the right to vote. Whereas in a company limited by shares [AG] and a limited liability company [GmbH] the voting power generally is related to the size of the shareholding (Meier-Hayoz et al., 2018, § 3 N 67, cf. Art. 692 para. 1 CO: “[...] in proportion to the total nominal value of the shares belonging to them” or Art. 798 CO), in a cooperative the principle applies: one person, one vote. This principle is mandatory (Art. 885 CO). This means that every member of the cooperative has one vote and one vote only, regardless of how much he or she is involved in the cooperative and regardless of how much he or she has contributed to the share capital.

The *protection and control rights* of the members of a cooperative are (inter alia): the right to request information and to inspect certain documents (Art. 857 CO), the right to challenge resolutions made by the general assembly or by ballot (Art. 891 CO) and the right to sue persons, engaged in the board of directors, business management or auditing of the cooperative, for liability (Art. 916 ff. CO).

Regarding the *pecuniary rights*, the central right of the cooperative members is the *right to use the cooperative’s facilities (or services)*. Although this right is not explicitly mentioned in the law, it is generally agreed that—with certain exceptions, such as in the case of non-profit cooperatives—it follows directly from the cooperative purpose of promoting members (BGE 118 II 168, E. 3.b.aa; Fabrizio, 2021a, § 3 N 107; Meier-Hayoz et al., 2018, § 19 N 87; Gerwig, 1957, p. 278; Dubach, 1932, pp. 95 f.; Bernheimer, 1949, p. 97). As a rule, this specific right of use should also be the motive for joining the cooperative (e.g., for joining a housing cooperative, the aforementioned solar cooperative or for joining a cooperative that provides for the joint use of agricultural equipment) (Fabrizio, 2021a, § 3 N 107).

Unlike the shareholders of a company limited by shares (AG), cooperative members are *not entitled to a share in the annual profit*. In the case of a cooperative, any net profit on the business operations passes in its entirety to the company’s assets, unless otherwise stipulated in the articles of association (Art. 859 para. 1 CO, so-called principle of reinvestment). In this way, company assets are built up over time, especially in cooperatives without share capital (Neuhaus & Balkanyi, 2016a, Art. 859 N 1; Neuhaus & Balkanyi, 2016b, Art. 860 N 3, N 5; Chabloz, 2017b, Art. 859 N 5; Gerwig, 1957, p. 53; Schneider, 1949, p. 46). The principle of reinvestment thus serves as a way for a cooperative to finance itself (cf. Fabrizio, 2021c, Art. 828 N 65; Forstmoser et al., 2012, pp. 8 f.).

If a distribution of the net profit is provided for in the articles of association, the profit is—as a rule—distributed *according to the use of the cooperative facilities* by

individual members (Art. 859 para. 2 CO). The background to this regulation is that, ideally, a cooperative should not earn money on transactions it conducts with its members in accordance with its statutory purpose (e.g., a housing cooperative in renting flats or the aforementioned solar cooperative in laying solar panels for its members). Yet, as a cooperative must still cover its costs, it is allowed to include a safety margin when setting prices. Thus, it is possible that a financial surplus remains at the end of the year. And this surplus should be given back to the members depending on the use of the cooperative facilities or services (see Fabrizio, 2021c, Art. 828 N 64; Forstmoser et al., 2012, p. 8; Gerwig, 1957, p. 183; Reymond & Trigo Trindade, 1998, p. 15).

If the cooperative has issued share certificates, the *maximum dividend* that may be paid on them shall correspond to the usual interest rate for long-term loans without special collateral (Art. 859 para. 3 CO). This provision also serves to secure the self-financing of the cooperative (Fabrizio, 2021c, Art. 828 N 68). After all, interest and dividends would only lead to fewer assets being available to the cooperative, they are therefore “not the goal” of cooperative activity (BBI 1928 I 292). Rather, the income of the cooperative is to be preserved (Fabrizio, 2021c, Art. 828 N 68, with further references).

An additional point is that members departing a cooperative are *not entitled to a settlement by law* (cf. Art. 865 para. 1 CO). This means that the right to the full or partial repayment of the value of the share certificate only exists if granted by the articles of association (cf. Art. 864 para. 1 CO).

And finally the *duties of the members* of a cooperative: For members, there is only one mandatory legal obligation: the *duty of loyalty*. According to Art. 866 CO, “[t]he cooperative members are obliged to safeguard the interests of the cooperative loyally and in good faith.” This includes, on the one hand, the safeguarding of interests and, on the other hand, the refraining from all actions that could endanger the purpose of the cooperative (Fabrizio, 2021a, § 3 N 117; Rothenbühler, 1984, p. 36). However, what the duty of loyalty actually entails and how far it extends, cannot be generalized, but must be considered separately for each cooperative—according to the intended purpose and the means provided for in the articles of association (Fabrizio, 2021a, § 3 N 117; BGE 101 II 125, E. 3a; Brunner-Dobler, 2008, p. 97; Meier-Hayoz et al., 2018, § 19 N 74; Forstmoser, 2020, p. 215). In view of the approval of non-contributory membership, however, the importance of the duty of loyalty must be put into perspective. In fact, it only plays a role in *typical self-help cooperatives*, that means cooperatives which seek to satisfy a concrete common need through mutual or joint self-help (such as the solar cooperative described above, in which members are actively involved); in *atypical* cooperatives (e.g., such as large retail cooperatives without any obligation for members to participate), on the other hand, it is de facto meaningless.

In a cooperative, it is possible to stipulate a large number of *personal duties* in the articles of association: duties to perform, to tolerate and/or to refrain from (cf. Fabrizio, 2021a, § 3 N 119 f.). To take the example of the solar cooperative again, in such a cooperative members might be obliged—in return for the discounted installation of a solar system—to lay solar panels for future members of the cooperative.

Of course, *financial obligations* (such as the purchase of a share certificate, an entrance fee, the payment of a severance penalty on departing) and obligations to cover losses (be it the obligation to make further contributions or the personal liability of the members) can also be provided for in the articles of association (for details, see Fabrizio, 2021a, § 3 N 123 f.).

3.3.3 Organization of Cooperatives

In order to be able to answer the research question, it is also worthwhile to have an overview of the organization of the cooperative. This refers to the bodies of a company, their responsibilities and interactions.

Three mandatory bodies are provided for in Swiss cooperative law:

1. The general assembly of members (or one of its surrogates) as a legislative body.
2. The board of directors (“Verwaltung”) as an executive body.
3. The auditors as the controlling body.

Other bodies are optional (for details, see, e.g., Fabrizio, 2021a, § 3 N 80 f.).

The *general assembly of members* is the supreme body of a cooperative. The most important decisions are assigned to it by law and the general assembly elects the administration and the auditors (Art. 879 para. 2 CO). At the general assembly of members, every member has one vote (Art. 885 CO). Any gradation of the voting right is prohibited. Furthermore, the possibility of proxy voting is limited (cf. Art. 886 para. 1 CO).

According to the current law, in the case of cooperatives with more than 300 members or in which the majority of members are themselves cooperatives, the articles of association may stipulate that all or some of the powers of the general assembly of members be exercised *by ballot* (Art. 880 CO) or also electronically (cf. Art. 893a CO). Alternatively or additionally, it may be stipulated that all or some of the powers of the general assembly of members are delegated to an *assembly of delegates* (Art. 892 para. 1 CO). In the latter case, the members participate in the decision-making processes of the cooperative in a representative democratic way: through delegates who are elected by the members of the cooperative.

The *board of directors* is the management and representative body of the cooperative (Fabrizio, 2021c, Art. 828 N 57). It is elected by the general assembly of members (or one of its surrogates) (Art. 879 para. 2 no. 2 CO). The board of directors of the cooperative is a collegial body. It consists of at least three persons; a majority of them must be members (Art. 894 para. 1 CO). The directors must conduct the business of the cooperative with all diligence and employ their best endeavors to further the cooperative’s cause (Art. 902 para. 1 CO). This obligation is based on the cooperative purpose (cf. Art. 828 para. 1 CO), and clearly distinguishes the duties of the board of directors of a cooperative from those of the board of directors of a company limited by shares (AG), which will regularly be oriented toward (short to medium-term) profit maximization.

As a control body, the *auditors* ensure (above all) that the general assembly of members can exercise its powers properly, in particular, to approve the annual accounts (Art. 959 ff. CO), the management report and (if applicable) the consolidated accounts, to decide on the allocation of the disposable profit, but also to discharge the members of the board of directors.

3.3.4 Cooperative Union

For a certain type of cooperative—whose economic importance is immense—there are special rules on organization: the cooperative union.

The cooperative union is an association of at least three cooperatives in the legal form of a cooperative (Art. 921 OR); it may consist exclusively of cooperatives as well as of at least three cooperatives and other persons, natural or legal.

Art. 922 ff. CO provide for special provisions for the *organization* of a cooperative union. For example, the supreme governing body of the cooperative union is the assembly of delegates, unless the articles of association stipulate otherwise (Art. 922 para. 1 CO, insofar deviating from Art. 879 para. 1 CO). Furthermore, the mandatory rule “one person one vote,” applicable to the “simple” cooperative, can be deviated from (cf. Art. 922 para. 3 CO). And—in contrast to the “simple” cooperative—the board of directors does not have to be made up of members from the affiliated cooperatives only (cf. Art. 923 CO).

The cooperative union is not only a special cooperative, it is also a *group of companies*. This is because it necessarily represents a merger of companies—in this case of at least three cooperatives. Yet, unlike ordinary groups, it is not structured “from the top down” (via shareholdings and voting rights), but “*from the bottom up*”: The member cooperatives are represented in the cooperative union through the assembly of delegates and can thus (indirectly) exercise their ownership rights: The election of the board of directors, the decision on the articles of association of the cooperative union as well as the exercise of their protection and control rights. The cooperative union is therefore also referred to as an “inverted group” (Meier-Hayoz et al., 2018, § 19 N 156; Schmid, 1979, p. 34; von Büren, 2005, p. 220).

On the other hand, cooperative law provides for *specific management and control mechanisms* (especially in Art. 921 ff. CO). Various obligations can be imposed on the members by the articles of association of the cooperative union. Inter alia, the articles of association may grant the directors of the union the right to monitor the business activities of the affiliated cooperatives (Art. 924 para. 1 CO). They may also grant them the right to challenge the resolutions made by the individual affiliated cooperatives (Art. 924 para. 2 CO).

In combining obligations of the affiliated cooperatives and such control rights for the directors of the cooperative union “tightly managed economic units” can be created (Meier-Hayoz et al., 2018, § 19 N 156).

Well-known cooperatives in Switzerland, such as Migros, Raiffeisen and Fenaco, use the legal form of the cooperative union.

3.3.5 *Financing of Cooperatives*

The financing of cooperatives has some special features compared to other types of companies. Therefore, it too should be explained in an overview.

A cooperative can build up *equity capital* through financial contributions by members (share certificates, membership fees, entrance fees etc.) and through surpluses, which are reinvested (cf. Art. 859 para. 1 CO: “Unless the articles of association provide otherwise, any net profit on the cooperative’s business operations passes in its entirety to the cooperative’s assets”).

The part of the equity capital that is raised through the acquisition of share certificates by the members is also referred to as *cooperative* or *share certificate capital*. Unlike other corporations (especially company limited by shares [AG] and limited liability company [GmbH]), the creation of share capital is not obligatory for cooperatives (cf. Art. 828 para. 2, 833 no. 1 CO). Thus, there are cooperatives where the equity capital consists only of reinvested profits; in some cases, these cooperatives then provide for additional funding obligations and/or limited or unlimited liability of the cooperative members as compensation, yet this is by no means mandatory.

Another fundamental difference to the other forms of corporations of the CO (above all company limited by shares [AG] and limited liability company [GmbH]) is that *share certificates are not tradable*. They never have the character of securities (cf. Art. 853 para. 3 CO) and the mere transfer of the share certificate does not automatically make the acquirer a member. Rather, in principle, the acquirer only becomes a member of the cooperative (Art. 849 para. 1 CO) through a resolution on the accession in accordance with the law and the articles of association (cf. 840 para. 3 CO). That means, in any case *another act* (be it the mere declaration of accession or the resolution on the accession by the competent body of the cooperative)—in addition to the acquisition of the share certificate—is required to become a member of a cooperative. This makes the share certificate completely unsuitable for trading via the stock exchange. Raising equity capital via the stock exchange is therefore not possible for a cooperative.

Another special feature when compared to the company limited by shares [AG] and the limited liability company [GmbH] is the restriction for dividends in Art. 859 para. 3 CO: “Where share certificates exist, the portion of the net profit paid out on them must not exceed the usual rate of interest for long-term loans without special security.” This restriction intentionally makes investments in a cooperative unattractive (Note: this restriction does not apply to credit cooperatives; Art. 861 para. 1 CO provides for facilitations for these kind of cooperatives).

In contrast, the cooperative is not subject to any restrictions on *debt financing*. Rather, it can make use of all the usual credit instruments, namely bank credits and loans, but also bonds or syndicated loans. Bond issues, for example, can also be traded on the stock exchange.

3.4 Selected Characteristics of Swiss Cooperative Law and the Question of Whether Swiss Cooperative Law Is a Driver or Obstacle for Cooperative Growth

With this basic information on the peculiarity of the legal form of a cooperative, the research question is now to be answered—step by step or characteristic by characteristic:

3.4.1 *Principle of Open Membership and Identity Principle*

The *principle of open membership* or “principle of the open door” enables continuous *inorganic* growth (as discussed in Sect. 3.2). Through the accession of new members, who because of the identity principle can usually also be customers or suppliers (depending on the type of cooperative), a cooperative can grow externally: in terms of the number of members, but also financially, provided that new members have to acquire (at least) one share certificate.

The so-called *identity principle*, i.e., the basic identity of members and customers or (depending on the type of cooperative) suppliers, offers several opportunities with regard to possible growth.

This principle can contribute to *increasing the degree of self-sufficiency* of a company. For example, if—as in the case of the Fenaco cooperative—the farmers are also members of the cooperative, this—along with the members’ duty of loyalty—helps to maintain supply chains or to develop new ones. Depending on what kind of new members are recruited, there is either an *intensification* (for example, in the case of a farmer’s cooperative because the new members are grain producers like the previous ones) or a *diversification* (e.g., because the new members, unlike the previous ones, are not grain producers but winegrowers). Another example: Assuming that the already mentioned solar cooperative gains new members of the *previous* kind (people who want to have solar panels on their roof), it has two advantages: first, more *customers* for its service, second, more people who *provide* the service. Both result in an intensification. If, on the other hand, it opens up to new members of a *different* kind (e.g., suppliers of solar panels), the cooperative can not only offer *services* in the future but also sell a *product*. This would be a diversification. Both intensification and diversification reduce dependence on other companies (e.g., external suppliers). At the same time, there is the possibility of *controlling* the suppliers (who are members) through the structure of the cooperative (resp. the cooperative union) and the obligations it imposes and, if necessary, of encouraging them to comply with applicable legal provisions.

Then the dual role as member and employee or customer or supplier allows *different interests to be taken into account* (in the general assembly, which means in the supreme body of the corporation, and in the board of directors). In this way, innovations (be it product innovation, process innovation, marketing innovation or

organizational innovation) can be initiated. Growth through modernization is therefore also favored by the identity principle.

3.4.2 *Cooperative Purpose*

The *specific cooperative purpose*, on the other hand, is—with regard to the possibility of a company to grow—ambivalent:

On the one hand, it offers the possibility of combining economic and non-economic purposes in a way that no other legal form can: namely without violating the legitimate dividend interests of its shareholders. This can certainly be an advantage with regard to the expansion of business activities, for example, into areas that appear rather unattractive from the point of view of (purely) profit-seeking forms of company (e.g., social housing, low-cost day-care centers, organic farming). Serving such financially unattractive markets can also positively influence the public perception of a company, that is its image. Indirectly, such a positive perception or image can ultimately lead to increased customer numbers and, by extension, sales in the profit-oriented areas of the company. This context offers the opportunity for (albeit very slow) organic growth.

On the other hand, the cooperative purpose restricts business growth: Some business activities, especially in the financial market, may not be carried out in the legal form of a cooperative: For example, since January 01, 2012, the cooperative is no longer a permissible legal form for newly founded *pension funds* (in the area of compulsory insurance in accordance with the Federal law on occupational pension schemes [BVG⁷]). *Managers of collective assets, fund management companies and securities firms* may not use the legal form of a cooperative (Art. 25, 33, 42 Financial Institutions Act [FinIA]⁸). And so-called *FinTechs* can only use the legal form of cooperative to a limited extent: A FinTech can use the legal form “cooperative” as long as it operates in an area for which it does not (yet) require a license (so-called license-free area). This means either within the scope of the so-called sandbox privilege (pursuant to Art. 6 para. 2 of the Banking Ordinance [BankV⁹]) or as a credit cooperative, that is not active in the financial sector, pursues idealistic purposes or common self-help and uses the deposits exclusively for this purpose and the deposits have a term of at least 6 months (pursuant to Art. 5 para. 2 lit. f Banking Ordinance [BankV]). If, on the other hand, a FinTech is seeking a so-called FinTech license pursuant to Art. 1b of the Banking Act (BankG¹⁰) (“promotion of innovation”), a cooperative is not available as a possible legal form (see Art. 14a Banking Ordinance

⁷Bundesgesetz über die berufliche Alters-, Hinterlassenen- und Invalidenvorsorge (BVG), SR 831.40.

⁸Bundesgesetz über die Finanzinstitute (Finanzinstitutsgesetz, FINIG), SR 954.1.

⁹Verordnung über die Banken und Sparkassen (Bankenverordnung, BankV), SR 952.02.

¹⁰Bundesgesetz über die Banken und Sparkassen (Bankengesetz, BankG), SR 952.0.

[BankV]). In these areas, cooperatives can therefore hardly grow, if at all, whether through diversification or modernization.

In addition, the restriction on dividends in Art. 859 para. 3 CO for cooperatives is generally regarded as a lack of incentive for (financial) participation in a cooperative (Note: this restriction does not apply to credit cooperatives; Art. 861 para. 1 CO provides for facilitations for these kind of cooperatives cooperatives). Due to this restriction, the incentive to acquire share certificates beyond the minimum required by the cooperative is lacking. This also severely slows down even the possible organic growth of a cooperative.

It must, therefore, be stated that the cooperative purpose rather inhibits growth than promotes it. Nevertheless, the question of a possible improvement through legal reform cannot be answered so unambiguously: It is true that a revision of the cooperative purpose could lead to a comprehensive opening of the cooperative for the general pursuit of economic interests. Like the company limited by shares [AG] and the limited liability company [GmbH], it would thus be permissible for all (legally permitted) economic purposes.

However, it must be borne in mind that this would mean giving up the most distinctive feature that distinguishes it from the other two legal forms (the natural promotion of its members). Sooner or later, its *raison d'être* could be called into question.

A sensible but rather moderate change would therefore be, for example, to allow the legal form of cooperative to be used for activities from which it has been or is currently excluded, especially in the financial market (e.g., *pension funds* in the area of compulsory insurance, certain *financial institutions* in the sense of the FinIA and *FinTechs*), without convincing reasons (for details, see Kilgus, 2021b, § 4 N 119, N 28 f., N 31).

3.4.3 *Minimum Number of 7 Members*

At first glance, the minimum required number of members does not appear directly relevant to the growth potential of a cooperative. Yet, according to Swiss law, the minimum number of seven has a major impact. It prevents cooperatives from being founded (see Fabrizio, 2022, p. 10) and also endangers the existence of (economically successful) ones. For, “where the number of members subsequently drops below the minimum number, the provisions of the law on companies limited by shares on defects in the organization of a company apply.” (Art. 831 para 2 CO). In the worst case, this procedure can lead to the dissolution of the cooperative (cf. Art. 731b para. 1^{bis} no. 3 CO: “The court may in particular dissolve the company and order its liquidation according to the regulations on insolvency proceedings.”). In this respect, reducing the legal minimum number of members to two or three (through legislative reform) could help to maintain a company’s ability to grow.

3.4.4 *Duties of Members*

The possibility of imposing obligations (including financial ones) on the members can also enable cooperatives to grow organically: For example, the obligation to purchase share certificates above the legal minimum (of one share certificate, cf. Art. 853 para. 1 CO) can raise additional (financial) resources for investments.

Furthermore, the personal liability of the members and/or the obligation to make additional contributions can also facilitate growth. For example, these obligation(s) can serve as (additional) collateral for potential lenders. In individual cases, the *granting of credit* (also for cooperatives without share capital) is actually *only made possible* by this additional collateral; in any case it is *based on a broader collateral basis*. Organic growth, that is through investments in research and development, can thus also be financed (indirectly) through these possible additional obligations for members.

3.4.5 *Financing*

The options provided by law for financing a cooperative are also both conducive and obstructive to the growth of a cooperative:

On the one hand, the principle of reinvestment contained in Art. 859 para. 1 CO (“*An annual profit from the operation of the cooperative shall, unless the articles provide otherwise, fall in its entirety to the cooperative's assets.*” [emphasis added]) facilitates the self-financing of a cooperative; moreover, the dividend restriction contained in Art. 859 para. 3 CO ensures that profits of the cooperative are retained instead of being fully distributed to the members. Both promote the internal growth of a company.

On the other hand, the dividend restriction means that there are no (or at least few) incentives for new members to join the cooperative and for existing members to purchase additional shares.

In addition, the cooperative's options for financing itself through equity instruments are limited. Cooperatives, with the exception of cooperative banks (who have a relatively newly granted option of issuing participation certificates) do not have the option of issuing participation certificates (cf. Art. 14 ff. Banking Act [BankG]).

Furthermore, a cooperative can only finance itself on the capital market to a limited extent: Only debt instruments can be traded (on or off the stock exchange); whereas cooperative share certificates are not tradable, as they are not securities.

As with the purpose of a cooperative, it must be stated that financing is more of an obstacle to the growth of a cooperative than it is conducive to it. This is because the two factors that can *favor* internal growth (principle of retention and restriction on dividends) are relativized by the lack of incentives for financial participation and the limited possibilities for equity financing (whether on or off the stock exchange).

Various authors therefore call for a less severe restriction on dividends (Troxler, 2013, p. 27; Gerber, 2003, p. 322). The possibility of issuing participation certificates (and profit participation certificates) is also raised again and again (see already Gerber, 2003, p. 322)—notwithstanding the now existing special regulation for banking cooperatives.

Some authors also criticize the fact that the equity instruments available to a cooperative cannot be listed on the stock exchange (Gerber, 2003, p. 322). If a cooperative was allowed to issue participation certificates at least *these participation certificates* could be listed and traded via the stock exchange. Regardless, Walter Gerber claims to consider issuing share certificates *as securities* in order to make them tradable and thus more attractive for investors (Gerber, 2003, p. 322).

Here too, however, it must be borne in mind that a possible revision of cooperative law would be confronted with the challenge of improving the financing possibilities (and thus the conditions for organic growth), but without sacrificing the essential characteristics of the cooperative, which include the lack of a dividend policy.

Therefore, in order to preserve the non-dividend-seeking character of the cooperative, the dividend restriction should—in my opinion—not be completely removed; however, the limit could be set higher so that dividends would be allowed to a somewhat greater extent in the future.

3.4.6 Organization/Reorganization

Concerning the organization of a cooperative, there are especially two aspects, which have an impact on a cooperative's potential for inorganic growth:

The *first aspect* is the mandatory principle “one person, one vote.” Due to this principle, it can be difficult to obtain the required majorities for a strategic reorientation (changes in purpose, mergers, etc.):

- The *articles of association* may provide for *high quorums* for provisions amending the articles of association (cf. Art. 888 para. 2 CO). A strategic reorientation of cooperatives, which depending on the structure may also include the acquisition of other companies, would not be easy to implement in such a case.
- For certain decisions, *special quorums* apply *by law*, especially in the Merger Act (“Fusionsgesetz” [FusG]¹¹). For example, mergers that only contain a settlement for the shareholders of the transferring company, require the consent of 90% of the shareholders entitled to vote of the transferring company (cf. Art. 18 para. 5 Merger Act [FusG]).

¹¹ Bundesgesetz über Fusion, Spaltung, Umwandlung und Vermögensübertragung (Fusionsgesetz, FusG), SR 221.301.

The mandatory rule “one person one vote” can therefore in individual cases slow down inorganic growth or even make it impossible.

- Thanks to the Merger Act, which came into force in 2004, cooperatives are largely on an equal footing with companies limited by shares (AGs) under merger law. However, some restrictions still exist. For example, the simplified procedure according to Art. 23 ff. Merger Act is not available to cooperatives for intra-group mergers, as this simplified procedure applies only to *corporations as defined in Art. 2 lit. c Merger Act [FusG]*. And cooperatives do not qualify as such “corporations,” even if they have issued share certificates. This is why commercial registrars have refused to apply Art. 23 f. Merger Act [FusG] to cooperatives. As a consequence, the possibilities to grow inorganically *are not less, but procedurally more difficult*, compared to other corporations (i.e., corporations as defined in Art. 2 lit. c Merger Act [FusG]).

The literature criticizes this current reality and warns that “[o]f course [...] there is an economic need for intra-group mergers, especially in the case of purely cooperative structures.” Franco Taisch and Ingrid D’Incà-Keller therefore demand—*de lege ferenda*—the creation of facilitations also for intra-group mergers of cooperatives (Taisch & D’Incà-Keller, 2010, p. 358).

3.5 Conclusion

The cooperative is a special legal form with characteristics that set it apart from other legal forms. The most distinctive feature compared to other forms of companies is the purpose of the cooperative (the natural promotion of its members), which also determines other characteristic features, such as financing—Are these characteristics rather a driver or obstacle to cooperative growth?

Having explored the extent to which selected particulars of the legal framework inhibit or promote the potential for growth of cooperatives—both organic and inorganic—it can be concluded that the answer is ambivalent:

On the one hand, it can be stated that there is a *potential for specific cooperative growth* with regard to: a) the number of members; b) the composition of the members, which—depending on what kind of members are recruited—may help to increase the degree of self-sufficiency of the cooperative; c) the interests and ideas of the members, who are represented in the decision-making bodies and in this way can directly initiate innovations; d) the obligations of the members, especially financial ones, which might help to raise additional (financial) resources or serve as collateral for investments; e) the possibility of combining economic and non-economic purposes, which can help to positively influence the public perception; and f) the principle of reinvestment together with the dividend restriction, which facilitate the self-financing of the cooperative.

All these factors allow for slow (but rather sustainable) growth: in terms of members, assets, market shares and profit (be it organic or inorganic).

On the other hand, cooperatives face *constraints in areas that are generally considered essential for growth*, especially in the areas of financing and organization (as well as reorganization). This includes: a) the possibilities to issue equity instruments are limited (at least for simple cooperatives); b) incentives to acquire share certificates are limited; c) share certificates are not tradable and cooperatives are thus prevented from trading them on the stock exchange; d) certain fields of business, especially in the financial market, are precluded from cooperatives from the outset. Moreover, due to the mandatory principle “one person, one vote” it can be difficult to obtain the required majorities for a strategic reorientation and concerning mergers, cooperatives cannot make use of the simplified procedure.

So, if one focuses on areas that are classically considered essential for growth, it must be stated that the Swiss cooperative law is more of an obstacle than an enabler to the growth of a cooperative.

Of course, there are proposals and desires regarding how cooperative law could be made more growth friendly. Most of them aim at reducing specific cooperative barriers. For example, reducing the legal minimum number of members to two or three, but above all barriers with regard to the purpose and the financing of cooperatives (which both are more of an obstacle to the growth of a cooperative than they are conducive to it): such as allowing the cooperative to pursue all legally permitted purposes, moreover less severe restriction on dividends and if necessary, the possibility of issuing participation certificates or other equity instruments, which could then possibly also be traded on the stock exchange. Some of these proposals can certainly be implemented easily and without affecting the specifics of the cooperative as a legal form (such as reducing the legal minimum number of members). Concerning others the challenge is rather to remove obstacles to cooperative growth without endangering the cooperative characteristics: for example, in order to preserve the non-dividend seeking character of the cooperative, not completely removing the dividend restriction, but setting the limit higher so that dividends would be allowed to a somewhat greater extent in the future. Moreover, the cooperative could be recognized as a permissible legal form for activities, especially in the financial market, which it is not allowed to carry out today (e.g., *pension funds* in the area of compulsory insurance, certain *financial institutions* in the sense of the FinIA and *FinTechs*); however, the demand for opening up the cooperative for all legally permitted purposes (not only the natural promotion of its members but also sheer dividend-seeking purposes) must be questioned critically.

Since, as far as reforms with regard to the purpose of cooperatives and the financing of cooperatives are concerned, it is important not to rush into adopting or demanding the adoption of all (supposed) privileges of other legal forms. For the more the characteristics of the cooperative are abandoned or diluted, the more the question will be asked, sooner or later, about the *raison d'être* of the cooperative as a separate legal form.

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Chapter 4

Participation in Participatory Governance: Cooperatives in a Swiss Context



Monique Bolli

Abstract Swiss cooperatives are currently in focus: while a number of legal framework amendments are on the way, still little research is done on this form of corporate governance. In the current urgency of addressing grand challenges, cooperatives have regained importance in the economic and societal landscapes. Comprehensive data-driven studies would support legislative modernization. Participatory governance is a conspicuous characteristic of cooperatives. The type and levels of participation are idiosyncratic to a given cooperative and hence exist in various forms. Our anthropological interview-based research yields three tensions. First, participation does not imply inclusion; second, cooperatives can be perceived as outdated, yet they evolve and experiment with forms; third, both idealist and pragmatic approaches are required to sustain the business and address any mission drift. The above enhances the comprehension of the cooperative form, challenging the perceived outdatedness of this hybrid-missioned entrepreneurship.

Keywords Participatory governance · Cooperatives · Switzerland · Engagement · Stakeholder democracy

4.1 Introduction

Cooperatives are hybrid enterprises with defined societal or environmental and economic goals:

A cooperative enterprise is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise (International Cooperative Alliance, 2018).

Within this broad definition lie a broad variety of cooperatives. There are, among others, worker, producer, consumer, service, social, and housing cooperatives in domains such as energy production, journalism, car sharing, delivery, agriculture,

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insurance, banking, and music labels (see Chap. 2 for a discussion of the diversity of Swiss cooperatives / see Chap. 3 for a discussion of legal distinctions of different types of cooperatives). The goals or mission of cooperatives are part of their *raison d'être* and a strong aspect of their identity. The concept of cooperative entails different models influenced by the mindset of the founders and members, by-laws, and the legal settings. While this definition can characterize any private company, the difference lies in a legal imperative for cooperatives to inscribe their goals in the statutes. Therefore, the mindset must be defined at the founding of a company, contrarily to other private companies that can work on establishing and adapting the goal on the way. Concrete forms of cooperatives can vary from one country to another. The main models are the *sociological* focused on the community interest, the *mutualistic* focused on the interests of the members, the *socio-mutualistic* combining both interests, and the almost public *cooperative* model (Galera, 2004). Large cooperatives (specifically in the Swiss context) are rooted in the past. They adapted to their environment and to the market economy, and have transformed while keeping a cooperative core.

With all their models, cooperatives have the potential to bring change to the community they serve combining diverse goals and activating common action. Cooperatives are distinguished by two main elements from other organizational forms: participation and sustainability (Gould, 2017). Looking at the challenges of participation is a first step toward better comprehending the cooperative specificity.

Entrepreneurs have the potential for agency-driven social change (Pfeilstetter, 2022) and cooperators are therefore particularly interesting in this context as they can support the tackling of grand challenges. Grand challenges are significant and often global as, for example, climate change, lack of fair access to education, and access to clean water (see Foray et al., 2012). The inclusive and collaborative cooperative form can enable community-driven solution finding. While cooperatives are an old form of entrepreneurship, they represent an opportunity for people to unite professionally for common economic projects as they are the most participatory organizational form (Gould, 2017).

Cooperatives are not only shaped by their mission or the people who form them but also by the legal framework in which they are embedded. The Swiss legal framework is currently very open (see Chap. 3). Recent discussions and motions in the Parliament to update the cooperative law reflect the interest and urgency to rethink and the wish of some actors to further frame and upgrade this hybrid form of business. In Switzerland, the legal definition of cooperatives¹ is broad and allows for a unique diversity with from 7 to over 2.5 million members including the largest Swiss retail companies (Gerber, 2003; Purtschert, 2005; Taisch et al., 2017). The openness (or vagueness) of the legal framework yields different cooperatives unique in their organization, which is country-dependent—some stricter and focused on social entrepreneurship, some more open (see Cooperative Europe 2015 report).

¹SME Portal for small and medium-sized enterprises (Swiss Federal Council, 2022) https://www.kmu.admin.ch/kmu/en/home/savoir-pratique/creation-pme/creation-d_entreprise/choisir-une-forme-juridique/societe-cooperative.html

Levels of engagement of the respective members then get decided. Such levels depend on the size of the company, stakeholder role (member, delegate member, board member, etc.), the participatory strategy of the organization and the individual members who frequently have several roles (Taisch et al., 2017). The mission of a cooperative and the level and importance of participation can evolve over time. For some of the biggest and oldest cooperatives, the employee role is similar to that in other private enterprises. This does not limit the possibility of “cooperators” to be part of the cooperative and have a voice at the assemblies but differentiates them from the employees who are not necessarily involved in the decision-making of the enterprise they work for. Here, I discuss the tensions that arise in the Swiss cooperative context: participation, outdatedness, and idealism.

4.2 Background and Methodology

While cooperatives are not unique to Switzerland, their embeddedness into a democratic political culture dependent on popular participation and the liberal formulation of the legal framework brought diverse types of cooperatives about. The Swiss law governing cooperatives was last updated in 1936. Between 2020 and 2022, several motions were proposed and discussed in the Swiss Parliament, calling for legal modernizations and more transparency (Swiss Parliament, 2022). While several were not pursued, the Swiss Federal Council is now appraising the parliamentary “postulate” to modernize the cooperative law (Swiss Parliament, 2021). Development and mutual economic assistance characterize the legal framework that requests three administrative bodies: General Assembly, Board (at least three members), and Statutory Auditor (SME Portal of the Swiss Government, 2021). The request for modifications of the cooperative law is being revised by the Parliament and will impact Swiss cooperatives in a yet unpredictable way. Some fear a homogenization of the law applied to other types of private companies which would reduce cooperative freedom while others strongly encourage more transparency, a reduction of number of founders requested (which is seven people currently) or a sharper definition of the form of enterprise type.

My approach was to assemble a network of 60 informants working in the management and boards of 25 cooperatives, as well as specialists working in the cooperative environment. Half of the informants were interviewed, while the other half have shared information in more informally at events or for shorter meetings. I have conducted 30 semi-structured interviews in-person and online (depending on epidemiological requirements) inscribed in social anthropological methodologies (see de Sardan, 2008; Schatzman & Strauss, 1972; Yin, 2017). In addition to an anthropological framework, an interdisciplinary mindset was needed. Working for a polytechnical university and interacting with researchers from various fields, and connecting with a large variety of topics, I could enrich my approach and aim to share some findings in this chapter. As Barth wrote: “[...] entrepreneurs are clearly agents of change: they make innovations that affect the community in which they

are active” (Barth, 1967: 664). Looking at the “cooperators” and their way of getting organized and including their community is an opportunity to look at the challenges of participation.

Here, the types of interactions with the informants were complementary as some information can be grasped more readily in a less formal setting. The goal was not to collect data exclusively through formal semi-structured interviews but also during conferences, meetings, and their coffee breaks as well as short more informal meetings. In this context, the “places” of research or the “ethnographic place” can be described “as a way of knowing” in which “different types, qualities and temporalities of things and people come together as part of the process of the making of ethnographic knowledge or ways of knowing” (Pink & Morgan, 2013). Spending time in one or several cooperatives was not possible in this period as most of the working places where information could have been shared also informally, for example, at the coffee machine, were transformed into home offices inaccessible but through online meetings. The multi-local approach to fieldwork (Marcus, 1995, 2016) was adapted to the online situation and when possible offline meetings with the aim of collecting a broader spectrum of inputs. I have hence also participated in events (gathering 10–150 people) that enabled shorter exchanges with informants and learning about current topics in cooperatives.

4.3 Participation and Participatory Governance

Cooperatives, often perceived as a path to economic democracy, are governed in various ways. Participation and “ownership” of members and workers are applied on different levels. Participation has been examined in detail by political philosophers, starting with Habermas’ conception of “deliberative democracy” that underlines the importance of consensus (Habermas, 1996), there is a need to elaborate this thought and adapt it to current economics in which the idealism of democracy needs to be adjusted to the “realities of power asymmetries and conflict” (Dawkins, 2015). Some even propose to replace the concept of deliberative democracy with “agonistic pluralism” (Mouffe, 1999) which considers that conflicts between adversaries (not enemies) and the recognition of these divisions is the only path to political thinking. Nevertheless, in the case of cooperatives, the concept of deliberative democracy seems appropriate. Indeed, it is more likely that founders or members join the cooperative in a like-minded state attitude or aligned goals. In cooperatives, the deliberative democracy of stakeholders—that can also be called “stakeholder democracy” in stakeholder theories (Moriarty, 2014)—seems natural yet is in fact a complex interweaving of dynamics between the participants and the organization. Focusing on one theory or framing would limit the understanding, therefore, I use in this paper a “multi-paradigm paradox perspective,” which allows the creation of a new conceptual framework, specifically in looking at the role and tensions that the boards face in cooperatives and mutual associations (Cornforth, 2004). This paradox perspective used by Cornforth to analyze the three types of challenges serves in

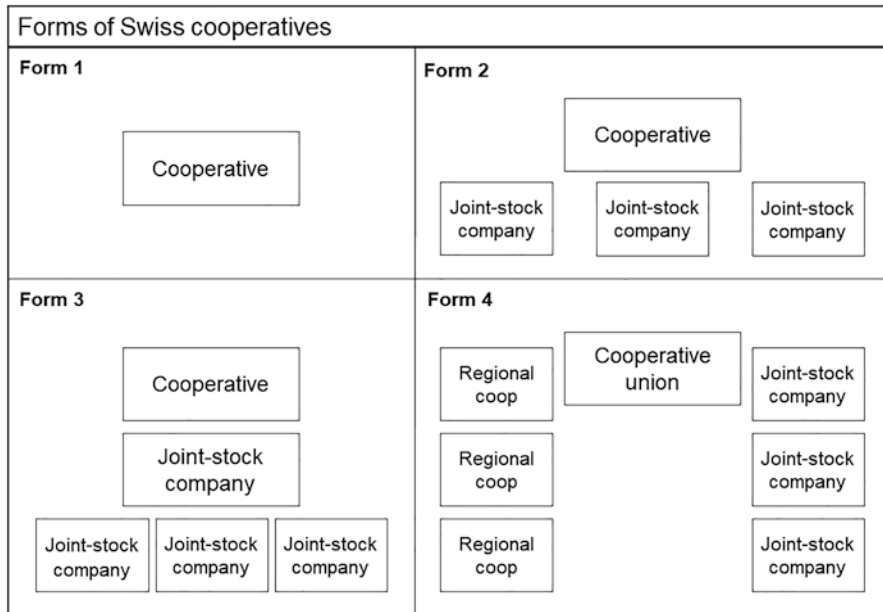
this paper to frame the tensions of the discussion. Namely, the three types of challenges are: (1) “between board members acting as representatives for particular membership groups and ‘experts’ charged with driving the performance of the organization forward,” (2) “between the board roles of driving forward organizational performance and ensuring conformance i.e. that the organization behaves in an accountable and prudent manner,” and, (3) “between the contrasting board roles of controlling and supporting management” (Cornforth, 2004). The tensions along the impact levels of individual stakeholders exist despite the democratic participation ideal as a part of cooperative entrepreneurship. The risk of pseudo-participation (Pateman, 1970) can only be prevented through a clear definition of participation in each individual enterprise. “Participation” can be interpreted in various ways. Agarwal proposes a typology of participation in the context of a research on community projects that can be related to: nominal participation, passive participation, consultative participation, activity-specific participation, active participation, and interactive participation (Agarwal, 2001). All these levels exist in cooperatives, to which I add the category of *shadow participation* where a person is a member but fully absent, therefore considered as a nominal participant but concretely invisible. This one is important in the sizes of cooperatives and the most apparent in the largest ones (such as *Coop* or *Migros* in Switzerland). They are also affected by the type of enterprise, its organization, and its size (Fig. 4.1).

In my interviews, democracy was often a discussion topic, namely, how to implement informed participation and how to keep the potential participants interested. These tensions are managed to have constructive and more strategic dialogues. Larger cooperatives have delegates or regional assemblies for their members to be part of the dialogue. The structure of larger cooperatives in Switzerland often entails

Non-exhaustive examples for each form			
1	<i>Velobitz</i>	Employees are not necessarily members but encouraged, also external members	144 members among which 82 employees 133 employees
	<i>Mobility</i>	Employees are not necessarily members, also external members	221 employees 75'000 members
	<i>WOZ</i>	All employees working ≤40% are members	55 employees 51 members
	<i>Energiegenossenschaft</i>	Employees are not necessarily members, also external members	15 employees 440 members
	<i>Kaleio</i>	All employees are members, plus a few selected externals	5 employees 10 members
	Housing (in general)	In some, only inhabitants are members, in others externals too	
2	<i>ADEV</i>	All employees are members of the cooperative	48 employees 4500 members
	<i>Coop</i>	Employees are not necessarily members, many external members	Employees +90'000 Members +2.5 million
3	<i>Mobililar</i>	Employees are not necessarily members, many external members	5856 employees +1.8 million members
4	<i>Migros</i>	Employees are not necessarily members, many external members	Migros group employees 97'541 Migros cooperative members 2.27 million

Fig. 4.1 (a, b) 1 Forms of Swiss cooperatives and examples (author, 2022)

an overarching cooperative (umbrella organization) with several “public limited companies” (Aktiengesellschaft, AG in German) under it. This allows us to keep a dialogue and maintain the goals while being part of the market. Some have all their employees as members of the cooperative, others have most employees in the public limited companies, and others have only a cooperative. The first part of the table below shows four most usual forms of Swiss cooperatives, the second part gives examples for each form. The form chosen for a cooperative is not defining the type of participation, while the size and the mindset of the board and management are more decisive.



Some also test the form as an experiment to professionally collaborate in a group of consultants that prioritize horizontally and exchange such as *Now.New.Next*. Some informants have decided to transform their cooperative into a joint-stock company while others learn, adapt, and figure out their own cooperative (dis)balance, many of them have transformed the company from an association into a cooperative (*Red Brick Chapel*), from an AG to a cooperative (*Veloblitz*), from an AG to a cooperative federation (*Migros*) from a cooperative federation to a cooperative (*Coop*), from a cooperative to an AG (*Intercomestibles*) and more.

The second part of the table shows non-exhaustive examples for each of the forms schematized. The size and the number of members are variable and influence the type of participation. Cooperatives with millions of members, who are often consumers mostly absent from participative processes of the cooperative, have a different role and impact than the smaller ones where the members are more present. Being interested in a project can make a person join a cooperative without the

interest in influencing decisions while for others such joining has an aim of participating. Participation is a challenge, also of having smart dialogues in which knowledge and power balance are respected. The one person—one voice rule is an essential element of cooperatives but also limiting when members without knowledge or regular involvement in the topic have the same voting right as members-experts (for more on this see Chap. 3). This challenge asks for constant communication, openness, and patience. Participatory approaches are believed to be capable of bringing more horizontality without necessarily reducing efficiency (Blaug, 2009).

Common resources are best managed by communities that benefit from them (Ostrom, 1993). Bottom-up and non-centralized decision-making are at the heart of cooperative governance specifically regarding participatory governance. Governance is a general term referring “to all processes of governing, whether undertaken by a government, market or network, whether over a family, tribe, formal or informal organization or territory and whether through laws, norms, or language” (Bevir, 2012). It comprises two main roles, the “monitoring between social and commercial activities” and “monitoring the performance of agents” (Ebrahim et al., 2014) in which stakeholders are involved. There is a difference between engagement and participation. In the context of cooperatives and in a structured participation of stakeholders, participatory governance is more specifically addressing and underlining the importance of a bottom-up governance dynamic.

Engagement includes conducting meetings with representatives and holding public meetings, while participation is a more active involvement of stakeholders in the strategic decision-making of an organization (Low & Cowton, 2004). Participation depends on the proactivity of the stakeholders. Participation strategy in a multistakeholder environment such as cooperatives can be interpreted differently and applied on different levels.

Cooperatives as other forms of companies have organs of control and General Assemblies (GAs). Nevertheless, by the (Swiss) law, they only have three required administrative bodies. This makes the organs that depend on member participation more important. Such participation, and therefore, discussions and negotiations, occur during the whole year, not only at GAs. The topics discussed at the GA have often already been debated or partly digested.

4.4 Tensions in Participating

My research has revealed several tensions that need to be considered by legislators in order to develop a Swiss cooperative law adapted to the current grand challenges. Entrepreneurs, being agents of change, have an impact through their business, mission, and form. The three issues that appear in the context of the broad Swiss cooperative landscape are: participation vs. inclusion, experimentation vs. outdatedness, and idealism vs. pragmatism.

4.4.1 *Participation Versus Inclusion*

4.4.1.1 **Does the Structure-Given Participation in Cooperatives Promise Participation?**

As mentioned earlier, the legal form of cooperatives requests participation. Direct democracy is guaranteed through a “one person, one vote” rule that is not influenced by the “investment” in the membership. While more democratic on the one hand, it is also a source of disagreements on the other. For example, members who devote more time and energy, or also financial means, for a cooperative to grow and exist, do not see this greater engagement translating into greater influence. However, participation does not necessarily mean inclusion. Inclusion, rather than participation, builds communities (Quick & Feldman, 2011). While participation is given by the legal structure of a cooperative, it does not mean that an active inclusion of all participants is wished or will take place. Participation is a very broad concept that gives freedom to be active or passive. The tension between participation and inclusion lies in the largeness of the scope, with participation you may have fewer active members but with inclusion you may have uninformed or unwanted activity. The presence of divergent voices can be enriching or slowing down the work, sometimes even blocking it. Sharing a common vision is often what connects members of a cooperative but the way the work is done or communicated can show diversity. Intergenerational challenges have been underlined by several informants, e.g., as older members tend to want more power, modernization through technology and digitalization tends to brake, reducing the presence of active young members in General Assemblies.

An important aspect of modernization of cooperatives is the digitization of their processes (Jovanović & Voigt, 2016; Peter & Jungmeister, 2017) which was accelerated by the COVID-19 pandemic. It influences the participation modes and the involvement of younger generations. Except in the new cooperatives, older cooperators often hold the power and presence in cooperatives, holding on to founding ideas and values that younger generations would be willing to see changing or adapting to the new settings. Online settings have encouraged youth to be more engaged. A wider range of people partake, and the audience is larger online than in-person, increasing up to three times the number of participants at the GA. Hence, the cooperative stakeholders consider the increase in connectivity and the democratization of communication through digitalization impactful but not always wanted as more participation does not mean more informed action.

The social and commercial values are characteristic of the hybridity of cooperatives (Battilana et al., 2012). Not only is the company hybrid, but the stakeholders also have hybrid roles, what is called in the legal jargon *multiple identities* (Taisch et al., 2017). Cooperators often have multiple roles—they can, e.g., be founders and members; founders, employees, and members; employees and members; employees, board members, and members; benefactors, clients, etc. Also, employees are not necessarily members or founders but possibly benefactors. The possibility of

participating does not make it a request, nor is it necessarily wanted. In some larger cooperatives, employees are far from the cooperative framework of their company and choose employment for its benefits and security without having an interest in its form.

Stakeholders' identities are also given through the image of the company (Gioia et al., 2000). The process of identification of a cause, project, or values is essential to the community creation and thus the cooperative. Having multiple roles and interests in an organization makes cooperators more involved. Board members and managers in smaller and larger cooperatives describe their constant effort to invite members to "get onboard." Members have the power to vote off board members and there is therefore the need to maintain a channel of communication. The dialogues take place in what could be called "spaces of negotiations" (Battilana et al., 2015). Cooperatives lead regular meetings in different formats in addition to the yearly General Assembly that allows all members to vote for or against propositions. While the General Assembly is often the most visible event, discussions happen in the format of thematic discussion groups, regional groups (for larger cooperatives), and employee meetings. Cooperators being stakeholders does not imply them wanting to invest the time and effort to contribute to the cooperative equally to others, e.g., in the co-decision process. Most informants reported that provided there are no problems, many stakeholders remain passive.

By growing, cooperatives are challenged to maintain participation and bottom-up inputs in a market-oriented competitive environment demanding agility (Ebrahim et al. 2014; Cheney et al., 2014). While voices from inside these organizations consider that participation allows their organizations to remain agile and innovative, externals criticize large cooperatives for having lost the sense of cooperatives. This can be seen as slow and more sustainable innovation continuously considering the needs of members and clients. The cooperative depends on its community—some groups call themselves "collective"—and often grows out of one. Maintaining the meaning and fulfilling the cooperative's purpose is also a way to keep the community together. Larger cooperatives mentioned the constant work of engaging with their stakeholders, and here more specifically their members. The processes governing participation in these cooperatives are clearly articulated in the company's statutes and are distributed regionally and thematically that promotes the gradual build-up of the dialogue. Ideas are first discussed in such a distributed fashion before getting to the Board. Such processes allow cooperatives to filter ideas and hinder uninformed participation. Membership, participation, and inclusion are different levels of presence in cooperatives that can be combined. A person can be a member to support the cooperative but not interested in participating, be a member and participate sporadically or be an included member actively part in the dialogue. This freedom of participation is important in the life of cooperatives.

In addition to the notion of community, history is often referred to in Swiss cooperatives regarding the cooperative form and values as being part of the DNA of their organizations (see Chap. 5) (Fabrizio, 2022; Peter & Jungmeister, 2017; Taisch et al., 2017). Large cooperatives could be transformed into other forms of private companies (e.g., private Ltd.) or associations but would then lose their historical

continuity while growing and having adapted to a more competitive context. This historicity is also important for the identity and branding of the larger cooperatives. The position on this specific aspect varies from one cooperative to another. Some question their form that has lost its initial mission and in which a free choice of reinvestment of its gain is not given, while others strongly identify themselves with the cooperative and express their wish to maintain the form and share this image with their members, clients, and employees.

Multistakeholderism seems natural in cooperatives, it can also be discussed in the light of cooperators with multi-identities. Participation does not erase the notion of power in the presence of dominant and charismatic stakeholders. Individual presence and proactivity tend to create visibility and impact.

4.4.2 Experimentation Versus Outdatedness

Some smaller cooperatives in Switzerland experiment with the legal form. They are created across all domains: from consultancies, collectives, music labels, restaurants to retails, insurance companies, and banks. These cooperators also reflect the challenges of growing and managing a cooperative in a competitive and purposeful way. Some have transformed from a non-profit association or a collective that professionalizes into a cooperative. The main challenges for the new and some older cooperatives are to establish the processes of participation and communication, and the need for more professionalism with skilled board members. It is also due to the lack of existing process definition for Swiss cooperatives. Crises are often catalysts to establish the processes unique to each of them. The visibility of smaller cooperatives is limited where the media attention is mainly focused on the larger ones. As these companies declare the simultaneous pursuit of profit and purpose, they are criticized for the possible mission drift. The vision of a cooperative is to be based on the values, mission, and basic principles of a cooperative (Forcadell, 2005) and is at constant risk of drifting. Interviewees have confirmed this by suggesting a regular adaptation of their implementation of their goals and mission through internal dialogue.

The demands submitted in 2020 and 2021 in the Swiss parliament ask for the improvement of framework conditions for cooperative start-ups (Motion 20.3563), more transparency (Motion 21.3418), careful modernization of the cooperative law (Motion 21.3652), a contemporary and sustainable cooperative law (Postulate 21.3783), and a contemporary cooperative law (Parliamentary Initiative 21.479). These initiatives show that the cooperative law is perceived as outdated, yet the cooperative form retains the timely potential for mitigating current societal, economic, and ecological challenges. The integration of the purpose of the business and the reinvestment of the benefits into societal or ecological projects gives the cooperative business model an opportunity to help tackle grand challenges. Communication between cooperatives is important to exchange knowledge and experience, and reflect on current opportunities and eventual legal changes.

There are two main cooperative networks in Switzerland supporting these exchanges, one for the cooperatives linked through their legal form (*idée coopérative*), one for the social entrepreneurs (SENS) with one-third of its members being cooperatives. Social entrepreneurship is not a condition for being a cooperative, it depends on the link between purpose and self-definition. The difference between social and commercial entrepreneurship is the dimension of “opportunity”: “Commercial entrepreneurship focuses strictly on markets that can provide profitable opportunities, while social entrepreneurship is attracted by an unmet need, demand, or market failure, i.e., the opportunity for social change” (Pestoff & Hulgård, 2016). Here, while part of Swiss cooperatives adheres to the social entrepreneurship definition, others aim at the hybrid pursuit of market- and purpose-oriented strategies. Their purpose can be fulfilled by the corresponding growth, e.g., for car sharing (gaining a maximum of clients would reduce the number of individual cars), housing cooperatives (having more houses would provide more access to fairly priced apartments), or services (more clients also means more jobs for the working members of the enterprise). Members, clients, and employees benefit differently depending on the type of cooperative: they are interdependent. The statutes of cooperatives define who is allowed or not to become a member and that members can be refused without justification.

Several informants reported that the long-term dialogue does not reduce debates but scatters them over time and partly makes the final decision-making process easier. The decision is perceived as more sustainable as the effort of convincing and bringing stakeholders on board has started early on.

4.4.3 *Idealism Versus Pragmatism*

Cooperatives have both idealist and pragmatic natures with integrated purposes and competitive strategies. This idealist-pragmatic dual nature assembles interdependent social, environmental, and commercial logic (Bauwens et al., 2020; Blome-Drees, 2020; Langmead, 2017). This duality (Ashforth & Reingen, 2014) considered dilemmatic (Puusa et al., 2013) or contradictory (Borzaga et al., 2009), is described by my informants as complementary and sustainable. Nevertheless, ignoring the challenges of these “paradoxical” goals can lead to a mission drift (Jay, 2013) if economic viability as well as societal and environmental goals lose their balance. Solidarity, responsibility, primacy of people over money, and democratic participation are the elements that make cooperatives distinctive (Saz-Gil et al., 2021). Focusing on the common good is not exclusive of being for profit. This balance between both concepts is also to be taken into account.

Further than values and strategies, the cooperative culture, lifestyle, or “vibe” is appreciated by its members. In smaller cooperatives, the wish for more horizontality of power is often formulated by the employees and member-employees. Power is not necessarily defined by the position but by the proactivity or charisma of members. For this reason, the definition of the roles is important as idealist perspectives

from members can clash with more pragmatic perspectives from the management of cooperatives. The composition of smaller cooperative boards undergoes professionalization resulting from generational expectation conflicts.

The process of change in older cooperatives, especially in the housing cooperative sector, often happens through new generations joining and sometimes triggering a crisis in the system. Younger generations are less accepting of the nepotism that inner circles of board members or management would benefit from, for example, access to cooperative apartments. With a saturated apartment rental market in many Swiss cities, the power given in choosing the incoming inhabitants can grant important privileges. Some cooperative boards only have members living in the housing cooperative, while others are open to external members who then would be informed about apartments. This changes the composition of the boards, too. While some of the positions are going through an external hiring process, others are filled in internally by the cooperative members. The professionalization of boards is also manifested in their openness to employ external specialists in addition to the members.

The historicity of cooperatives is also a factor in the pragmatic/idealistic vision—on different levels—one is the organization type, and the other is the business itself. Idealistic and pragmatic goals are both targeted, sometimes one type is prioritized over the other. Idealism is always in tension with efficiency and can be limiting in the democratic organization of an enterprise. As mentioned above, having an official power is not necessary to have a certain power through charisma and coalition.

4.5 Discussion

This research broadens the understanding of the challenges of cooperatives in the Swiss context. One characteristic of this form of business is the centrality and essentiality of people's voices. The opportunity to participate in decision-making shapes a democratic organization. Once the ideal concept is defined, we see that there are many shapes and colors of such organizations, and that the idea of participation asks for a careful and serious effort of framing. The choices made in the organizational statutes and the continuous adaptations in the daily business make a dynamic frame in which some develop, for example, inclusive leadership while others strive for horizontality. The choices in the balance of power influence the means and weight of participation.

4.5.1 *Multidimensionality and Dynamism*

The multidimensionality of this research and the dynamism of cooperatives are challenging and interesting. There are risks and benefits for all actors of cooperatives with an opportunity to be more inclusive and sustainable but this is on

individual, group, societal, and legal levels. While participation can be described as tyrannic (see Cooke & Kothari, 2001), its inclusion in the statute of a cooperative renders it more natural. If participation is not wanted, another form of business model can be chosen. Nevertheless, participation in a cooperative can also be challenging when each member's voice has the same weight while the engagement and work levels are very different. It gives members who are not at all involved in the work of the cooperative an opportunity to disrupt the decisions and processes in place giving another twist to the ideal of the power horizontality.

Challenges of my informants are to constantly "take aboard" their members by communicating about important moves in order to have their buy-in in the final decision-making or approval of decisions; the cross-generational participation and its tools with a digitalization and a large representation; shadow participation in big cooperatives with the image and historicity of the business model as a part of the company's marketing strategy; the start-up capital; the democratic vs. efficiency question, etc.

4.5.2 Conclusion

There is little academic research about current Swiss cooperatives and the 2021 impulse in the Swiss parliament for a modernization of the cooperative legal framework shows an interest in the business model and the request for more clarity. This lack of clarity has been until now an opportunity for diversification and experimentation for cooperatives. Indeed, there is no model of cooperatives in this context. The experimental aspect is especially *lived* in smaller and younger cooperatives. Digitalization and a sense of new technologies are also important in the updating of what cooperatives are and how they function.

The expected participation of members—founders, employees, benefactors—in cooperatives depends on the inclusivity of the participation process in place but also on the wish to participate actively and the size of the company. Often if everything runs smoothly, participation is less wanted and needed from both sides. At the same time, scaling participation does not mean scaling action or impact.

The engagement horizon of the board and the management working with the members is long-term. The settings for dialogue and negotiations are structured. Informants consider that the dialogue takes place continuously and decision-making can be slower than in other private companies, but the decision is more sustainable and long-lasting as it is taken in agreement with a majority of proactive members. As in other democratic processes, a majority does not mean everybody. In general, young cooperatives need time and often smaller crises (forming-storming-norming) to establish clear mechanisms as there is no clear model for decision-making of cooperatives.

The balance between idealist and pragmatic views is essential in the cooperative context. They are interdependent. While some describe too much idealism as a threat to survival, others see it as essential to last. Creation of stable jobs or

benefiting from reasonably priced products is seen as pragmatic while a focus on sustainability, social support of less advantaged people will be seen as idealist. The balance between the two is essential to remain viable economically and avoid mission drift. Internally to cooperatives, there are also misunderstandings such as working in a cooperative means less work or every personal wish is to be realized. There are also groups of people experimenting with the cooperative model often transitioning from a collective to a professional group, some of them do decide to not pursue with that form of corporate governance and change to other types of private companies. There are also cooperatives that are not satisfied with their business model and consider transforming into other forms of enterprises. The alignment of goals, mission, people involved, legal framework, efficiency, and output is key to a successful cooperative.

The equilibrium that Swiss cooperatives have in the different tensions is colorful and fragile. The Parliament's reading of the situation and the update of the law for modernization is not predictable yet but it seems that the established cooperatives wish for stability rather than change in the legal framework. The risks in changes of law could entail the following non-exhaustive elements: (1) a sharpening of the definition and conditions to be a cooperative could force existing cooperatives to change their legal form which has also a repercussion on the image of these companies, (2) such could split Swiss cooperatives into different sub-groups of cooperatives (large-small, domains, etc.), (3) a clarification of processes could force cooperatives to change functioning modes, and (4) a standardization of mechanisms in alignment with other types of companies such as joint-stock companies could kill the cooperative uniqueness, diversity, and freedom. On the other hand, more transparency and modernization could: (1) Guide start-up cooperatives to establish their processes, (2) Facilitate the founding of new cooperatives by reducing, for example, the number of co-founders needed, (3) Push for a digitalization and allow more digital management and meetings, (4) Support the development of social entrepreneurship if cooperatives are defined as social enterprises only. For now, in 2022, the positioning of most Swiss cooperatives is careful and they seem to be hoping for a modernization with as little change as possible so that pragmatism and freedom are maintained.

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Chapter 5

A Comparative History of Cooperatives in Switzerland, 1800–2000



Martin Gutmann

Abstract This chapter sketches the origins and development of cooperatives in Switzerland from 1800 to the present and explores to what extent the Swiss experience aligns with or departs from cooperatives in comparable countries. It concludes that both in its longer-term antecedents and in its trajectory throughout the past 200 years, cooperatives in Switzerland have displayed some unique dimensions, yet these are not as exceptional as many Swiss commentators and scholars purport.

Keywords Cooperatives in Switzerland · History of cooperatives · Development of cooperatives · Historical comparison of cooperatives

5.1 Introduction

5.1.1 *The Question of Swiss Exceptionalism*

In the second half of the nineteenth century, the cooperative emerged as a new form of organizing consumers and producers across much of Western Europe. In their origin in England and later other European countries during the Industrial Revolution, the cooperative served the function, for example, of securing vulnerable populations against price fluctuations, especially for food stuffs and other basic household goods or pooling the resources and capital of producers.

Switzerland is no exception to this trend: what started as a movement of small consumer societies—such as bakery self-help associations—in response to the pressures of urbanization and industrialization grew over the course of the century and into the 20th in scope and scale. Today, Switzerland is home to a broad pallet of cooperatives, including some that occupy a commanding position within their

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sectors. Notable among this latter example are the Coop and Migros grocery retailers, who collectively account for over 70% of the retail market in Switzerland (Statista, 2020) (see Chap. 2).

There is, on the one hand, a great degree of overlap between the Swiss experience and that of its neighboring countries during the Industrial Revolution and into the twentieth century. At the same time, however, Swiss observers are and have been keen to stress the uniqueness of the Swiss experience vis-à-vis that of its European neighbors. Writing a century after the first modern Swiss cooperatives emerged, the historian Richard Feller commented rather matter-of-factly that,

The contemplation of our past cannot start from the basis of similarities, but from the uniqueness which has chosen and distinguished our small earthly space. We see this special feature in the cooperative and thus call up an ancient, life-giving force, which today has melded into the word Confederation [*Eidgenossenschaft*]. To be sure, the cooperative was not peculiar only to Switzerland but to all the original European peoples. But while elsewhere it withered and died away, it became our destiny, the pulse of the whole people. Why it happened differently with us than with the larger peoples around, that cannot be fathomed completely, but can only be hinted at with the assumption that our mountain nature was favorable and prosperous for the cooperative (Feller, 1962, p. 1).

A similar sentiment is evident 50 years later in the introduction to Swiss historian Franco Taisch's work *Genossenschaftsunternehmen. Ein Leitfaden*. Taisch explains what he sees as a fundamental element of cooperatives, "namely the responsibility to promote the well-being of members of cooperatives." He continues to argue that exactly this virtue is and has been a particular presence in Switzerland. He writes, "thinking in categories of values is part of the Swiss 'national' consciousness, a part of the identity of the Swiss Confederation" (Taisch, 2012).

In both of these observations, separated by half a century, then, we hear that cooperatives are somehow uniquely imbedded in the Swiss consciousness; that despite the largely parallel nature of their development to other European countries, cooperatives occupy a special meaning in the Swiss imagination; and that this is linked to the mountainous nature and past of the country. It needs to be noted here that the two above-cited examples are not extraordinary—the sentiment can be widely observed in texts, both academic and popular, that address cooperatives in Switzerland. Moreover, some authors have hinted at the exceptional nature of the Swiss cooperative experience, but suggested that once established in their modern form in the past century and half, cooperatives affected other aspects of Swiss cultural, political, and economic life in ways not found in comparable cases.

We are thus confronted with a question of what historians usually term exceptionalism, often found in discussion of the USA, Britain, and Germany (Blasi & Kruse, 2017; Escosura, 2004; Blackburn & Eley, 1984). Put differently, is there historical evidence to suggest that the Swiss experience with cooperatives differed substantially beyond some general story or beyond the variances evident in any individual country's trajectory when compared to an aggregate norm? Did, in other words, the cooperatives that emerged during the Industrial Revolution in Switzerland meet with more fertile cultural and political soil than in other countries? Was there something like a cooperative spirit? Did they, further, contribute to the

political culture of Switzerland in ways out of the ordinary when compared to its neighboring countries?

Therefore, this chapter will examine the topic of Switzerland’s unique—or oft-supposed unique—experience through a historical perspective. Specifically, it seeks to discuss two questions:

1. How has the Swiss historical development of cooperatives differed from comparable European and non-European countries?
2. What accounts for these differences?

As with any question of exceptionalism, this chapter cannot provide a definitive answer. In fact, in the section below I provide a series of limitations to the present study. What this chapter can and will do, however, is chart the historical development of cooperatives in Switzerland and pair this with observations from comparable countries and try to situate any insights within recent findings in the global historiography of cooperatives.

5.1.2 The Limitations of Comparative Studies of Cooperatives

Both questions are challenging to answer with certainty, for a number of reasons. First, despite their prevalence in the past 200 years, cooperatives have remained until recently an understudied form of economic cooperation, especially when compared to corporations (Michie et al., 2017c, p. 97). In fact, while cooperatives were a frequent object of discussion and analysis in the early stages of Industrialization, they conspicuously disappeared from economics textbooks after the Second World War (Kalmi, 2006). While there has been renewed interest in the history of cooperatives in the past decade, there are many aspects of their development that remain understudied or poorly integrated into more recent trends and insights in historical studies.

This is even more so true in Switzerland. In what can be called one of the few formative texts on the subject, Robert Putschert writes that, “In academia and the public, questions about the Swiss cooperative system meet with little resonance” (Putschert, 2005, p. 5). Bernard Degen, writing on the history of Swiss cooperatives in the comparative volume *A Global History of Consumer Co-operation since 1850*, states that, “During the past few decades, there has been very little historical research on consumer societies in Switzerland” (Degen, 2017, p. 615). For this reason, beyond broad discussions of cooperatives in Switzerland, we cannot speak of a sound foundation of studies or anything approaching a scientific consensus. In fact, most works that examine cooperatives in Switzerland are of the commemorative type, many of which emerged in the centennial celebrations of various Swiss cooperatives in the decades following the Second World War.

For this reason, Switzerland has often eluded the comparative studies that deliberately and intensely compare the cooperative experience in one country with another. While there are many examples of comprehensive studies—studies that

profile cooperative movements and developments in multiple countries—there are few genuinely comparative studies (Kalogeraki et al., 2018, p. 870). Part of the explanation may lie in the fact that beyond basic metrics of the number of organizations and members, data, terminology, and classifications tend to vary between countries. Moreover, Switzerland being relatively small precludes it from being included in larger, well-funded studies, which have traditionally focused on the UK, the USA, France, Germany, and, more recently, India and other countries in the Global South.

Another complicating factor is that comparative histories are in and of themselves difficult to write. For one, similar terminology may hide widely different definition contours. This makes comparisons based on qualitative or quantitative historical evidence a challenge. Exemplary of this challenge is, for example, the fact that in the Swiss research community, cooperatives have usually been included within the nonprofit space (Purtschert, 2005, p. 3). However, in most other countries, cooperatives are not classified as part of the non-profit landscape and therefore fall outside of the purview of the many research groups that deal with this space. This means that for the present study, perhaps the most authoritative comparative study is only marginally useful: the Johns Hopkins Non-Profit Sector project. This project stands out for its longevity and comprehensive nature and for bringing contributors from multiple countries together. According to the study methodology, cooperatives that foreground profit distribution do not meet the criteria to be included in the study. However, “those cooperatives, mutuals, and similar organizations for which the profit motive is secondary, and the primary intent is to offer services that benefit the broader local community could be included” (Center for Civil Society Studies, 2004). The result of this is that the center’s excellent work only applies to a difficult-to-define subset of Swiss cooperatives.

Another such challenge related from inconsistent categorization is emerging studies in the Social and Solidarity Economy [SSE] space (see also Chap. 4, Sect. 4.4.2). During the last decade of the twentieth century, social and environmental concerns gave rise to SSE initiatives aimed at tackling pertinent issues (Sahakian & Dunand, 2015), in a process reminiscent of the emergence of consumer and worker-owned cooperatives in the throes of the Industrial Revolution. In Switzerland, too, many such new types of organizations, ranging from work integration social enterprises, not-for-profit organizations, and new forms of cooperatives emerged in the past decade, especially clustered around the “Geneva Chamber of Commerce of the Social and Solidarity Economy” (Sahakian & Dunand, 2015). The difficulty is, as with the nonprofit literature, that some for-profit organizations fall within the purview of SSE—as long as, “it is aligned with the main SSE principles” (Sahakian & Dunand, 2015)—and, at the same time, some of the large cooperatives firmly integrated into the market economy are not. The emerging literature on SSE then, too, though one of the most exciting and dynamic areas of alternative economic arrangements today, is only marginally applicable to a historical study of cooperatives.

5.1.3 Chapter Organization and Starting Point

This Introduction is followed by two main parts. The next section provides a substantive comparative examination of the emergence and development of cooperatives in Switzerland. It sketches the stories of cooperatives in Europe and, more specifically, Switzerland from their emergence in the Industrial Revolution to the present period. It also provides a brief overview of the historiography of cooperatives with a particular emphasis on recent interventions. The third and final section of the chapter reflects back on our two primary questions and seeks to elucidate how the history of cooperatives in Switzerland aligns with and differs from the comparable cooperative experience in Europe and beyond and what may account for these differences. As such, I have chosen to anchor any speculation into the causality and effect of Switzerland's experience with cooperatives in existing findings from the international historiography on cooperatives.

While highlighting differences, it is important to note that the research suggest that the Swiss cooperative experience has in fact a significant overlap with comparable European countries. The same forces that shaped the emergence of modern cooperatives during the Industrial Revolution impacted Switzerland in ways comparable to, say, Denmark or Austria. Nonetheless, as we will see, both in its longer-term antecedents and in its trajectory throughout the past 200 years, cooperatives in Switzerland have displayed some unique dimensions. Thus, the primary research question attempts at qualifying those differences, though in doing so, their highlighting does not suggest an a priori overvaluing.

Before proceeding, we will do well to briefly define cooperatives, especially as this becomes a critical dimension in the discussion of historiography below. The International Co-operative Alliance today defines cooperatives as, “people-centred enterprises jointly owned and democratically controlled by and for their members to realise their common socio-economic needs and aspirations” (International Cooperative Alliance,). A more academic definition is offered by Jonathan Michie, Joseph Blasi, and Carlo Borzaga, who speak of “organizations that assign ownership rights and governance control to stakeholders other than investors” (Michie et al., 2017a, p. xxiii). From this perspective, the type of members who own the cooperative is the key variable in cooperative typology: employee-, producer-, consumer-, or *other* member-owned, such as community-owned. There are, of course, other models for categorizing cooperatives, most notably focusing on the economic sector rather than ownership (Michie et al., 2017c, p. 99) (see also Chaps. 2, 3, and 4 for further discussions of the definition of cooperatives).

In this chapter, I employ the ownership model. Moreover, while all four types of cooperatives are discussed, I pay particular attention to consumer-owned cooperatives, since these were particularly prominent during the nineteenth century in Switzerland.

5.2 A Comparative History of Swiss Cooperatives

5.2.1 *The Industrial Revolution and the Emergence of Cooperatives in Europe*

The middle of the nineteenth century was a period of rapid transformation across much of Western Europe. What British historian Eric Hobsbawm famously called the “dual Revolution” saw both the overhaul of long-standing forms of political organization and the mechanization of production, paralleled with a growing integration of non-urban populations into large, eventually global markets, both as consumers and as producers. It is hard to overstate, how much change this Industrial Revolution drove. Joshua Freeman has pointed out that annual per capita growth was “essentially zero” until the Industrial Revolution. However, since the beginning of the nineteenth century, it has remained at 1% (Freeman, 2019, p. xiv).

In response to the disruptions and challenges ushered in by the Industrial Revolution and the onset of Capitalism, cooperatives emerged as a collective attempt by workers, farmers, and consumers to join forces (Ortmann & King, 2007). Robert Owen’s mill at New Lanark Scotland is a case in point; Owen transformed it into a cooperative village at the turn of the nineteenth century. Another regularly cited example is the founding of the Rochdale Society of Equitable Pioneers in 1844 (Gurney, 2017, pp. 109–132). Cooperatives proliferated over the following decades, in Europe, North America, and across the world (Patmore & Balnave, 2018, p. 14).¹

While England eventually saw the emergence of most types of cooperatives, it stands out as the site of the first consumer cooperatives, such as Rochdale. France, in turn, saw the first workers’ cooperatives, such as the associations of carpenters, goldsmiths, and bakers, that emerged in Paris in the 1830s. Noteworthy, too, is the fact that the first legal framework for cooperatives emerged in France in 1848 (four decades before Switzerland, for example) (Michie et al., 2017c, p. 102). Cooperative financial institutions, on the other hand, first emerged in Germany—many of which were affiliated with religious agendas—whereas farmer cooperatives first emerged in Scandinavia (Michie et al., 2017c, pp. 102–103). As such, while the origin story of cooperatives has a British focus, it cannot be seen as exclusively so.

Many of these early cooperatives have earned a prominent place in economic and social history through their longevity or influence. Cooperative banks modeled on Friedrich Wilhelm Raiffeisen’s credit union established in Germany in 1849, for example, are a fixture in Central Europe to this day. So too, the principles on which the Rochdale cooperative functioned were adopted widely by later cooperatives. In fact, the International Cooperative Alliance [ICA] credits Rochdale with “founding the modern cooperative movement” (International Cooperative Alliance). The founding of the ICA in 1895, in turn, facilitated an exchange, coordination, and representation of cooperatives at an international level (Hilson, 2018).

¹Adapted from Anja Niedworok, Monique Bolli & Martin Gutmann (2022) “Tackling ill-structured problems with cooperatives. A proposal for further research and application.” *Z’GuG Zeitschrift für Gemeinwirtschaft und Gemeinwohl*. 536–548.

5.2.2 *The Industrial Revolution and the Emergence of Modern Cooperatives in Switzerland*

Though different in details, Switzerland's trajectory in the middle of the nineteenth century aligns with this larger story. After a civil war in 1847, Switzerland drafted a modern constitution and emerged as a federalist state in the mold of the United States. Factories sprang up, the rural population flocked to the cities, and railroads began crossing the plains and later the high reaches of the Alps. Emblematic of both was the opening of the Gotthard rail tunnel in 1882, which linked not only northern Switzerland to its southern enclave of Tessin but served, and continues to serve, as a vital channel in European economic integration.

There are, however, a few noteworthy differences between industrialization in Switzerland and the surrounding countries. A major one involves economic specialization. One Swiss economic historian describes that "Because of the lack of raw materials, because of the high-quality standard of the labor force, and not least because of the almost abundant capital, a specialization virtually imposed itself, which was constantly pushed forward in the second half of the nineteenth century, as evidenced by the high per capita value of exports" (Im Hof et al., 1986, p. 656). Another distinguishing characteristic of industrialization in Switzerland is the fact that with the absence of surface coal deposits, early sites of industrialization clustered around water rather than urban centers (Degen, 2017, p. 617). With the construction of the dense network of railways in the second half of the century, however, this early distinction lost most of its significance.

Where there is less of a difference in Switzerland than perhaps supposed is in the agricultural sector. While agriculture as a political and cultural issue has remained engrained in Switzerland to this day, as an economic sector, it aligned closely with comparative countries (Anthamatten & Dümmler, 2020). In fact, depending on the numbers one consults, the rate of transfer from farming to industrial labor progressed fast in Switzerland. In 1850, 57% of the working population remained in agriculture, in 1870 43% and in 1888 37% (Im Hof et al., 1986). By comparison, the average across developed countries in 1900 still stood at 48% (Griggs, 1975, p. 194).

Nonetheless, in taking the variety of experiences in industrialization in the various Western European countries, including Denmark, Belgium, France, Germany, and the United Kingdom, there is scant evidence to suggest that the Swiss experience is fundamentally unique. The same can be said for the early development of cooperatives.

On a superficial level, Swiss cooperatives emerged from similar forces and developed along similar lines to their other Western European counterparts (Sahakian & Dunand, 2015). Unlike in Britain, urban pressures that spawned the classic cooperatives were absent in Switzerland. By the middle of the nineteenth century, when Britain's urban centers were swelling, Switzerland only counted eight urban centers with a population above 10,000 (Kellerhals, 1990, p. 15). Basel, Switzerland's largest city in the nineteenth century, counted only 60,000 residents as late as 1880 (Degen, 2017, p. 617). England, in the meantime, counted 11 urban centers with a population above 100,000 in the middle of the century, with London

creeping close to the 3 million mark (Great Britain Census Office, 1861). As such, the household remained the most important site of production, with most Swiss families producing what they consumed in their homes.

From 1850 on, however, industrialization picked up pace in Switzerland, with the result of rapid urbanization and a proliferation of cooperatives. The first cooperatives arising in an urban setting and resembling those of Great Britain were the *Allgemeine Arbeitergesellschaft* in 1847 and the 1851-founded *Konsumverein Zurich* (KVZ). Already 2 years later, the latter called for an assembly of cooperatives. Though their efforts failed, the fact that 36 other cooperatives attended an exploratory meeting in 1853 points to the rapid expansion of the form (Kellerhals, 1990, p. 17).

One of the many new cooperatives that bears mention is the *Konsumverein Schwanden*, founded in 1863. It is noticeable because it based itself deliberately on the Rochdale model, after the textile manufacturer Jean Jenny-Ryffel encountered the famed organization on a business trip to England. The KVZ, by comparison, had not been open to new members, and “thereby breached an important Rochdale principle” (Patmore & Balnave, 2018, p. 59). By 1881, cooperatives were established enough to be entered as a legal form through the Code of Obligations (Natsch, 2005). Until this point, cooperatives in Switzerland had been forced to register as corporations (Patmore & Balnave, 2018, p. 59).

As in other countries, there are various antecedents to these formal cooperatives. Consumer associations centered on specific foodstuffs or hard goods, such as fuel, formed already in the early 1800s to mitigate price fluctuations. Such efforts remained tied to local urgencies. Exemplary of this are the bakery associations *Boulangerie Mutuelle* in Geneva (1837) and the *Aktienbäkerei* in Schwanden (1839) (Brassel-Moser, 2008). Another notable early cooperative—or consumer society *Konsumverein*, as they were almost uniformly known in Switzerland until well into the twentieth century—was the Basel-based ACV. With the cooperative not yet a legal form, the ACV was founded as a stock company in 1865. While focusing initially on the sale of bread, the ACV quickly expanded both its product range and its membership—attracting members beyond the traditional working class.

The ACV rose to particular significance when, in 1890, it called for the formation of a society of cooperatives, the *Verband Schweizerische Konsumvereine*, or VSK in German and USC in English—composed of 48 member societies. The USC expanded its reach and operations considerably during this period. In 1907, it opened a dedicated storage facility outside of Basel and constructed its own food processing mills, including for coffee, flour, and spices. In 1914, they registered the name CO-OP, under which name the USC as a whole functioned after a fusion in 1970. By the start of the First World War, the USC counted 387 cooperative members (up from the founding 43) and 263,034 member households (up from the founding 32,666) (Degen, 2017, p. 626). The USC read its mandate to support consumer societies broadly, and in addition to centralizing core functions in production and distribution, it offered support and training in functions such as accounting and management, and later expanded into publishing and political advocacy. First World War, VSK invested in agriculture and horticulture to aid in food security of the country (Patmore & Balnave, 2018, p. 119).

5.2.3 *Swiss and European Cooperatives in the Twentieth Century*

In the twentieth century, cooperatives' fortunes waxed and waned in response to enabling and restraining factors, such as favorable or hostile political and regulatory climates, as well as competitive market forces. The main contour of this history includes the challenges of Taylorism and Fordism's dominance of production at the turn of the century, Franklin Delano Roosevelt's promotion of cooperatives as a "third way," National Socialist, Fascist and Soviet suppression of cooperatives, and the challenges of competing with corporations in the post-World War Two boom (Patmore & Balnave, 2018, pp. 18–20). More recently, cooperatives have reasserted themselves as viable alternatives to securing social justice and sustainable development (Mayo, 2013, p. 139), a development marked by the International Labor Organization's explicit promotion of cooperatives in 2002 and the UN's designation of 2012 as the "Year of the Co-operative," as well as growing interest among various stakeholders following the financial crisis of 2007 and, more recently, climate action protests (Michie et al., 2017b, p. xxiv).²

Within these broad trends, each country's experience with cooperatives varied according to more localized factors. Switzerland is, in this sense, no exception. In 1914, cooperatives in Switzerland had 276,000 members in 396 societies. While these numbers pale in comparison to the 3 million members in the UK and the 1385 societies, per capita only Denmark had more members than Switzerland in cooperatives (Patmore & Balnave, 2018, pp. 89–90). In non-comparative terms, the period from 1890 through the end of the Second World War can be read as the high tide of cooperatism in Switzerland, with absolute numbers rising steadily, from 373 in 1883 to 1551 in 1890 to 7113 in 1910 (Brassel-Moser, 2008). While in 1900, roughly half were in the agricultural and foodstuff sector, this period also saw the steady emergence of cooperatives in other sectors, including insurance, banking, and utilities (Brassel-Moser, 2008)—though some have much earlier origins, such as the Mobiliar insurance, founded in 1826 (Ochsenbein, 1926).

Along with the USC, the other undoubted success story in the Swiss cooperatives retail space—Migros—traces its origin to the post-World War One period. It provides a fitting complement to the evolution of the Coop: whereas the USC was founded in a broad, multi-stakeholder fashion as an umbrella association for cooperatives, the Migros has its roots in the vision and drive of one individual only. As such, the two form the two extremes of cooperative origins in Switzerland that have, from the perspective of consumers today, merged into organizations difficult to discern from one another.

In 1940, Gottlieb Duttweiler founded the Migros as a cooperative (Patmore & Balnave, 2018, p. 4). Its origin traces decades back, however. Duttweiler, a stalwart

²Adapted from Anja Niedworok, Monique Bolli & Martin Gutmann (2022) "Tackling ill-structured problems with cooperatives. A proposal for further research and application." *Z'GuG Zeitschrift für Gemeinwirtschaft und Gemeinwohl*. 536–548.

in Swiss economic history, was born into a middle-class family in 1885. He began his career working for a Zurich trading company. After an unsuccessful venture in Brazil, Duttweiler founded Migros in 1925 as a mobile store. His concept was innovative—limited selection of staples priced with a small margin—and immediately generated headlines, especially as rival retailers sought to fend Migros off through legal challenges (Winkler, 1991, pp. 57–60). Duttweiler's charismatic nature and ceaseless drive also translated into a political career.

The lawsuits against Migros—at the time not yet a cooperative—were not the only challenges faced by cooperatives. Already at the turn of the century, small retailers sought to curtail the work of the often much larger cooperatives in the food space (Degen, 2017, p. 630). Unlike in many other European countries, however, consumer societies avoided much of the scrutiny by industry and finance faced in France and Germany, for example. In the interwar period, however, small retailers managed to generate sufficient political support to pass a decree in 1933 banning department stores from expanding or new ones from being founded (Degen, 2017, p. 635), a blow both to Migros and the USC until its reversal in 1946.

During the First World War, Switzerland was spared the deaths and physical destruction that scarred so much of Europe. The government and a number of cultural institutions sought to bolster Swiss solidarity in the face of a potential fascist influence (Mooser, 2000). Though military concerns remained largely theoretical during the war, food became a palpable problem, as some key imports lagged pre-war levels. Both the USC and Migros worked to bolster food security, with, among other initiatives, an expansion of farmable land. The wartime experience of Switzerland is a broad subject of study; the war touched the lives and institutions of the Swiss in innumerable ways. Cooperatives, their actions, and the sentiments of the population toward them, are a small and peripheral story in the larger scheme of the war. Nonetheless, that positive associations with them were awakened as part of the spiritual national defense is entirely conceivable, especially as the centennial celebrations of many cooperatives occurred in the immediate post-war period.

Where Switzerland's trajectory again intersects with that of the rest of Western Europe in the post-war boom. Since the start of the Industrial Revolution, global economic growth was steady, and exceptional in the post-WWII decades, with a stout 3% (Freeman, 2019, p. xiv). The transformative effects of this growth on all aspects of the economy were comprehensive, and here Switzerland is no exception. From 1945 to the 1970s, the Swiss economy modernized and grew steadily. Some cooperatives struggled to keep up with new forms of production and consumption, a pattern evident in most Western European countries, including the UK (Patmore & Balnave, 2018, p. 158). Other cooperatives, however, both in Switzerland and elsewhere, adapted.

According to Espen Ekman, cooperatives struggled with three dimensions of this change in particular, what he calls the three revolutions: the supermarket revolution, the chain store revolution, and the consumer revolution (Ekberg, 2012). While some smaller Swiss cooperatives struggled with these three revolutions the same way that others did in neighboring countries, the USC and Migros were more than up for the challenge. In fact, they can be seen as the spearheads of these revolutions in

Switzerland. In the retail sector, for example, the USC and Migros were quick to open self-service stores and true supermarkets, with smaller retailers often trailing behind in this development (Winkler, 1991, pp. 171–172). More recently, Migros and Coop played a significant role in popularizing fair trade in Switzerland (Nicholls & Huybrechts, 2017, p. 473).

With adaptation to changing markets also came a transition to contemporary styles of management and organizational forms. While the Coop remains to this day legally a cooperative, some historians have noted the series of steps in this transition, from the changing of its name in 1970 to today. Already a few years earlier, it stopped publishing its annual pamphlet *Genossenschaftliches Jahrbuch*. It transitioned from a consumer to a purchasing society—in which anyone could shop for the same price—and canceled its membership in the International Co-operative Alliance in 1998. In subsequent years, its governance and management took increasingly corporate forms, with a suite of managers, a CEO, and a President (Degen, 2017, pp. 638–640).

Ruedi Brassel-Moser succinctly summarizes this trend stating that, “In 2002, 12,975 cooperatives were registered in Switzerland. The majority of cooperatives have become a mere legal form, the choice of which is rarely based on socio-political preferences“ (Brassel-Moser, 2008). The few comparative studies that include Switzerland point to this professionalization trend as well. This can be seen both in the decline of Swiss cooperatives that address urgent social needs, such as housing and shelter, which are more prevalent in Greece (66.3%) than in Swiss SSE organizations (42.5%). (Kalogeraki et al., 2018, p. 865). However, the Spanish numbers (22.6%) here suggest that Switzerland is not an outlier in this trend.

5.3 Swiss Exceptionalism: A Myth or Reality?

Before highlighting differences in the Swiss experience, we may begin by briefly examining how Switzerland is characterized in international cooperative studies—a rare case. Put differently, how do non-Swiss studies assess the cooperative landscape in Switzerland? An oft-cited insight is that Switzerland has, relative to its size, a large cooperative landscape—measured by the number of cooperatives, by revenue, or by members. Writing in the authoritative *The Oxford Handbook of Mutual, Co-operative, and co-owned businesses*, Vera Zamagni remarks that Switzerland stands out as, “another small European country with a large presence of cooperatives” (Michie et al., 2017c, p. 108). One number to support this view is a survey of the 300 largest co-ops in the world by turnover in 2012: Switzerland was home to seven of these 300 and \$73 billion in turnover. Comparatively-sized neighboring countries, such as Austria (3 of the 300 with \$24 billion), Sweden (6 of the 300 with \$28 billion), and Belgium (5 of 300 with \$11 billion), come up short (Michie et al., 2017c, p. 100). Such figures alone, however, are not a testament to a fundamentally different integration of cooperatives into the Swiss economy, nor a particular link between cooperatives and Swiss political culture. For this, we will

have to look more closely at the historical emergence and development of cooperatives, in Switzerland and beyond.

Some peculiarities in the Swiss experience vis-à-vis the collective European experience require little elaboration since they are, on closer inspection, a “normal” variance of the type that every individual country displays vis-à-vis the collective whole. For example, the particular propensity for consumer cooperatives in Switzerland is in and of itself not extraordinary since most countries have, for a variety of historical, economic, or legal reasons, been prone to one form of cooperatives—financial cooperatives in Germany, worker cooperatives in France, and so on.

So too, the size of cooperatives and cooperative memberships in Switzerland, while on the higher end seen globally, are noteworthy, they are not exceptional when compared to Scandinavia, Italy, and Spain, for example. A recent study compares SSE organizations in Greece, Spain, and Switzerland along the “main features associated with their organizational structure, type of activities, type of beneficiaries, social and economic aims and their main means to achieve them” (Kalogeraki et al., 2018, p. 858). Their findings suggest that cooperatives are today more formally anchored in Switzerland than in Spain and Greece and “in line with its interrelations with the Swiss market economy, shows a greater degree of formalization and professionalization that defines its management structure, main activities, types of beneficiaries, goals, and means to achieve them” (Kalogeraki et al., 2018, p. 856). For example, whereas informal organizations in the SSE space, such as “citizens and grassroots solidarity” organizations account for 77% of observations in Greece and 28.1% in Greece, they represent only 11.2% in Switzerland. Moreover, within the broader SSE landscape, a full 28% in Switzerland are cooperatives, whereas they represent under 14% in both other countries studied (Kalogeraki et al., 2018).

Two peculiarities in the Swiss story, however, require further elaboration. This is the question of the origin of cooperatives in Switzerland and the question of their link to the Swiss political system. The question of intellectual origin is particularly difficult to answer with certainty in Switzerland. Clearly, the *Konsumverein Schwanden* and other cooperatives that formed in the throes of the Industrial Revolution took their most direct inspiration from British examples. Additionally, the influence of cooperative pioneers in France (Charles Fourier) and Germany (Victor-Aimé Huber, Hermann Schulze-Delitzsch), for example, has also been documented in historical studies (Brassel-Moser, 2008).

At the same time, Swiss cooperative pioneers, as well as later observers, have stressed to point out Swiss pre-industrial antecedents to the cooperative movement that crystallized in the middle of the nineteenth century. Exemplary of this is the writing of Richard Feller, as we saw in the Introduction. Moreover, the view that in the case of Switzerland, the timeline of cooperatives needs to be extended back beyond the Industrial Revolution is essentially taken for granted among scholars. Martin Arnold, for example, writes, “The cooperative system looks back on a long tradition in Switzerland” (Arnold, 2005, p. 69). Arnold is quick to add that by “long tradition,” he means the cooperative arrangements enacted by Alpine farming communities in the Middle Ages. In his legal history of cooperatives, for example, Arnold cites farming communities’ arrangements for the use of common fields as an

example. Moreover, Arnold argues, the village cooperatives were directly anchored in the Swiss municipal and state foundings (Arnold, 2005, p. 89).

Here then, is one particularly strong link between two features of Swiss identity: food and cooperatives. This link may partially explain why the act of cooperatives selling foodstuffs to members, which was legally constrained in neighboring countries such as France in the second half of the nineteenth century, was consistently viable in Switzerland (Patmore & Balnave, 2018, p. 95). In both the First and Second World Wars, too, Swiss cooperatives were not only active in distributing food but also in the cultural-political discourse around food security and Swiss sovereignty.

While we can state with some conclusiveness then that there were significant antecedents to the Swiss cooperatives that emerged in the Industrial Revolution, this alone is not significantly different from comparable countries. While Switzerland saw its antecedents in the Alpine farming communities, as we saw above, so too American observers traced its cooperatives to the frontier, while in India, antecedents to the British-importer cooperative ventures were seen in earlier farming self-help ventures. Therefore, the presence of antecedents alone is not sufficient to deem the Swiss experience exceptional. What may be exceptional is the extent to which Swiss commentators, then and now, referred to these antecedents. The former, in particular, is as far as this author is aware from the existing literature, unique. It is not only commentators in hindsight who link Swiss cooperatives to Alpine farming traditions. Early pioneers of Swiss cooperatives themselves frequently called on the long tradition of cooperative work in Switzerland, such as Karl Bürkli and Johann Friedrich Schär of the ACV Basel.

Closely related is the fact that cooperative spirit also bled into political culture. This point, too, has been made by some contemporary observers, including Purtschert and Im Hof. The former, for example, writes,

The self-help idea of cooperatives had a significant influence not only on the federalist Swiss state system, but also on the association system [*Vereinswesen*] and thus on the third sector in the 19th century. The early development of associations, the formation of functional communities, was another important expression of the republican understanding of society in Switzerland (Purtschert, 2005, p. 6).

In this assessment, Purtschert aligns with the many other historians and cooperative functionaries who have echoed the sentiment that a Swiss predilection and experience with social cooperative forms had and continues to have a palpable impact on the shape of Swiss cooperatives. Purtschert, however, takes this argument one step further. He suggests that this long Swiss cooperative experience and mentality shaped the structures and culture of Swiss politics as well. He continues,

In summary, it can be said that the modern cooperative system in Switzerland forms a developmental unit with the cooperative living and economic communities of earlier centuries and has had a significant influence on the Swiss state system in terms of its institutional and intellectual content (Purtschert, 2005, pp. 6-7).

According to Im Hof, a Swiss historian, too, the citizens of the city see themselves as a cooperative unit and cooperative principles were growing in parallel to the country's political culture development (Im Hof, 2007).

This may in part explain a noticeable difference in the development of Swiss cooperatives in the early twentieth century—*vis-à-vis some* but by no means *all*—comparable European countries: the link to working class movements. In Switzerland, writes Bernard Degen, “only a few of these [cooperatives] may be viewed as genuine working class organizations.” Instead, he continues, “their membership included a broad spectrum of social groups” (Degen, 2017, p. 615). Moreover, several Swiss cooperatives stand out for explicitly banning political and religious discussions in their charters (Degen, 2017, p. 621).

Here too, however, it is difficult to say to what extent this differs from the norm other than in the details of the Swiss context. In many countries, cooperatives were more important than merely solving economic problems. In fact, as we saw in the historiographical discussion above, cooperatives have served to address a variety of problems throughout history, including political ones.

Italy is a good example in this regard. In Italy, the first consumer cooperatives appeared in 1854. Giuseppe Mazzini, one of the country’s founding fathers, was a vociferous advocate of cooperatives, and he believed that one way to ensure the unity of Italy (not yet a reality in the 1850s) was through enabling a culture of cooperation between labor and capital. He believed, in the words of one historian, in cooperatives, “as a valuable way of bringing Italians together in the struggle for Italian independence and unification” (Patmore & Balnave, 2018, p. 59). So too, after the country’s fascist experiment, the cooperative was resurrected as an Italian institution and anchor of democracy. Cooperatives were explicitly promoted and fixed in the country’s legal framework as a means of re-anchoring democracy (Restakis, 2010, p. 63).

Similarly, cooperatives are deeply rooted in the identity and politics of some rural communities—perhaps the most famous example being the Mondragon cooperative in the Basque country (Barandiaran & Lezaun, 2017). It should be noted that cooperatives have been particularly associated with food in other countries as well, by the 1930s, for example, nearly half of Denmark’s population was a member of a cooperative, most of which were agricultural cooperatives (Michie et al., 2017c, p. 103).

While there is some evidence to suggest that cooperatives influence and, at the same time, a cooperative culture feed into the Swiss political system, current studies fall short of establishing a Swiss exceptionalism in this regard. Further studies, especially of a comparative nature, would be needed to make this point.

5.4 Conclusion

Cooperatives in Switzerland enjoy a high degree of trust from the Swiss population across the political spectrum. In a survey conducted in 2016, 81% of the population had a “high to complete degree of trust” in cooperatives, versus only 32% in listed stock companies (Taisch, 2012) (See Chap. 2, Sect. 2.2.4). They are, as we have seen, also firmly anchored within the Swiss economy, both in terms of their market

reach and in terms of their adaption of modern management and governance practices. There is, from the perspective of the available research, no reason to suspect that this will change. While Britain has seen a decline in cooperatives since the end of the Second World War, Switzerland is not alone in seeing stability and even growth in the organization form (depending on how this is measured). Italy, Spain, and many other countries continue to have vibrant cooperatives (Michie et al., 2017c, p. 105). According to a McKinsey study, contemporary cooperatives grew at comparable rates to publicly traded companies (McKinsey, 2012). If Switzerland's history is any guide, as technology and the boundary conditions of the Swiss economy change, Swiss cooperatives will be able to adapt accordingly.

Looking back, however, the question remains of whether or not cooperative organizations and cooperative forms of organizing the economic processes have been particularly compatible with Swiss culture and political traditions. The answer, if one adheres to Swiss scholars, is yes. The extent to which this makes the Swiss experience with cooperatives exceptional, however, remains more difficult to answer with any certainty. To do so would require further studies not only of cooperatives in Swiss history but of how this compares to the European norm. And, as we have seen in this chapter, even this European norm is difficult to nail down with any precision, given both the highly individualized nature of the cooperative experience in many European countries and the new directions that recent historiography has taken.

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Part II
The Future of and with Cooperatives

Chapter 6

Digital Transformation and Solidarity in Cooperatives



Richard Sturn

Abstract The digital transformation amounts to a fundamental reorganisation of the entire institutional setting. Potentials and dangers include new power asymmetries and a precarious “carving out” of specific functions of “traditional” institutions. Digital tools are particularly relevant for knowledge-based and data-intensive activities, goods and services. Based on an institutional-theoretical framework specifically suited to the comparative discussion of cooperatives, firms and markets, the potential functionality of cooperatives in a digitalised world is found to be promising in specific ways.

Keywords Cooperatives · Digital transformation · Knowledge economy · Institutions · Information asymmetries

6.1 Introduction

Digital technologies have the potential to fundamentally transform markets, market processes, and organizations, as well as communication forums and forms. Moreover, there is much to suggest that they will change the entire institutional setting architecture. The associated innovations are, therefore, sometimes called “disruptive.” The complexity of the associated change is also indicated terminologically—namely in the explicit distinction between “digitization”, “digitalization” and “digital transformation,” each of which denotes different levels of change. As will be argued in this chapter, cooperatives are being affected by the transformation in various ways. Moreover, their functional role in the overall institutional setting of modern economies may be enhanced.

The change in institutional architecture (the big picture of change) has at least three fundamentally different, albeit ultimately interdependent, dimensions:

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- Firstly, the prerequisites, possibilities and modes of operation of existing types of institutions in their traditional fields of activity are changing, driven by the possibilities offered by new technologies, such as the Internet of Things.
- Secondly, the development of new types of institutions is already visible. Must be considered. For example, blockchain can be understood as an “institutional technology”. Moreover, familiar institutional patterns may be combined with new functional profiles—think of the much-advertised “knowledge commons”.
- Thirdly, the functional (macroeconomic and societal) division of labour between the different types of institutions could be reconfigured (partly as consequences of developments along the first two dimensions).

Regarding the role of cooperatives in modern market economies, the first and third dimensions are more directly relevant in the context of this volume. Thus, we aim for a better understanding of the influence of digitalization on the prerequisites and workings of cooperatives (both in terms of their “inner life” and their interaction with various markets). In addition, possible changes in the role of cooperatives in the digital transformation, in terms of the division of labour between different types of institutions—private, state-public and intermediary—must be examined.

In the trichotomy above, cooperatives belong to the category of intermediary institutions. In order to be able to deal with the problem of this chapter coherently, two clusters of questions must be addressed: The first cluster concerns the characteristics of cooperatives that constitute their functional strengths in problem-solving compared to alternative forms of organization, especially market-mediated coordination and hierarchical coordination in firms. The second cluster of questions relates specifically to digital transformation: What potentials of digitalization can support and facilitate the processes relevant to the functioning of cooperatives (both in terms of internal processes and their market-related activities)? In particular, a comparative analysis will deal with the question: To what extent can cooperatives specifically benefit from the use of these potentials on the one hand and to what extent are they equally relevant for non-cooperative forms of organization (which are active in the same or similar business areas) on the other? Another question to be addressed is: Which factors in the context of the digital transformation could lead to a loss of or increase in of functional importance of cooperatives?

Subsequently, this chapter is structured as follows: Section 6.2 deals with the fundamental reorganisation of the entire institutional architecture in the digital transformation, including related potentials and dangers, which consist in the creation of new power asymmetries and in a precarious “carving out” of specific functions of “traditional” institutions. Section 6.3 deals with the institutional implications of knowledge and information, and their transformation in the face of digital tools, which are particularly relevant for knowledge-sensitive markets, such as insurance markets. Based on these general considerations and an institutional-theoretical framework specifically suited to the discussion of cooperatives, Sect. 6.4 then discusses their potential functionality in a digitalised world (especially against the background of knowledge-sensitive markets, such as insurance). This is supplemented by a tentative answer to the question: Can digital tools support internal

processes that are typical for cooperatives? The chapter concludes with a generally positive outlook on the potential of cooperatives within digital transformation.

6.2 Digital Technologies and the Digital Transformation of Institutional Architecture

Central aspects of the questions outlined above can be illuminated by means of the perspectives discussed in the context of the potential of so-called smart contracts and blockchain. These instruments open up far-reaching possibilities but also pose challenges to our societies. In academic and more popular discourses, the focus is first and foremost on the expansion of the spectrum of labour/services, which—supported by digital information and control tools—becomes accessible to direct market-based contractual mediation.¹ In this respect, the “new contractual forms due to better monitoring”² discussed by Varian (2014) are the focus. Digital information tools are not only important in the context of the differentiation of conditions outlined below (e.g., in insurance contracts), but they also reduce the transaction costs of various contractual arrangements in many different and far-reaching ways (see Varian, 2014).

A further aspect should be emphasised: for interesting areas in which intermediary institutions, such as private firms or cooperatives, have supported the functioning of the relevant product, input and labour markets in the traditional way up to now, platform/blockchain-supported solutions for problems of incomplete contracts (where incompleteness is conditioned by information asymmetries) may be possible and could substitute previously widespread institutionalisations to some extent (see Sturm, 2020). Overall, it is thus envisaged that both

- Service processes that previously could not be operated in an economically profitable way at all.
- Those that were previously managed by non-market institutional arrangements (such as cooperatives, companies and other hierarchies).

become economically viable in a market-mediated, platform-based mode of organisation. Digital technologies would thus not only enable more markets (with regard to the coordination of individually and socially desirable activities), but also

¹A broad spectrum of knowledge-sensitive services with high transaction/monitoring costs, including insurance, is particularly affected by this.

²Because transactions are mediated by computers, we can observe transaction-relevant behaviour that was previously undetectable and condition contracts on it. This enables transactions that were previously impractical: Suppose I want reliable information about the price of pork in Sidney. I can recruit dozens of people on a crowdsourcing platform and ask them to use mobile phones to photograph the price of pork in hundreds of shops in Sidney. Using camera technology and geolocation, they prove that they actually went to the shops and did not enter prices into a spreadsheet at home.

better markets in a specific sense, since not only the constraints of institutionalised hierarchies and problems of collective solutions wither away but also market-endogenous power asymmetries and monopolisation, which have so far relativised the promise of a competitive level playing field, a cornerstone of economic liberalism in two centuries of modern market economics. Digital platforms could render obsolete traditional embeddings (norms, regulations, private or cooperatively organised firms, informal background conditions) that have so far been decisive for the functioning of complex markets, such as labour and insurance markets.

All of this is viewed positively, especially by blockchain enthusiasts, because it eliminates costly intermediaries, burdensome restrictions, repressive hierarchies and other constraining elements that limit freedom. Much of the literature on novel, hierarchy-free institutional ecosystems based on blockchains holds out the prospect of a kind of brave new world. It is full of sweeping hints and promises. Blockchain researcher Voshgmir, for example advanced the following theses under the title “Blowing up the old system with blockchain”: Blockchain brings a socio-economic revolution “because it completely turns our top-down organisations and our understanding of how we interact on its head”. It could “minimise bureaucracy and organise interactions in a supranationally reliable way at low cost”.³ The perspective of such a redemption of liberal promises on the basis of institutional arrangements relying on digital technologies is also developed in an institution-theoretically and technologically more sophisticated manner by Buterin et al. (2019), for example, as well as in the framework of the so-called “market radicalism” propagated by Posner and Weyl (2018).

Smart complete contracts and blockchain-based platforms would thus make it possible for “dis-intermediation” to take place. This means that intermediaries, such as private firms, banks or various types of cooperatives, would no longer be needed. In the context of these developments, platforms à la blockchain could push back the incompleteness of contracts and allow more complete, perfectly tailored/individualised and incentive-compatible contracts and also support contract/market-based provision in areas where this has not been possible so far.

How plausible are such visions—and what would their (possibly unintended) consequences be? Would all good things (freedom, equality, individualisation and efficiency) finally come into their own and go together with digital support, in the sense of the emancipative market radicalism put forward by Posner and Weyl (2018)? And what are the consequences for cooperatives, which in the “traditional” setting have managed specific mechanisms of balancing stakeholder interests? To answer these questions, a slightly more extended digression into the theory of incomplete contracts is necessary. This theory is specifically relevant for complex markets, such as insurance markets, which are characterised by information asymmetries, adverse selection (hidden knowledge) and moral hazard (hidden action). However, it also opens up insights into the role of the institutional embeddings that are indispensable for the economic understanding of modern market societies.

³Quoted from Krichmayr (2018).

In the context of insurance, hidden action is related to the problem that it may be impossible or too expensive to observe the behaviour of an insured person and/or to verify it vis-à-vis third parties (e.g. vis-à-vis a court). Hidden action leads to the much-discussed problem of moral hazard. Hidden knowledge circumscribes cases where some transaction-relevant characteristics (e.g. risk profiles of prospective buyers of insurance) are known to party A, but not to B. Another important application is employment contracts where the abilities and effort levels of employees play an analogous role. Typically, due to the problems of hidden action, it is impossible or too expensive to perfectly specify ex ante all duties of care, precaution and effort levels relevant to the contracting parties. Outcomes depend on a combination of skills/risk profiles, effort/care and chance. Individual agency (e.g. a certain level of effort or care) on the one hand and not fully controllable as well as limitedly predictable future environmental conditions on the other play a role.

Insurance contracts are complicated with regard to the problems of both hidden knowledge and hidden action. Important institutional background conditions—such as the development of multifarious insurance institutions, business routines and practices and an insurance law—can be explained as institutional responses to pertinent problems. Again, reference to employment contracts is instructive, where labour legislation provides a paradigmatic illustration for a framework of legal norms at the interface of public and private laws. All in all, the most important peculiarities of the crucially important modern markets (labour, financial and insurance markets), including pertinent problem-responsive institutions/norms, can be explained in a framework accommodating such incompleteness (see, e.g. Bowles, 2004: pt. II).

Incompleteness of contracts also plays a central role in institutional economics research on the potential of digital platforms, and especially blockchain. Davidson et al. (2018, p. 3) argue, with reference to incomplete contracts, that digitalisation expands the portfolio of modern institutions (firm, state, commons and relational contracting) through new types of institutional coordination, such as blockchain platforms. According to Davidson et al. (2018), developments can be expected in two directions: (1) Blockchain platforms are part of a digital evolution towards more complete contracts. (2) Blockchain platforms lead to a kind of dis-intermediation, i.e. previously required institutions or background conditions (e.g. “trust”⁴), which complement incomplete contracts in the mediation of interactions, become superfluous. Blockchain platforms are thus understood as a technology that supports exchange and contract as modes of interaction, but whose societal impact is not adequately captured by the concept of transaction cost reduction (which may suffice to provide an account of the most important effects of some less sophisticated digital platforms).

Interim conclusion: The discussion concerning the potentials of blockchain technology points to the fact that both dis-intermediation and the proliferation of

⁴Blockchains are described in this sense as “decentralised and trustless”—or (alternatively, but equally important) as a decentralised, automated and secure “trust generator” that substitutes trust/trustworthiness in the traditional sense.

complete contracts are linked to a further change in the institutional architecture. The concept of incomplete contracts is a key to understanding the diversity and complexity of several types of framework conditions crucial for the functioning of market economies: (1) important institutions (including private firms with different legal forms, commons, and cooperatives), (2) governance mechanisms, (3) specific legal regulations such as labour or insurance law, (4) informal norms of market behaviour, (5) trade unions and other associations, and even (6) the role of morality in modern market economies. It opens up the significance and ambivalence of complex background conditions, which may be considered *substitutes for contract completeness*, as it were. This applies, in particular, to those institutions that support the long-term functioning of complex system-relevant markets, such as the labour, financial and insurance markets.

Overall, the euphoria of smart contract/blockchain enthusiasts is put into perspective by contradictory tendencies. On the one hand, there is a number of advantages: It becomes easier to organise the information and coordination of “small” market participants. In some cases, it is also easier to create competitive conditions, because traditional barriers to access may be reduced when digital platforms—are easily accessible for all at low costs. On the other hand, the following potential problems must be addressed (cf. Sturn, 2020; Zingales, 2017):

1. Economies of scale and scope in data collection and analysis provide a strategic advantage for strong market players, not least in the continuous development and adaptation of tailor-made take-it-or-leave-it offers leading to a systematically asymmetric distribution of transactional surplus. Some of the background to the relevant problems can be outlined as follows: Information-intensive goods generally have high fixed and low marginal costs; not least in connection with artificial intelligence, data volumes show increasing returns to scale. There is a tendency towards winner-takes-all industries and information complementarities, which Luigi Zingales (2017, p. 121) aptly illustrates: “The value of the data derived from Facebook and Instagram combined is likely to be higher than the sum of the value of the data derived from Facebook and Instagram separately, since the data can be combined and compared. Thus, Facebook is likely to be the higher-value user of Instagram data, even ignoring any potential market power effect. If you add market power effects, the momentum towards concentration might be irresistible”.
2. Sinclair Davidson et al. (2018) put forward the well-argued thesis that firms and other intermediary institutions will not be completely replaced by blockchains and other platforms, but that there will be a “carving out” of certain functions for which these platforms are particularly suited. From an optimistic perspective, this results in an efficient institutional division of labour. At this point, it is worth elaborating a little on the argumentative horizon of Davidson et al. (2018, p. 3):

Cryptographically secured blockchains are said to be ‘trustless’ because they do not require third-party verification (i.e. trust), but instead use high-powered crypto-economic incentive protocols to verify the authenticity of a transaction in the database (i.e. to reach consensus). This is how blockchains can disintermediate a transaction (a consequence of which is low-

ered transaction costs), resulting in new forms of organisation and governance. Examples are the ‘distributed autonomous organisations’ (DAOs) and ‘initial coin offerings’ (ICOs) that disintermediate the allocation of venture capital; (...) and ‘Backfeed’ disintermediating open-source collaboration. In each case, blockchain provides the ‘technology stack’ to coordinate the economic actions of an emergent community without the need for a trusted (third-party, centralised, intermediating) coordinator (...).

The implication is that blockchains may not compete head-to-head with firms, but rather may carve out those parts of firms that can be rendered as complete contracts where they lower transaction costs on any of these three margins (my emphasis, R.St.). For instance, blockchain-enabled smart contract-facilitated transactions should in principle experience fewer efficiency problems due to information asymmetries—adverse selection (prior to a transaction) and moral hazard (following a transaction). Smart contracts could also be effective ways to load significant numbers of low-probability state contingencies into contracts. These could function like open-source libraries able to be inserted into machine-readable contracts, reducing the complexity cost of writing large state-contingent contracts, and so lowering transaction costs. Both ex ante contractual discovery and ex post contractual renegotiation costs (i.e. bargaining and haggling costs) are an expected consequence of incomplete contracts. Such contracts have dynamic benefits, enabling adaptation, but in the shadow of these expected but uncertain costs all parties will contract less than is optimal. Blockchains potentially *enable the known parts of these relationships to be carved out efficiently from the unknown parts, and executed automatically based upon state conditionals* (my emphasis, R.St.), increasing the range to which economic coordination can extend into the future.

Both dis-intermediation and the advance of complete contracts (which are separated as “known parts of these relationships” from the “unknown parts”, regarding which contracts remain incomplete) are associated with a further change in the institutional architecture. First of all, this increases the number of transaction types for which free exchange or free immigration and emigration can be considered as mutually beneficial, non-hierarchical modes of interaction and regulation: No one is forced to join Ethereum. Those who do so do so for their own benefit. This seems attractive in terms of freedom of choice and welfare. With regard to voluntary exchange and contract, the exchange paradigm, which is part of the DNA of economists, can be brought into play, according to which voluntary contracts of responsible actors should not be hindered, as long as they do not have a detrimental effect on third parties. Voluntary exchange generates a surplus that is distributed amongst the exchange partners in such a way that they are better off or at least not worse off compared to the next best alternative. If they did not profit from the exchange or were even worse off, they would not enter into the exchange.

However, as I have pointed out (Sturn, 2020), breaking up the institutional bundling of functions concerning coordination and the balancing of interests can also lead to certain functions (especially those of balancing interests) no longer being served at all. This could be the case as long as institutions that are reduced to “only” one function (e.g. balancing interests) are not viable—because purely distributive institutions (clearly lacking any win-win potentials) lack general acceptance.⁵

⁵Transferred to a higher level, this argument is analogous to the so-called “cherry-picking”, which leads to the erosion of the business model of efficiently operating multi-product firms, as the model is based on the use of economies of scope, which are destroyed by the “cherry-picking”. After all,

Insofar as the digital transformation tends to “carve out” certain coordination and allocation problems, outsourcing them to the digital world where they are dealt with in a largely automatized and anonymized fashion, cooperatives play a special role in digital transformation. Cooperatives are institutions whose *raison d’être* has always been based on a specific bundling of functions concerning coordination, allocation and balancing of interest—and they may develop their unique position within the overall institutional architecture by deliberately resisting certain erosive forms of “carving out”.

3. Asymmetries in the inner life of platforms regarding the ability to design codes should not be underestimated: There is little reason to assume that the distinction between rule-makers (who may design rules with their own self-interest in mind) and rule-takers, which can be observed in the non-digital world, will suddenly disappear in the digital world of platforms.

All in all, cooperatives and traditional formats of public regulation (but also certain aspects of the internal constitution of companies) can be seen as institutional precautions in the sense of a desirable combination of coordination and balancing functions that have a preventive effect against the long-term disadvantages of such asymmetries. However, with regard to these functions, two challenges arise in the context of the digital transformation.

On the one hand, neither cooperatives nor public regulations will be able to sufficiently address new problem configurations with the old answers. Rather, they must—this should be obvious in view of what has been argued above—understand the digital transformation in its just indicated scope as a new environment and take up its possibilities and challenges in the sense of a solid grasp of their social function.⁶ On the other hand, the scope of institutional change is limited by functional

how do institutions whose agenda is fixed on a pure balance of interests as a zero-sum game function? It is obvious that it will be comparatively difficult to organise any form of useful accountability with regard to such a zero-sum game. Insofar as distributional conflicts would not be fought out as a direct struggle between groups, the balancing of interests in modern societies will be characterised by conflicting, possibly even polarised notions of justice. One is more likely to arrive at acceptable modes of balancing interests if it is clear that the underlying principles are ultimately part of a solution to cooperation problems that is more or less beneficial for all stakeholders. Or, to put it another way: that the principles of balancing interests are at the same time part of the bundle of preconditions for efficient economic activity (cf. Held et al., 2002). Rawls (1971) articulates this impressively in his conception of justice under the economic conditions of a co-operative community. *Nota bene*, this is not about the principles of justice that Rawls derives in a specific philosophical framework. Rather, it is about his method of socio-economic contextualisation of market-societal balancing of interests, which are not purely pie-distribution zero-sum games, but in which the conditions of the cooperative production of the pie (i.e. the problems of coordination and allocation) are also considered. (Perhaps) Paradoxically, “successful” balancing of interests is much less likely when institutions are reduced to an isolated balancing of interests function.

⁶In my experience, this is less self-evident than one would expect or hope. This is because the knowledge of these basic functions often takes a back seat in the face of the daily grind and various fashion trends. A good example in recent history is provided by the basic functions of competition. Unsuccessful “liberalisation” reforms typically suffer from the fact that no thorough consideration

concerns. For the traditional institutional formats are certainly not becoming obsolete in terms of their basic idea and function. Rather, theoretical visions of a complete dis-intermediation are based on unrealistic assumptions that we already know from institution-free models of perfect competitive markets and which, on closer inspection, are not really made more plausible by digital technologies—or could prove to be more of a dystopia than a utopia if corresponding developments are unduly reinforced by deliberate policies.⁷ The background to these theses—and thus also the basic social function of the institutions mentioned—will be discussed in more detail in the following two sections with a view to the digital transformation.

6.3 Knowledge and Information

The considerations outlined above make one thing clear: anyone dealing with digitisation or digital transformation cannot avoid the topic of knowledge and information. It is not without reason that digitisation and digital transformation are typically associated with knowledge and information. The handling of and the conditions for the creation, dissemination and use of knowledge and information are undergoing a fundamental change in the digital transformation. This is possibly the most important aspect of this transformation. Irrespective of this, knowledge and information have always represented an outstandingly important element of the human condition—not just since the emergence of buzzwords such as knowledge economy and information society.

However, this elevated status does not mean that the societal role of knowledge and information is free of ambivalence and paradoxes. To put it bluntly: more information is not always advantageous, especially in society's coping with the problems of risks and uncertainties. This applies in particular, but not only, to those service processes and markets in which knowledge and information have always had a determining character for relevant institutionalisations, regulations, routines and practices. Insurance is a prime example of this.

Nobelist Kenneth Arrow, the economist whose seminal essays from 1962/1963 (cf. Arrow, 1962, 1963; cf. also 1994) established principles of both modern health economics and innovation economics, illustrates this with the following parable, which addresses the ambivalent role that information can play in social life—for example, by making it more difficult or impossible to contractually insure risks. Suppose there are two islands, each with a farmer living on it. The farmers know that a hurricane is coming that will destroy the crops on one of their islands—but they do not know on which island. In this case, the farmers will most likely want to

was given to which actors should be disciplined/stimulated by competition (and how) and which performance dimensions (in the case of complex services) are ultimately at stake from an economic perspective.

⁷Some of this is discussed by Zuboff (2015). For an economic analysis, see Sturn (2020).

take out insurance, agreeing in advance that the farmer whose crop is destroyed will get help from the farmer who escapes the damage.

Now, in the scenario just sketched, one can certainly imagine such insurance in a setting of private sector contractual transactions of self-interested actors. Both farmers would most likely be happy to enter into suitable risk-sharing arrangements. However, if it is known in advance which of the two islands will be hit by the hurricane, then the preconditions for such a private economic insurance no longer apply. Incidentally, the construct of the “veil of ignorance” as suggested by the US philosopher John Rawls follows a similar logic: As long as they are under such a veil, individuals would have a preference for a kind of fairness-oriented compensation mechanism that somehow balances out luck and misfortune in the Game of Life.

All this applies not only to the artificially constructed world of parables and thought experiments. The message of Arrow’s parable can be applied to real insurance problems and corresponding developments in today’s societies. Insofar as it is possible to diagnose risks *ex ante*—be it through genetic testing or through the identification of risk characteristics on the basis of the evaluation of large amounts of data—there are possibilities for differentiation with regard to the design of premiums and tariffs according to the recorded characteristics of prospective insurance customers or insured objects/processes. Such differentiation possibilities in insurance markets are somewhat analogous to models of price differentiation in other markets, which have been analysed in economics for a long time—only much richer and more complicated. Moreover (here the analogy to price differentiation ends), such diagnostic possibilities are connected with the fact that whilst attractive private sector insurance offers now become available for “very good risks” (who previously did not buy insurance at all because the premiums for them were too high in view of their low risk), the “worst risks” are no longer insurable at all in the private sector: Prospective insurance buyers whose harvest will be destroyed with high probability will not receive private insurance offers, nor will those with a “pre-existing condition” which is likely to necessitate medical treatment which is enormously costly.

The kind of individualisation considered here has a complex of different implications, from which three aspects stand out:

1. The redistribution component of insurance arrangements is reduced.
2. For those included in insurance arrangements the insurance-related efficiency is increased, whereby efficiency is defined as the degree of protection against exogenous loss events at given costs.
3. As with variants of “normal” price differentiation, the conditions for the siphoning off of consumer surplus by providers improve.

Digitalisation is now opening up new possibilities to increase this performance-related accuracy by segmenting the pool of potential insurance customers more and more according to the information available. Examples are the digital monitoring of driving behaviour for car insurance or of health data (movement, pulse, blood pressure etc.) in health or life insurance. The ever-finer segmentation leads to the aforementioned tendency to differentiate insurance conditions, both with regard to the

given characteristics of prospective insurance customers (e.g. through advances in the diagnosis of genetically determined dispositions) as well as their behaviour.

To what extent is this individualisation a problem? From the point of view of efficiency theory, it is not a problem, i.e. it is advantageous, as long as it functions as a means against the two inherent problems of insurance: adverse selection and (by way of digital monitoring tools) moral hazard. Suitably differentiated conditions are more efficient than one-size-fits-all if they are calculated correctly—so there is no problem from a contractarian point of view. However, an area of tension arises where

- Coping with adverse selection leads to the side effect that certain types of insurance recipients do not actually find any corresponding offers on the market, thus provoking the emergence of a precarious welfare segment.
- Insured persons have no possibility to change their risk-relevant behaviour, i.e. objectively or subjectively they have no possibility to mitigate the risk themselves, or the costs of individual mitigation are prohibitively high—in this respect there is no moral hazard problem, and information/monitoring tools are used without being justified by gains in efficiency.
- The price differentiation/differentiation of conditions is systematically used by those who determine the conditions to unilaterally skim off consumer surplus.

In the bigger picture, a trade-off arises: the more “accurate” an arrangement is in the above sense, the better the conditions are for effectively containing problems of adverse selection and moral hazard (i.e. the failure of insured persons to take efficient risk-mitigating precautions which is a key problem of insurance in general), but the less it compensates for luck and bad luck in the Game of Life.

6.4 Why Cooperatives? And What Role Can They Play in a Digitally Transformed World?

With some plausibility, one can put forward the thesis that the idea of the cooperative with its stakeholder orientation represents an important piece of the puzzle in an appropriate and humane embedding of digitalisation, as it can counteract the two main dangers described in the second section: the emergence of new, digitally supported power asymmetries and the precarious “carving out” of individual functions, especially at the expense of viable mechanisms for balancing interests. In this section, some more specific potentials of cooperatives will be discussed against the background of complex markets permeated by knowledge and information problems.

In his seminal work “Markets and Hierarchies”, the Nobel Prize winner Oliver Williamson (1975) analysed the coordination mechanisms of modern economies in the framing of a dichotomy of private “capitalist” firms (hierarchies) and market-mediated networks. By means of the transaction costs incurred in each case, he

determined their respective problem-related suitability for the coordination of the activity patterns that are necessary for the production/organisation of the provision of goods and services based on the division of labour. To determine the respective level of these transaction costs (and thus the question of whether markets or hierarchies are more advantageous in the respective case), he developed a plausible heuristic consisting of four components:

- “bounded rationality” linked to “uncertainty/complexity”
- “opportunism”
- “information impactedness”
- “atmosphere”

Here is a brief sketch of these four aspects:

Bounded Rationality in an Environment of Uncertainty/Complexity

Non-market organisations are advantageous when the bounded rationality of the individual confronted with a complex and uncertain environment comes into play. If, by contrast, all relevant parameters of the environment were known (and be it in the form of a known probability distribution in the case of risk), the usual assumption of the rational homo economicus would be much more plausible—and in principle complete “contracts” (possibly with conditional claims—contingent claims—in the case of a probability distribution) could be written. In contrast, in uncertain, complex environments, alternative non-market coordination mechanisms serve to mediate and thus reduce transaction costs between individuals. Thus, in internal organisations (supported by hierarchies or collaborative communication and decision-making processes), different kinds of interaction norms can be developed and used more systematically. The risk of being disadvantaged by the opportunism of individual transaction partners is, moreover lower due to a longer time horizon. It is often also advantageous that the cooperation partners start from similar assumptions about possible outcomes in order to avoid divergences and conflicts—which in turn is favoured by the higher density of internal communication and knowledge-sharing processes.

Opportunism

Opportunism means that market exchange is not free of strategic thinking and guile if only the opportunity presents itself. People may lie, cheat and steal. In general, not everyone can necessarily be trusted—and the basic economic model of the anonymous, socially barely embedded market per se does not accommodate mechanisms for building trust. Non-market organisations have three advantages over the market in cases of opportunistic behaviour. First, people are less likely to undermine group goals for their own benefit because the consequences are internalised to a greater extent. Second, organisations may develop routines that allow for better monitoring. Third, organisations have the potential to settle differences out of court. Organisation-specific rules can set fair boundaries for cooperative transactions between members. Internal conflicts can thus be resolved more quickly without having to resort to legal action, as is the case with inter-organisational conflicts.

Information Asymmetries (Information Impactedness)

This situation occurs when one class of agents has more knowledge or information about relevant aspects of a transaction than the other class. This disadvantage (whether known or unknown) can complicate negotiations or increase the risk of unsuccessful transactions. As already indicated, organisations serve in particular to prevent opportunism in situations with information asymmetries.

Atmosphere

Whilst standard economic theory usually leaves out “interaction effects”, it can be important to consider “soft” factors that can even change the nature of the transaction itself. Socio-behavioural factors, such as loyalty, solidarity, fairness and reciprocity (somewhat casually summarised as “morals”), can influence the success of transactions. Moreover, certain transaction modes can be rejected by actors because they contradict the value structure of all or some transaction partners.

Recent behavioural and experimental economics has impressively confirmed the relevance of these atmospheric aspects already emphasised by Williamson (1975). These experimental economic findings are particularly important for the classification of cooperatives as a special form of organisation. If Williamson’s dichotomy of markets and hierarchies is taken as a basis, cooperatives could even be considered and analysed as a “third way” in this respect. Recent behavioural economics provides a number of clues to the specific problem-solving potential of cooperatives wherever one or more of the following conditions apply:

- (a) Complex information and incentive problems make simple market solutions difficult and at the same time the mobilisation of pro-social motives, for example in the sense of reciprocity, is “atmospherically” advantageous and facilitates problem solving.
- (b) One-sided power has an unfavourable effect due to inequality aversion and fairness preferences.⁸
- (c) A higher weight of explicit collective decision-making mechanisms (“voice”) is advantageous compared to market-driven immigration and emigration (“exit”, invoking Albert Hirschman’s distinction between “exit” and “voice”), for example because the relevant coordination processes are predominantly of a longer-term nature and the volatility of purely market-driven processes has a disruptive effect on desirable long-term relationships.

Moreover, the fundamental voluntariness of cooperative collective institutions also may offer advantages compared to fully public/state solutions, if the coercive character and the presumably higher degree of centralisation of collective state solutions are taken into account. For there are good reasons to believe that voluntary cooperation/transactions—with the same functional efficiency—are better than coordination implying coercive elements. Thus, the potential of decentralised structures supporting voluntary exchange should be used wherever their advantages outweigh any disadvantages (e.g. in dealing with free rider problems). One thing should

⁸For analytical principles and experimental examples, see Bowles (2004), esp. Chaps. 3, 4 and 7.

be clear, however: What applies to other forms of organisation and markets also applies to cooperatives; advantages demonstrated in economic theory are always only potential advantages in practice, which must first be realised through proactive further development of technological, social and ecological framework conditions. The fact that an arrangement can be conclusively construed as a good solution to a problem does neither imply its spontaneous emergence, nor straightforward implementability.

Suitable cooperative forms could now play a specifically advantageous role in the further development of the background conditions of insurance markets. According to their basic idea, cooperatives enable “micropolitical” feedback mechanisms that are based on the symmetrical inclusion of a wider range of stakeholders. This, in turn, would offer the necessary starting point for business policies that can exploit the ambivalent potentials of digitalisation outlined above (regarding “personalisation and customisation”, i.e. tailor-made offers and conditions) in a “fair” way—that means, for example not in the sense of skimming off as much as possible of the consumer surplus from the respective conditions, but rather taking into account the interests of the insured in a broader sense—and furthermore also in the sense of sustainable and resilient development of our socio-economic processes and their service providers. Considering at a societal level, the existence of players with such a business policy would be extremely beneficial. It can be shown that it is very difficult to achieve the same result solely on the basis of regulatory rules of the game for the purpose of organising fair competition. Some rules of the game are certainly necessary. But if the players follow exclusively the maxim of shareholder value, there are always incentives to “creatively deal” with these rules of the game (even if they are clearly defined and strict), with regulatory arbitrage being one of the problems. Notice moreover that complex markets are characterised precisely by the inevitability of considerable scope for such creative handling—not to mention the potential for regulatory capture.

But there is another aspect that is of particular interest with regard to the further development of cooperative forms of organisation: Advantages arising from additional data regarding individual characteristics should not only be seen as business opportunities for existing cooperatives, but as a window of opportunity for developing innovative institutional mixes that combine the advantages of low-threshold digital platforms with complementary cooperative structures. People may find it beneficial or feel a need to connect with others who share similar characteristics, making the potential community a real community—a community in the modern sense that does not rely on traditional bonds and bindings. Such communities may engage in interest pooling (e.g. purchasing power and knowledge transfer), but also in non-instrumental values of community building. Thus, mutualism could develop towards a more extended form of solidarity, including a willingness to provide community assistance on a wider basis—a qualitative development that may be seen as part of the civilising process towards a more extended form of solidarity supporting more extended social orders.

Digital enthusiasts would argue that such digitally organised communities or commons can easily unfold in non-hierarchical digital platforms. However, this requires background conditions and frameworks that

1. Favour beneficial coevolution of such communities with the surrounding institutional ecosystem because both parasitic and disconnected communities can become a problem. With regard to traditional commons, this was already put on the agenda by Elinor Ostrom in her “Design Principles” for commons.
2. Reduce asymmetries—for example with regard to information about the incidence of relevant characteristics and abilities.
3. Foster the necessary atmospheric conditions for the development of solidarity.

All this might be difficult to achieve if strong private players have far superior possibilities to collect relevant data on relevant characteristics, to keep it available and to make it serviceable for their purposes.

Thus, it becomes clear from various perspectives that cooperatives in the digital transformation are facing risks and opportunities. With regard to our question of the future role of cooperatives, at least two things need to be shown: (1) The cooperative as an institution potentially has functions and advantages in the overall institutional setting. The main lines of corresponding arguments have been outlined in the previous parts of this essay. (2) The cooperative is not an unrealistic utopia, but is based on a mix of different mechanisms, the functioning of which is enhanced by digitalisation⁹—rather than being at odds with digitalisation. The foundations of pertinent conjectures will now be briefly examined in the final section.

In short, the main thrust of our findings is optimistic: The outlined potential functionality of the cooperative form of organisation in digital transformations goes hand in hand with the improved possibility of using new digital technologies to make decisions that involve a wider range of stakeholders with possibly different interests.

What is the background to this optimism? Particularly in the economic context, efficiency arguments often speak against the inclusion of too many stakeholders in decisions. Often, quick decisions are required and too many veto players can stifle innovation. On the one hand however, as Lisa Herzog (2020) shows, digital technologies can help to reduce the costs and time required for collective consultation and voting mechanisms and to implement refined voting procedures that are based on the guiding idea of aggregating knowledge and assessments as reliably and comprehensively as possible. On the other hand, it must be taken into account that participatory decision-making and feedback using digital possibilities are increasingly becoming part of the organisational culture in many places anyway. Companies are trying to use digital methods to improve the quality of information and decision-making under slogans such as “agile working”, where open communication and

⁹These mechanisms include: Exchange of arguments (arguing), voting and bargaining (cf. Sturn, 2020). The considerations outlined below indicate that the framework conditions of arguing and voting can be supported by digitalisation. This also applies to bargaining, insofar as successful bargaining requires sufficient levels of information on both sides.

activation are key ingredients. Digital tools could also support coping with the problem that, in hierarchical organisations, vertical power structures hinder information flows. Digitally supported and pseudonymised communication can facilitate meaningful feedback by minimising the risk of unfavourable reactions (e.g. sanctions). Psychological barriers to sharing knowledge/information, but also to initiating learning processes amongst employees and insured persons, can be reduced. An improvement in dealing with knowledge that is difficult to codify (tacit knowledge) can also be expected if the communication culture as a whole becomes richer.

Many people are probably familiar with the use of some such approaches to digital feedback from their own experience and have certain reservations because feedback and communication platforms organised digitally or otherwise are often used only for pseudo-participative processes that are either not really taken seriously by “management” (and are therefore perceived as pointless occupational therapy) or are part of an excessive reporting system in areas where discursive discussion with different perspectives would be more in demand instead of a controlling approach. In such cases, those involved quickly lose interest and trust can turn into cynicism.

All this speaks in favour of embedding such approaches in organisational forms such as cooperatives, which are in certain respects tailor-made for a serious approach along these lines. However, this does not mean that they offer patent solutions for all problems. There are large cooperatives not only in Switzerland (Coop, Fenaco, Migros, Mobiliar, Raiffeisen etc.) and other enterprises with a history shaped by their public service character, whose vitality/prosperity in the markets of the first decades of the twenty-first century relied on partly adopting managerial styles of joint-stock companies. An analysis of those tendencies (whether they have increased in recent decades due to increasing competitive pressure or other influences, including the regulatory environment) is beyond the scope of this chapter. Moreover, adoption of such managerial tools is not a bad thing a priori, since they may promote efficiency without detrimental side effects—provided that they are functional part of a new organisational architecture, expediently complementing its other elements. However, such tendencies sometimes manifest themselves on the one hand in the reduction of material expenditure for the care of the atmospheric framings of cooperativity, and on the other hand in the development of organisational constructions that largely isolate business policies from the imponderables of cooperative decision-making. In some cases, the cooperative part only functions as a kind of holding company. This may go along with the erosion of the cooperative organisational culture which is at the bottom of some specific functional advantages.

6.5 Closing Perspectives

Cooperatives are institutions with approaches to collective decision-making and forms of accountability that go beyond purely market-based, private sector accounting. In the nineteenth century, they emerged as specifically problem-oriented forms of integrating stakeholder interests. They came into being in a bottom-up process,

long before the propagation of social balance sheets/social impact assessment, the common good economy and the like—triggered by specific problems that were apparent in the initial phase of modern market economies. That cooperatives are sometimes difficult and unstable constructs should not come as a surprise in view of the problems and tasks they are confronted with. These problems and tasks are by their nature challenging and do not allow for patent solutions, valid irrespective of ongoing processes of change and innovation in the evolution of capitalistic market economies. Nor does the cooperative provide a one-size-fits-all solution. Related problems are not only challenging, but the profile of those problems may also change in the socio-economic-technological dynamics. However, the challenges remain the same in their core—mediation of stakeholder interests, information and knowledge in view of power asymmetries and the quest for efficiency. In keeping with their basic functional advantages occasioned by this core, cooperatives must credibly orient themselves towards the adaptation of their mission to changing environments (see also Ostrom 1990) if they want to maintain their institutional uniqueness and not degenerate into an empty legal shell.

This also applies to the digital transformation, in which their core mission and socio-economic functions become more important, not less. For cooperative enterprises, forms of reconciliation of interests in connection with the solution of complex allocation problems can be established, which are complementary to that of the private sector as well as the state-public sector. Unfortunately, in much of the literature that envisages a total revolution of the entire institutional landscape with blockchain & co, the functional requirements associated with such a complex mix of allocation and interest balancing are not even recognised as a challenge.

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Chapter 7

Reception and Perspectives of Experts and Cooperative Members on Austrian Cooperatives During the Corona Crisis: A Qualitative and Quantitative Survey



Anselm Balk and Michaela Schaffhauser-Linzatti

Abstract This two-stage study examines the perception and perspectives of experts and cooperative members on Austrian cooperatives during the Corona crisis. For this purpose, a Delphi study among experts and an online survey among members of cooperatives were conducted. The findings show that the members and experts perceive cooperatives as well positioned to meet current and future challenges. The most significant potential is seen in the agricultural and energy sectors. However, the members urge that the values traditionally ascribed to cooperatives, such as participation, promotion of the members, and democracy, should be further implemented within their cooperative and better communicated to the public. If this happens, they see a legal form well suited to underpin its advantages, for example concerning the increasing importance of sustainability issues. Members are ambivalent about digitalization. They welcome integrating digital tools if they help improve the efficiency of cooperative's administration and business operations. However, when it comes to digital decision-making processes or general meetings, members are reluctant because they fear that this reduces direct contact between members. For them, digital tools should primarily be used as a supplement.

Keywords Cooperatives · Corona crisis · Survey · Competitiveness · Digitalization · Sustainability

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7.1 Introduction

Crises and their impacts on the economy are often culmination points that show whether existing structures can prove themselves and emerge from the crisis in a stronger position or whether changes and modifications to the existing structures are necessary. The Corona crisis can be perceived as such a point. It is said that the ever-increasing globalisation may halt (Economist, 2020; WEF, 2020; Abel-Koch & Ullrich, 2020). This is reinforced by the European Union, which urges to increase Europe's independence in the supply of system-relevant goods and services. This will lead to a stronger focus on resilience, subsidiaries, and reinforced regional supply chains (EU, 2020). A look at the development of cooperatives reveals that they often serve as a tool within the regional economy and act on a subsidiary basis (Blome-Drees, 2012). Moreover, cooperatives are based on mutual support and aim to promote their members' businesses. Thus, cooperatives can often underline their advantages in times of crisis (Hettlage, 1998; Voß, 2002; Birchall & Hammond Ketilson, 2009; Allgeier, 2011). These moments of crisis even had a decisive impulse on their development and evolution. For example, industrialisation and the problems it caused led to the establishment of the first cooperative in the industrial era in Rochdale in 1844 (Fairbairn, 1994). Also, credit cooperatives in the German-speaking area emerging in the mid-nineteenth century can be traced back to moments of crises (Faust, 1977; Brendel, 2011).

To analyse whether this perception holds and whether cooperatives were able to demonstrate their advantages in the Corona crisis, we conducted two studies between May and August 2020. Thus, just within or shortly after the first wave of the Corona crisis.

In a first step, we conducted a Delphi survey in which we consulted cooperative experts; second, a quantitative survey among cooperative members has been conducted. The common objective of these two studies was to assess the behaviour of cooperatives during the crisis and to use the momentum for a deeper analysis of their current situation. This allows us not only to describe the current moment but also enables us to draw inferences about future developments. The survey reflects the developments and perceptions in Austria. As cooperative developments are comparable within the German-speaking region (Germany, Austria, Switzerland) (Faust, 1977), the findings can be transferred to a certain extent to these countries as well.

The sections of this chapter are structured as follows: Section 7.2 describes the methods used; Sect. 7.3 gives a general overview of the perception of cooperatives during the crisis. Section 7.4 focuses on competitiveness. Section 7.5 presents the findings on cooperatives and digitalization. Section 7.6 focuses on the findings on cooperatives and sustainability. Section 7.7 presents the main outcomes of participation. Section 7.8 provides an outlook, and Sect. 7.9 concludes.¹

¹Parts of the outcomes have already been published in Balk and Schaffhauser-Linzatti (2021) and Balk et al. (2021). In particular, Balk et al. (2021) discuss the results in more detail.

7.2 Methods

7.2.1 Approach and Study Design

For our research, we chose a mixed-methods approach, combining qualitative and quantitative elements, in order to obtain a more comprehensive picture of the topic examined. First, we conducted a Delphi study to gather the opinions of cooperative experts from practice, academia, and public administration. Second, based on the results of the Delphi study, an online-based questionnaire was sent to the members of Austrian cooperatives. To reach these members, we cooperated with the four major cooperative revision associations (Österreichischer Raiffeisenverband, Österreichischer Genossenschaftsverband, Österreichischer Verband gemeinnütziger Bauvereinigungen—Revisionsverband, and CoopVerband Revisionsverband österreichischer Genossenschaften), which distributed the questionnaire to their members. Methodologically, the two surveys stand independently and can be interpreted separately. However, since the results of the Delphi survey are used as the basis of the member questionnaire, a joint reflection provides more comprehensive insights into the perception of cooperatives in and beyond the Corona crisis.

7.2.2 Delphi Study

The Delphi method² is described by the circumstance that specific questions are sent out several times to the same anonymous experts. In each round, these experts receive the aggregated answers of all experts from the previous round and can comment on them. Within our setup, we applied a two-stage Delphi survey between 12th May and 27th May 2020. To do so, in a first round, the experts could express their opinions through open and closed questions and comments. These individual statements were then summarised and paraphrased. In the second round, the experts were confronted with the aggregated overall statements and could express their opinions regarding the aggregated outcomes. The Delphi survey contained 17 questions and was sent to a total of 44 experts, 28 of whom had been nominated by the four large Austrian revision associations and 16 experts by the research team. 84.1% or 37 of all contacted experts responded to the web-based questionnaire in the first round. In the second round, three experts dropped out, resulting in a response rate of 77.3% or 34 respondents. Due to the anonymous nature of the survey, it is not possible to identify who of the invited experts participated.

²See Dalkey and Helmer (1963), Gregersen (2011), Watson and Wakefield (2013).

7.2.3 *Member Survey*

The structure of the member survey is primarily based on the results of the Delphi study. This means that appropriate questions were taken over or new questions and statements were created that resulted from the experts' answers. For the mainly closed questions, a five-point Likert scale was used. Statistical and socio-demographic questions were added to analyse the statements in more detail and to identify differences within the respondents' structure. In total, the questionnaire contained 35 questions.

Overall, 784 people took part in the survey, of which 487 completed the questionnaire in full. The average time to complete the survey was around 20 minutes. The survey was conducted between 29th June and 31st August 2020.

Regarding respondents' background, the major part (69.8%) of all participants were members of cooperative banks and other financial service facilities, 13.4% were members of an agricultural cooperative, 5.4% said their cooperative was in the housing and construction sector. The remaining 11.4% of all participants were members of cooperatives in the following sectors: trade/distribution; consumption; services; commerce, production, and craft; social, arts, and culture; and energy. Due to the small number of participants from these sectors, they are subsequently summarised as "others". With 24.2% of all participants aged between 18 and 45 years and 75.8% aged over 45 years, the majority of participants were in the second half of their life. This corresponds to an overrepresentation of older people compared to the Austrian population as a whole.³ Whether this is representative of the age distribution within Austrian cooperatives cannot be conclusively determined, but according to Gros (2009) and Theurl et al. (2012), older people are more likely than average to be members of a cooperative.

With regards to the position within the cooperative, 71% of all respondents classified themselves as functionary, this means they were holding an official position. Twenty-nine percent had no official position. Consequently, the share of functionaries is overrepresented. Regarding gender, 77.5% of all respondents were male, 22.1% female, 0.4% self-classified as diverse. For the geographical representation, we grouped the nine Austrian provinces into three NUTS 1 regions: Eastern (68.3%), Western (27.4%), and Southern Austria (3.9%). Of all participants, 61.4% were active in one cooperative, 21.6% in two, and 17% in three or more. Eighty-five percent stated that they perceive themselves as an active member within their cooperative. In relation to the Austrian educational distribution,⁴ a disproportionately large number indicated a secondary or tertiary degree as their highest school-leaving qualification (37.1% and 29.1%, respectively). 23.2% indicated an apprenticeship or a degree lower than a secondary school degree as their highest formal educational qualification. Nine percent of all persons were active in a small cooperative (<50 members/5 employees (Emp.)), 22.7% in a medium-sized cooperative (<1000

³ Statistik Austria (2022).

⁴ Statistik Austria (2021).

members/40 Emp.), and 68.4% in a large cooperative (>1000 members/40 Emp.). In summary, the respondents' socio-economic background indicates that the survey is not representative of the Austrian population. Consequently, the results must always be seen in relation to the specific structure of the respondents.

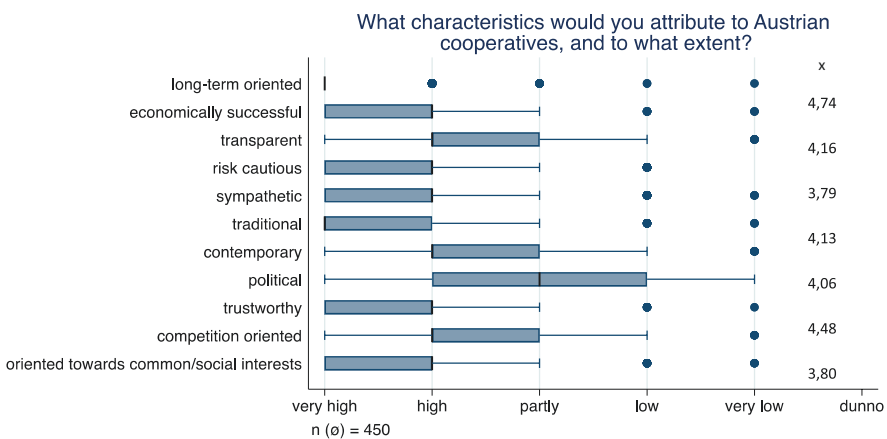
7.3 Perception of Cooperatives During COVID-19

Before specialising in competitiveness, digitalization, sustainability, and participation, we give a short overview of general topics regarding the perception of cooperatives in times of the Corona crisis and beyond.

7.3.1 What Is the Perception of Austrian Cooperatives During the Corona Crisis and Beyond?

Looking at the characteristics of Austrian cooperatives depicted in Table 7.1, above all, the “long-term perspective” of cooperatives is seen as most prominent. This means the long-term orientation and a business model that does not follow a short-sighted perspective are attributes seen as characteristic of cooperatives. This is followed by the perception of a “traditional” but “economically successful” and “trustworthy” type of enterprise. Attributes that can be derived from these findings, such as trust and reliability are central values for a successful economic outlook.

Table 7.1 Cooperative characteristics



Legend: black vertical line = median; bar = range between 25th and 75th percentiles; horizontal line = range of given answers; \bar{x} = mean; “agree” is assigned the value 5, “disagree” = 1

The high proportion of members' approval of these key attributes therefore allows a generally optimistic outlook on the future development of cooperatives.

Features that are not unrestrained attributed to cooperatives are "contemporary", "transparent", "competition-oriented", and "political". Politicisation is seen as the least characteristic feature of Austrian cooperatives. This means that cooperative members do not perceive their own cooperative as political. With regards to the still high but less pronounced attribute "competition-oriented" the image of a cooperative as an organisation that promotes the business of its members can be depicted. Hence, the main focus of cooperatives is to support their members and not to compete in the market themselves. Another explanation for the perceived less pronounced "competition orientation" can be based on the good market positioning of cooperatives, e.g., in the banking, housing, or agricultural sector where cooperatives dispose about significant market power (Brazda, 2020). The fact that cooperatives are not highly perceived as "transparent" and "contemporary" are issues cooperatives should be aware of. Especially the less perceived "transparency" should be a motivation for cooperatives to strengthen the democratic participation of the members further. In Sect. 7.7, this topic is discussed in more detail.

The importance of the reliable business model and the long-term orientation of cooperatives is confirmed when asking the members about the advantages of cooperatives during the Corona crisis. The highest approval is given to the points "solid business model and the legal form which conveys reliability and stability" to their members. This is underlined by the second most important advantage: the "long-term orientation and its focus on sustainability". The least important advantage (still with a median answer at "advantageous" on a five-point Likert scale but with a lower mean) is seen in the cooperative role as a "self-help association which offers vital cooperation". However, the members underline the reliability of the services of cooperatives which was an appreciated support during the crisis. This is also highlighted in the generally strong approval by the majority of the members to the sentence, "I feel supported by the cooperative, and my problems are taken into account". The main support of cooperatives during the crisis is seen in their rapid and unburaucratic help in "credit granting/forbearances" as well as with regards to "tender offers, funding applications and legal assistance". The "comprehensive and regularly updated information and communication" during the Corona crisis was also highly valued by the members.

Since every crisis bears opportunities, the cooperative experts were asked about cooperative advantages emerging out of the Corona crisis. Most experts see the customer focus, the emphasis on regional structures, and the reachability/reliability of cooperatives as their key advantages confirmed during the crisis. If these positive attributes are maintained and strengthened, they are seen as tools reinforcing the cooperative way of doing business not only during the Corona crisis but also beyond. Broken down to the different sector backgrounds of the experts, for 57% of the experts focused on banking the customer focus was seen as the crucial factor that distinguished cooperatives from other banks during the crisis. For 29% it became evident that cooperative banks' main advantage is their reliability and the fact that the bank actually belongs to the people in the region. This enabled the cooperative

to address the emerging problems of its members in a timely and accurate manner. For experts with backgrounds in housing, the key advantages are seen in the reliability and affordability of cooperative housing (59% mentioned these two advantages in the second Delphi round). Eighteen percent see the protection of real estate against privatisation and the social function within cooperative housing as a main advantage that was evident during the crisis. These are factors strengthening cooperative housing further on. Among the experts in the field of agricultural cooperatives, more than 76% emphasised the regionality and the locally produced goods as key advantages of cooperatives that are also likely to promote agricultural cooperatives in the future.

7.4 Competitiveness

7.4.1 *Cooperatives and the Competitiveness of Their Traditional Values*

Based on the findings of the Delphi study the experts see significant competitive advantages for cooperative businesses. However, apart from the regional focus, other key competitive advantages specific to cooperatives are not communicated to a broader public satisfactorily. These peculiarities include, among others, that cooperatives serve to promote the business of their members, self-governance, and voluntary membership. Yet, precisely these factors are capable of distinguishing cooperatives substantially from other legal forms and underlining their unique selling proposition. Therefore, the experts call for a strategy to communicate these cooperatives' values comprehensively and to emphasise their strong but subsidiary position, which is meant to support their members. This is seen as necessary because the knowledge of the legal form among the broader public is seen as expandable. If the cooperative is to compete more strongly with other legal forms, it is, therefore, necessary to communicate its specific advantages and characteristics.

This necessity is underlined by the perceived generally positive zeitgeist, which shifts towards cooperative features. According to the experts, this change leads towards a stronger and enduring focus on regional structures, reliability, a long-term approach, and business behaviour that is not only oriented towards profit maximisation. If properly communicated, the zeitgeist can therefore help to put cooperatives more in the spotlight.

Next to promoting cooperative advantages, the experts urge that these cooperative values are properly implemented within the cooperatives. According to the experts, this is seen to be not always the case. For example, the decision-making process is often criticised as being too centralised.

7.4.2 *What Cooperative Sectors Are Likely to Gain, Lose, or Remain the Same?*

However, how well the individual cooperative can use this positive zeitgeist does not only depend on the management of the single cooperative but also on the sector the cooperative is operating in. To know more about the sectors that are profiting from the actual trend we asked the members which cooperative sectors they think will gain, lose, or remain the same in the course of the crisis.

In total, 552 members answered the question. The results are as follows: The greatest increase in importance is seen in the sectors agriculture (66.1% see an increase, 4.8% a decrease, 26.2% no change); energy (50.1% increase, 6.2% decrease, 36.5% no change); banking and financial services, (49.1% increase, 8.8% decrease, 39.4% no change), and housing (43.5% increase, 9.2% decrease, 41.5% no change). Interestingly, agriculture is seen as the sector where all members, also controlled for various backgrounds such as age, gender, size of the cooperative the members are active, function within the cooperative etc., perceive the highest increase in importance. A typical quote from the Delphi study regarding the future development in agriculture is: *“I see great opportunities for cooperatives in basic services (agriculture, food, etc.)”*. The high share of members who see the banking and financial services sector as increasingly important can be traced back to the large number of participants from this sector. Members from other cooperative sectors agree with this generally positive outlook but do not rate it as high as the members from this sector.

Cooperative sectors in which no major change is seen are services (32.7% increase, 13% decrease, 46% no change), trade, production, and crafts (38.3% increase, 9.4% decrease, 44.9% no change), and consumer cooperatives (24.6% increase, 21.3% decrease, 43.4% no change).

The results regarding the future development of the cooperative sector trade and distribution are less clear: An equal share of members see both an increase as well as a constant development (38.5% of all members each, 16.7% see a decrease).

The areas in which the importance of cooperatives is likely to decrease during/ beyond the Corona crisis are the social and cultural sectors. Twenty-one percent see an increase in importance, 30.3% a decrease, and 35.1% no change.

To sum up, the findings indicate a generally positive outlook for the cooperative sector. This is all the more the case as the general values move towards characteristics cooperatives already represent. However, to benefit from this change, a better communication of cooperative characteristics is seen as necessary. In terms of specific sectors, members see an increasing importance for cooperatives, especially in the agricultural and energy sectors.

7.5 Digitalization

Among the experts, digitalization was identified as one of the main factors with a significant impact on cooperatives, next to climate change mitigation and regionalisation (for further details see Sect. 7.6). While the experts see substantial opportunities for cooperatives when it comes to climate change and regionalisation, the results concerning digitalization are ambiguous:

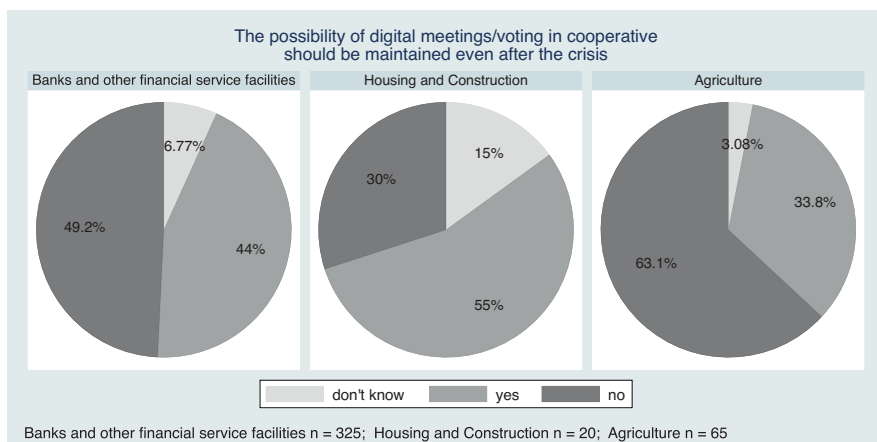
7.5.1 *What Is the Standpoint Towards Digital General Meetings and Decision Processes?*

During the Corona crisis, the opportunity to hold digital general meetings was made possible due to temporary legal acts in Germany, Austria, and Switzerland.⁵ In the Delphi study, we asked the experts whether they favour the maintenance of digital meetings and voting procedures beyond the COVID-19 crisis. Around three-fourth of all experts want to keep the legal possibility to conduct digital general meetings, only one-fourth are hesitant and favours the maintenance of digital meetings in parts or “rather not”. In the second Delphi round, none of the experts was strictly against a maintenance.

Interestingly, this high percentage of approval is not shared by the members. Overall, 49.6% of them do not agree to maintain the option of digital meetings and decision processes once the crisis is over. 44.1% are in favour, 6.3% are indecisive. Broken down into different cooperative sectors, see Table 7.2, the rejection is particularly strong among members of agricultural cooperatives. Here, more than 63% are against a maintenance, only 33.8% are in favour, 3.1% are indecisive. The picture is quite different within the housing cooperatives. Fifty-five percent of all members welcome maintaining digital meetings and decision processes, only 30% refuse them, 15% are indecisive. The responses of members from banking cooperatives are comparable to the overall outcome. Since the response rates of members from agricultural and especially from housing cooperatives are low, it is difficult to infer a general outcome. Despite this, it is possible to indicate that not all cooperative sectors tend to be prone to keeping the possibility of digital meetings and voting procedures.

Looking at the results in further detail, we see—as expected—that age has a considerable influence on the approval of digital meetings: 54.6% of cooperative members younger than 45 years are in favour (38% against), compared to 41.3% of those over 45 years (52.4% against). A differentiation by gender leads to similar results: Female members are more prone towards digital processes (58.6% in favour, 35.4% against) than male members (40.3% in favour, 53.1% against). Interestingly,

⁵Cf. Austria: § 1 COVID-19-GesG, § 5 COVID-19-GesV and COVID-19-GesV; Germany: § 5 COVMG; Switzerland: Art. 27 Covid-19-Verordnung 3.

Table 7.2 Maintenance of digital meetings after the Corona crisis

the majority of functionaries reject the maintenance of digital meetings (52.9% answered with “no”, 40.7% with “yes”), while members without an official function in the cooperative appreciate the possibility of maintaining digital meetings and decision-making processes (53.9% are in favour, only 40% refuse the possibility). Education plays an important role in the outcomes as well: Members with lower school degrees are by majority against the maintenance of digital meetings and voting procedures (68.9% against, 22.3% in favour), while members with higher formal school degrees are by majority in favour (56.3% in favour, 35.4% against). Regarding the size of the cooperative the outcomes are not clear. Members of smaller and medium-sized cooperatives tend to be rather against maintaining digital meetings and voting processes (54.1% against, 39.2% in favour) while members of larger cooperatives tend to be indecisive (47.5% against, 46.3% in favour). Reasons why an analogue general meeting is favoured can be subsumed in the following answers: *“The general meeting is also an important networking event. This is completely lost digitally”*; *“A regular general meeting strengthens the feeling of togetherness among the members”*; *“Personal is simply personal, and the pre- and postmeetings and small talks are also something that make up a regular general meeting”*.

Asked whether the members would generally be willing to participate in digital general meetings, the confirming responses are high. In the overall evaluation, 63.8% are willing to participate in a digital general meeting, 22.4% will not do so, 13.7% are indecisive. This suggests that while not all members are in favour of digital general meetings, there is no general refusal. These inferences can be drawn for all sectors and differentiation criteria. Although there is one exemption: Within members from agricultural cooperatives only a slight majority would be willing to participate in digital general meetings (51.6% “yes”, 29.7% “no”, 18.8% “don’t know”).

This means that the steering committee of cooperatives should be aware of the concerns of the members when introducing digital general meetings and voting procedures even if it is legally possible and members are in principle willing to participate. Members do not see the same level of involvement in an online meeting as in a physical meeting. Next to this, the special nature of cooperatives as a jointly owned and democratically controlled company is perceived to be less communicated and lived in a pure online assembly.

Despite their general acceptance of online meetings, the experts share these concerns. The number of experts who see digital tools more as a supplement to analogue processes increased significantly in the second Delphi round. While in the first round, 28% of all experts mentioned that digital processes should be used as a supplement only, this perception was shared by 64% of all experts in the second round. Thus, more experts became aware of the limitations of digital processes. The main concern is that—similar to the findings in the member survey—direct communication among members and functionaries is feared to decrease if digital communication increases. Another argument is that not all members have sufficient digital skills to participate in the digital decision-making processes. These arguments should be taken into account when introducing digital processes.

7.5.2 What Are Advantages and Disadvantages of an Enforced Digitalization?

Based on the Delphi study as well as on the results of the member studies, one can concede that digital tools are not uncritically seen as a suitable tool for cooperatives. To know more about where the members see potential emerging from digital tools and where they perceive disadvantages, we asked them to indicate the five most important advantages and disadvantages of digitalization for their cooperative. The respective answer options are based on the answers given by the experts in the Delphi study. The results are presented in Tables 7.3 and 7.4.

The main arguments speaking in favour of digitalization are efficiency gains. The statement “faster communication and information exchange” received a near unanimous approval. 91.6% of all members mentioned this statement as one of the five most important advantages. This is followed by other statements that relate to efficiency gains: 80.6% saw “cost and time savings through more efficient internal processes, flexibility and administrative facilitation” as one of the five most important benefits. An “improved service quality” is mentioned by 75% as a major benefit. 63.7% mentioned “responsiveness, especially when it comes to solving problems”. In contrast, “possibility of job cuts” or a “more democratic and transparent decision-making” are not seen as a major benefit of digitalization.

Based on these findings shown in Table 7.3 one can concede that wherever digital tools facilitate the administration, business, and more effective business communication within the cooperative and with the cooperative and its members, digital tools

Table 7.3 General view—5 most important advantages of digitalization for cooperatives

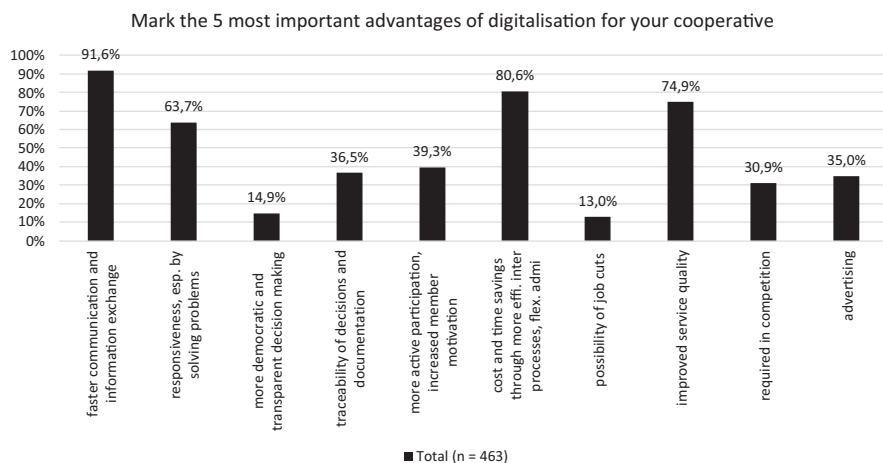
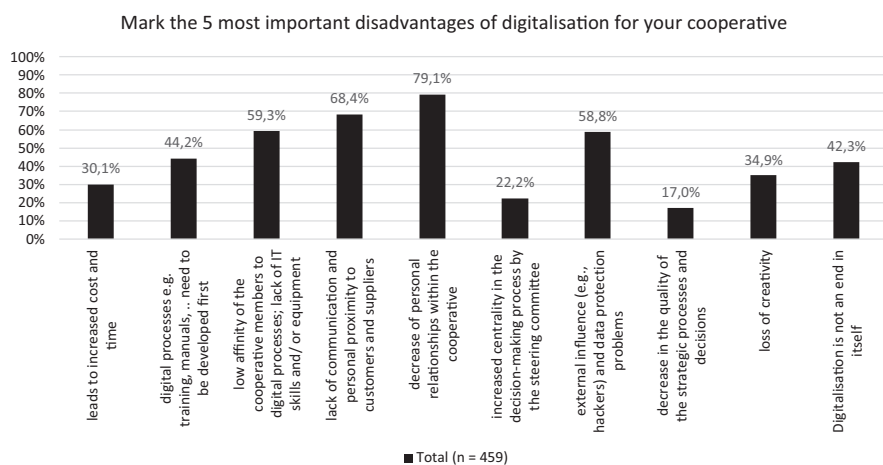


Table 7.4 General View—5 most important disadvantages of digitalization for cooperatives



are widely accepted and seen as a major advantage. The need for the integration of digital tools can be subsumed by the following quote from the Delphi study: “Cooperatives have to follow the trend towards digitalization, digitalization is essential for the future, and it also helps to motivate young people to participate at the cooperative”. However, digital tools are not generally perceived as an instrument to increase the democratic and transparent decision-making. The reasons why this is the case have been already discussed in Sect. 7.5.1 and are further presented in Table 7.4, where the main disadvantages of digitalization for cooperatives are depicted.

Table 7.4 shows the main reasons against digitalization. For 79.1% of all members the “decrease of personal relationships within the cooperative” is one of the main arguments against an enforced digitalization. 68.4% mention “the lack of communication and personal proximity to customers and suppliers” as one of the five most important disadvantages. These two results corroborate the findings in 5.1 where the importance of direct relationships as well the cooperative as an economic as well as social entity has been stressed as main arguments against the implementation of digital general assemblies.

59.3% see the “general low affinity of the cooperative members to digital processes; lack of IT skills and/or equipment” as one of the main disadvantages, as it excludes those from participation and decision-making processes who do not possess the required skills and equipment. The fact that a “general low affinity of cooperative members to digital processes” receives such a high approval among the members may prevent the cooperative from implementing digital tools for an improved business environment and business communication. Consequently, possible efficiency gains may not be taken which lowers the overall competitiveness of the cooperative. To avoid these possible negative outcomes, the cooperative might be motivated to increase the general digital literacy of its members.

Next to the low affinity, an almost equally important disadvantage (58.8%) is seen in the thread of an “external influence (e.g., hackers) and data protection problems”. Increased centrality in the decision-making process by the steering committee or a “decrease in the quality of the strategic processes and decisions” are only rarely seen as a major disadvantage of digital processes.

The general scepticism about digital tools in decision-making processes which has been depicted in the previous findings, can be confirmed in Tables 7.3 and 7.4. While digital tools are appreciated in a business setting, members fear that they reduce personal relations and the quality of communication. The perceived low affinity of members towards digital processes could prevent the cooperative from implementing tools in the cooperative’s core business. This might come with a loss of efficiency compared to competitors. To avoid such a drawback cooperatives should encourage their members to increase their “digital literacy”. The low level of agreement that an increased digitalization could lead to “increased centrality in decision-making” needs further research. This is because it conflicts with the findings in Sect. 7.4, where experts see an increased central decision-making process, and the results of Sect. 7.3, where members see participation in the decision-making process as partly given only.

7.6 Sustainability

The experts as well as the members assume a general change in values and behavioural patterns coming with the Corona crisis. This shift includes not only the increasing use of digital tools but also an increase in the importance of regional

structures as well as topics related to climate change mitigation, issues that can be subsumed under the term sustainability.⁶

7.6.1 Do Cooperatives Benefit from a Shift Towards Sustainability and if so, in What Areas?

When it comes to an increased reliance on regional structures, the experts are almost unanimously certain that cooperatives can profit from this change. A typical answer regarding regional structure is: *“Regionality will become more important—dependence on international supply chains has been challenged in the context of the crisis. The principle of focusing on the common good rather than short-term profit will also become more important. Companies that take the long view are more resilient”*. Moreover, members and experts alike expect that this change in values towards more regional structures will continue beyond the Corona crisis. Expressed in figures, 73.4% of the members perceive a continuing trend towards regionality, 14.6% do not believe so, 12.1% are undecided. Members from financial cooperatives, older members as well as female members are especially optimistic (with approval rates of 77.5%, 75.6%, and 79.2%). The estimation of members from agricultural cooperatives is less optimistic, 58.2% perceive an ongoing trend towards regionalisation.

Asked in which cooperative sectors experts and members see increasing importance, the answers are quite clear. A majority identified energy and agricultural cooperatives (for details, see Sect. 7.4.2). This underlines the good position of cooperatives when it comes to sustainability issues. To foster this good position of cooperatives in general and especially of agricultural and energy cooperatives in terms of sustainability it might be advisable to promote their positive impact more strongly.

The positive outlook for agricultural and energy cooperatives might have increased even further since the beginning of the war in Ukraine. This is mainly because they can ensure a reliable supply of energy and food that comes from decentral facilities which are deeply embedded in the region.

As shown in Sect. 7.7.3, cooperatives are perceived by the members to follow a “long-term orientation”, are “trustworthy”, “economically successful”, and oriented “[...] towards common/social interests”. As these characteristics correspond to a high degree with sustainability issues, cooperatives could use this trend to position themselves more strongly as a sustainable form of doing business. To achieve this, however, it is necessary to communicate these cooperative characteristics more strongly to the general public.

⁶The term “sustainability” was not pre-defined within both Delphi and member studies. In a business-related context, sustainable development can be understood as the equal importance of economic, environmental, and social objectives, summarised in the so-called triple-bottom line (Elkington & Rowlands, 1999).

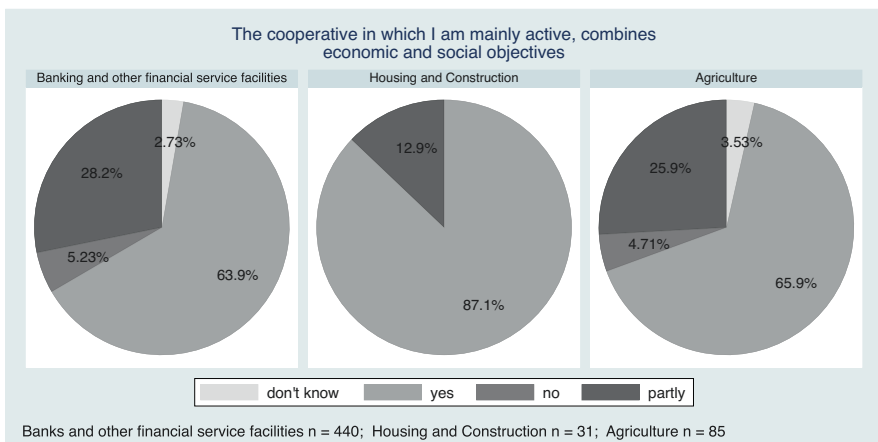
7.6.2 Do Cooperatives Combine Economic and Social Objectives?

Since the incorporation of social objectives plays a decisive role in the understanding of cooperatives (ICA, 2023), next to economic ones, and is also expressed in the so-called dual nature of cooperatives by Draheim (1952), we asked the members whether they agree with the sentence that the cooperative in which they are mainly active combines economic and social objectives.

Overall, a general accordance of the members to the sentence can be found: 66.3% of all members agree that their cooperative combines economic and social objectives, only 4.9% answer with “no”, 2.9% have no specific opinion. Next to these “yes” and “no” classifications, we added the answer option “partly”. This option has been taken by 25.9% of members. The high proportion of 66.3% of all members who think that their cooperative combines social and economic objectives can be seen as a sign of a strong implementation of the social dimension into the day-to-day business of cooperatives. However, the fact that 25.9% of all members see the combination as “partly” given only needs further research. Subsequently, we will illustrate these findings in more detail, however, an examination of what lies behind this “partly” is beyond the scope of this study.

Breaking the results down to the different cooperative sectors gives a better image on who agrees and who does not (see Table 7.5). The majority of the members of housing cooperatives see the combination of these two objectives as very well implemented (87.1% of approval, only 12.9% perceive a combination as partly given). This is underlined by the quote of one of the experts saying: “A housing cooperative is more likely to act in a socially responsible way than a private housing developer (objective: affordable housing)”. This picture changes when looking at the answers of members of banking cooperatives. While 63.9% agree that a combination is given, 5.2% disagree. 28.2% see the implementation of social and

Table 7.5 Sector—combination of economic and social objectives



economic values as partly given. The opinion of members of agricultural cooperatives reflects the overall picture.

Looking at the results from an age perspective in Table 7.6, the differentiation shows that younger cooperative members are particularly sceptical when it comes to a combination of social and economic goals. 59.9% see a combination between these two aims as given, 9.4% deny it, 28% partially agree. The difference becomes evident when looking at the response structure of older cooperative members: Here, more than 71% see a combination between social and economic objectives as given, only 2.7% answer with “no”, 24.6% see the combination as partly given.

If we differentiate further between functionaries and cooperative members without an official position which has been done in Table 7.7, we see that non-functionaries are more sceptical when it comes to a combination of social and economic objectives. 55.2% agree, 6.9% disagree, and 31.6% see a partial combination. Functionaries are much more optimistic: 70.8% agree, 4% disagree, while 23.7% answer with “partly”.

The exact reason why the perceptions vary to such a large extent between these differentiation criteria cannot be conclusively answered based on the available data. So far, it can be said descriptively that despite the assumed double nature of cooperatives and the triple bottom line, the combination of social and economic objectives in cooperatives is not unanimously seen by the members.

In terms of sustainability, this means that cooperatives are generally well placed to contribute to a deepened sustainability due to their cooperative characteristics and their presence in future-oriented markets. However, to say more about the combination of social and economic objectives, to what extent it can strengthen cooperatives, and to explore the reasons why this combination is only partially seen among the members, requires further research.

Table 7.6 Age—combination of economic and social objectives

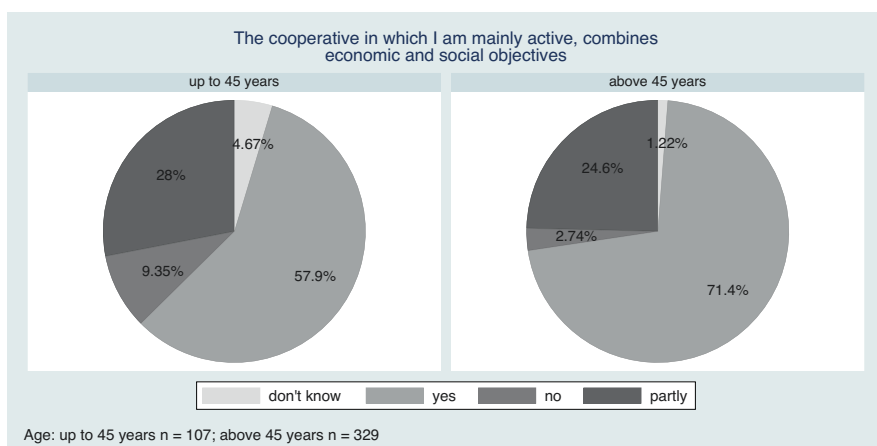
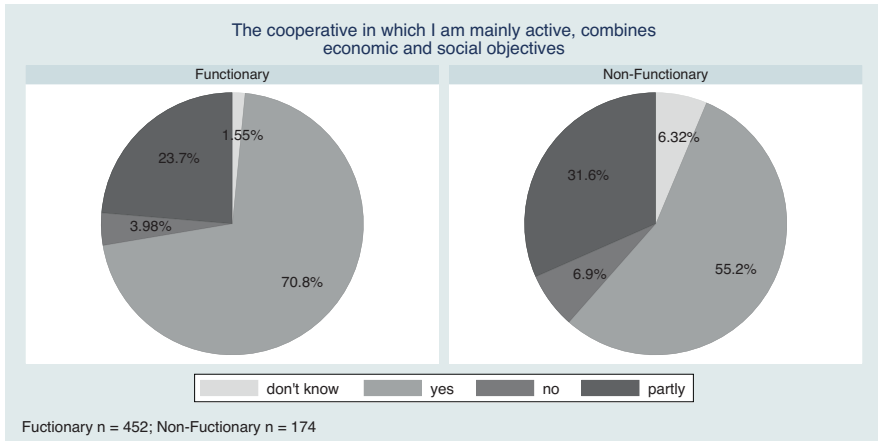


Table 7.7 Functionary—combination of economic and social objectives



7.7 Participation

7.7.1 Who Is Active in the Cooperative?

Among the members who participated in the survey, a very high share of 85.7% indicated that they perceive themselves as an active member of their cooperative. 4.6% see themselves as non-active, 9.1% as partly active. 0.5% did not know whether they are an active member or not. Divided into different sectors, it becomes evident that members of housing cooperatives rank themselves most often as non-active (12.5% “non-active” compared to 4% within the banking and financial service cooperatives and 0% within participants from agricultural cooperatives). Since the total number of participants in housing cooperatives is low the general validity remains open. Compared by age one can notice that older people perceive themselves more often as active members than younger ones (89.3% active above 45 years, compared to 79.6% among members younger than 45 years). The shares are similar by looking at the gender distribution. 89.8% of male members classify themselves as active members, whereas among female members 79.2% do so. 9.9% of female participants perceive themselves as non-active, compared to 2% of male members. The response rate of a “partly” active membership differs slightly. 10.9% of female members and 8.2% of male members see themselves as partly active. The higher the number of memberships in a cooperative, the higher the activity of the respective member. Interestingly, not all members who classified themselves as functionaries perceive themselves as an active member. Only 92.7% do so, while 1.3% see themselves as non-active, 5.8% as partly. Among the members without an official position 67.6% see themselves as active, 13.6% as not active and 17.6% as partly active.

The high share of active members who participated at the member survey is not surprising, since it is likely that especially those members who have a strong affinity to their cooperative were more inclined to respond to the questionnaire. Despite this bias, it is striking that female and younger members perceive themselves as less active in their cooperative than male and older members. If cooperatives want to incorporate the views and perceptions of younger and/or female members, it is necessary to be more open and prone towards their needs, especially when it comes to increasing their willingness to actively participate and take responsibility in their cooperative. A more heterogeneous structure within the active parts of the cooperative members might increase the performance (and lead to a better-equipped enterprise to face future challenges (Herring, 2009)). Therefore, increasing the share of active young and/or female members would—at least theoretically—be in the very own interest of the cooperative.

7.7.2 Is the Corona Crisis Seen as a Cause for a Stronger Involvement?

The reason why we analysed whether the crisis was a reason for the members to get more involved in their cooperative is twofold: (1) to investigate whether the cooperative model has proven itself in the crisis. As an indirect effect this could lead to a higher involvement; (2) to analyse if there are differences in the general willingness of the members to get involved in their cooperative.

In an overall view, 34.5% of the members answered that the current situation is a reason for them to get more involved in their cooperative, 36.3% disagree, 24.1% answered with partly, 5.1% are unsure. Broken down into different cooperative sectors, the answers of members of the banking and agricultural cooperatives differ only slightly from the overall view with the exemption of the housing sector. The share of members who want to get more involved as well as those who do not want to do so is much higher: 46.7% want to get more involved, 43.3% deny a steeper involvement. It would be interesting to analyse whether this deviation is of general nature or not. Unfortunately, the sample size is too low to make general statements. A further survey with more participants could provide more accurate results.

Age is meaningful for a reinforced engagement as well. For 26% of members younger than 45, the current situation is a reason to get more involved (54.2% answered with “no”, 20.2% with “partly”, 8.6% with “don’t know”). 40.3% of members above 45 want to get more involved (31.8% do not want to get more involved, 26.1% partly and 1.9% answered with “don’t know”). A similar picture can be found by comparing gender: 29.5% of the female members want to get more involved, compared to 36.8% of the male members who intend to do so. Interestingly, functionaries want to get involved even more. 38.2% of functionaries want to play a larger part within their cooperative (32% do not want to get more involved, 24.9% partly, 4.8% do not know), whereas only 24.9% of non-functionaries intend to do so

(47.3% do not want to get more involved, 21.9% partly, 5.9% do not know). The approval of the members to get more involved in their cooperative is motivating. However, due to the one-off nature of the survey, we cannot verify the level of motivation before the Corona crisis. However, members seem to value the services of their cooperative in times of crisis and want to get more involved: 58.6% of all respondents intend to be more or partly more involved in their cooperative. The cooperative should take up this momentum and motivate their members not only to intend to get more involved but do so. The fact that mainly male and/or older members intend to get more involved in their cooperative can further exacerbate the asymmetric distribution of active members. To prevent such a reinforcing trend and to promote a more heterogeneous structure, more research is necessary about the actual reasons why young and/or female members do not intend to get more involved in their cooperatives. Further on, cooperatives could develop strategies to motivate younger and/or female members to take a more active role.

7.7.3 Do Cooperatives Offer Sufficient Opportunities to Get Involved?

If it comes to the question of whether cooperatives offer sufficient opportunities for the members to get involved the general overview shows that the members see enough opportunities to get involved: 64.6% of all respondents answered with “yes”, only 7.8% with “no”. Nevertheless, the share of members who see engagement opportunities as only partly given is high, 25.5% answered with “partly”. A closer look reveals further dissatisfaction with the opportunities to get involved: The share of young members and/or non-functionaries who see opportunities to get involved as only partially given is especially high: 30.8% and 32.9% answered the question with “partly”. The comparable high share of younger (9.4%) and/or female (8.1%) members and/or non-functionaries (16.8%) who do not see sufficient engagement opportunities further underlines the necessity to offer more opportunities to get involved. This is especially the case as younger and/or female members perceive themselves as non-active members to a much higher share than others.

7.7.4 Is There a Need to Change the Current Structure of Cooperatives?

The necessity to change something in the cooperative setup is reflected in the outcomes of the statement: “There is a need to change the current structure of cooperatives”. In the overall picture 59.8% of all members fully (12.1%) or partly (47.7%) agree that the current structure needs some amendments. 35.1% do not see a need to change the current structure of cooperatives. A typical quote from experts regarding

this statement is that cooperatives need to appear more modern/contemporary and “*old braids must be cut off*”. The agreement is especially large in the agricultural sector, among them 17.9% of the members fully agree with the statement, 37.3% partly, 35.8% disagree. The shares of the housing and banking sectors are similar to the overall picture.

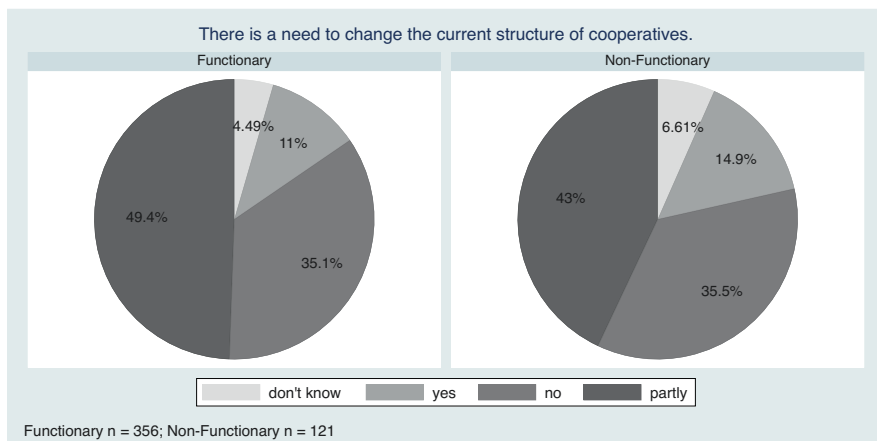
Broken down into further differentiation criteria male members indicate a stronger need to change the current cooperative structure than females. Among the male members, 11.3% strongly agree with the sentence, 49.9% agree partly, 34.8% do not agree. Among female members 7.9% fully agree, 41.6% agree partly, 41.6% refuse the statement.

Differentiated with regards to the position within the cooperative (see Table 7.8), it is interesting that functionaries as well as non-functionaries agree in majority to the statement that the current cooperative structure needs to be changed. Eleven percent of the functionaries fully agree, 49.4% partially, 35.1% disagree. Among non-functionaries 14.9% fully agree, 43% partly, 35.5% deny the need for a change.

The size of the cooperative has a considerable impact on the outcome as well. 25.8% of all members from small cooperatives disagree with the sentence. 34.8% of members of medium-sized cooperatives disagree and 35.9% of those participants from large cooperatives. Thus, agreement with the statement rises the smaller the cooperative.

The large share of members who fully or partially agree with the need for changes in the cooperative structure should be an incentive for academia, cooperative associations, policymakers as well as the steering committees of cooperatives to analyse what changes the members favour. The surprisingly high share among the differentiation criteria but especially the high percentage of functionaries who affirm the need for change in the cooperative structure shows that this question should be investigated further. Whether the survey reflects the specific situation in Austria or whether these results are transferable to other countries should be also the subject of further research.

Table 7.8 Functionary—The cooperative structure needs to change



7.8 Future Developments

In a concluding question, we asked the members which areas their cooperative should focus on after the crisis. Due to the limited sector-specific response rates, we focus on three sectors: banking and financial services, housing, and agriculture. For members of banking and financial services cooperatives, the main areas are a better communication, the development of sustainable financial products, and initiatives to directly support small and medium-sized enterprises (SMEs) as well as support programs for their specific region. Housing cooperatives should concentrate on affordable and sustainable housing, new forms of living and the use of vacant houses. Larger construction projects are not unanimously seen as a main focus. Agricultural cooperatives should more target on improving the image of agriculture in general. In addition, they should lobby for better prices. Food security should be a main focus as well. Members also tend to see the expansion of supply capacities and self-sufficiency, new concepts of land use, and more direct selling and marketing activities as a supplement focus.

New areas for cooperatives emerging in or out of the Corona crisis are seen in the cooperation between one-person businesses or SMEs (57.2%) as well as in the areas of medical care and nursing (51.3%), and energy (45.2%). Next to these predefined areas, based on the findings of the Delphi study, the members could mention their individual ideas for new areas for cooperatives. Among others they mentioned concepts for local supply in rural areas, citizens' cooperatives, or tourism cooperatives in which hotels, farmers, and tourist associations work together. Other members mentioned the area of digitalization, which cooperatives should use for themselves, and which could lead to the development of new cooperative concepts. For banking cooperatives, members mentioned the financing of projects where lenders could participate directly rather than indirectly. Apart from the members who mentioned these new areas, a large share mentioned the need "focus first on repairing the damage caused by crisis" before starting new projects.

7.9 Conclusion

In general, the results indicate that most participants agree that cooperatives are coping well with the challenges of the Corona crisis. Especially their long-term orientation, their regionality, and the high degree of trustworthiness that members attribute to their cooperatives seem to reinforce the position of cooperatives. These characteristics are a good starting point for facing future challenges and seizing new opportunities, but they must be better communicated among the broader public. This is particularly true for the unique feature of cooperatives: the promotion of their members' businesses. Areas that are considered important but as less implemented in cooperatives are transparency and participation. Here, cooperatives need

to make further efforts. This is especially true when it comes to motivating younger and/or female members to participate actively in the cooperative.

When it gets to an increased digitalization, members are ambivalent. On the one hand, they welcome digital tools if they contribute to efficiency gains by facilitating administration and business relations. However, on the other hand, this should not be at the expense of personal relations within the cooperative as well as with outsiders. The findings on digital general meetings and decision processes underline this cautious attitude. Here, the members are very cautious, fearing that the uniqueness of the cooperative and the contact between members could be reduced. Therefore, they insist that digital tools should only be used as a supplement.

In terms of sustainability, members and experts almost unanimously agree that cooperatives will benefit. However, this requires better communication of the benefits in terms of participation, governance, and more generally, the characteristics of cooperatives. The integration of social and economic objectives within the cooperative is seen by the majority of members. Nevertheless, a significant proportion indicated that these two objectives are only partially taken into account. To use this momentum, the steering committee is motivated to create more opportunities for participation.

To take advantage of the current zeitgeist, which corresponds to many values attributed to cooperatives as well as to sectors cooperatives are active, members recognise a general need to alter the current structure of cooperatives. This perception is shared not only by non-active members but also by functionaries. The exact direction of these changes cannot be given within the scope of this study. In general, however, it can be concluded that the members are pushing to incorporate the traditional cooperative values in a more distinctive way. If this is implemented, an overall positive outlook for cooperatives in terms of overcoming future crises and taking advantage of future opportunities can be drawn.

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Chapter 8

Changing the Mindset: Cooperatives and Complexity—Looking into the Future



Sonja Novkovic

Abstract The chapter highlights the nature of the cooperative enterprise model, its inherent feature to form purpose-driven complex networks, and its potential to impact the socio-economic transformation required for a sustainable system. We revisit the sources of unsustainability identified in the 1970s and explore what role cooperatives can play in setting the stage for the needed transformation. The cooperative model offers the radical imagination required for system transformation—a different mindset placing the enterprise firmly in the social sphere of influence and concern.

Keywords Cooperatives · Purpose-driven complex networks · System transformation · Sustainability

8.1 Transformation and Repurposing the Enterprise

It is common knowledge that the prevailing economic system and corporate business form at its core contribute to unsustainable systems on our finite planet. Calls for readjustment, restructuring, and repurposing the economic activity have been made for over half a century, at least since the formation of the Club of Rome and the publication of the *Limits to Growth* (Meadows et al., 1972) when systemic issues and interconnections were brought to the fore. It took years of increasingly unsustainable practices to arrive at the consensus behind the United Nations (UN) efforts shedding light on the complexity of inter-related issues (see the Brundtland Report, UNWCED, 1987) and providing leadership on a global scale resulting in the Millennium Development Goals (MDGs) in 2000, and Sustainable Development

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Goals (SDGs¹) 15 years later. Sets of goals, targets, and indicators in the MDG and SDG projects have been an attempt to redirect economic activity toward a sustainable planetary system. In doing so, the SDGs shifted focus from a “less developed” world to the responsibility of the global actors to deliver change on all fronts—from environmental to social, economic to governance concerns.

However, neither the game nor its rules and structures have changed, regardless of some important efforts on the global scale to instigate change and transform the economy.

Businesses as critical agents of economic activity have been recognized as culprits in unsustainable practices, but the problem is systemic. Corporate behavior reflects the “rules of the game” where profit and growth fuel the economy built on capital ownership, accumulation, and tendency to market concentration and monopolization. Coupled with more recent policy decisions to bail out (financial) institutions, which became too big to fail, it has become apparent that more dramatic changes are required to redirect the course.

With this backdrop, alternatives to the corporate business model have been given a new lease on life. Many new enterprise forms have been emerging, and all enterprises have been made aware of the need to consider their impact on the planet through regulation, industry, and investor pressures to disclose their impact, or consumer and civil society pressures to change how they conduct their operations.

In this context, the cooperative enterprise form offers a viable model with clarity on the purpose of the enterprise to provide for and increase people’s welfare as “users”² of the enterprise rather than absentee investors. The importance of doing so within the planetary boundaries (see Raworth, 2017) has entered the discourse more recently, regardless of more than half a century of collective knowledge about the planetary limits.

The chapter is organized as follows. Section 8.2 revisits the *Limits to Growth* (1972, 2005) and Donella (Dana) Meadows’s follow-up publication *Leverage Points* (1999) to frame pressure points for the cooperative model’s contributions to system change. Section 8.3 takes a closer look at the cooperative model, debunking some of the “stylized facts” about cooperatives in the economics literature and presenting the model from the perspective of the Statement on the Cooperative Identity (ICA, 1995). Section 8.4 identifies the potential impact cooperative type of enterprise and associated “radical imagination” may have from the systems perspective, while Sect. 8.5 examines the contribution of cooperatives to context-based sustainability indicators as a tool for transformative impact. Section 8.6 concludes.

¹See Gutmann and Gorman (2022) for the historical view on the evolving global awareness and SDGs development.

²Cooperative members are consumers, suppliers/producers, workers, or they carry multiple operational and governance roles in the enterprise.

8.2 Places to Intervene in the System

To look at the future of the cooperative model we must consider its contributions to sustainability as the most pressing issue facing every individual, organization, and decision maker. To set the stage, this section outlines the work of Donella Meadows and her colleagues on unsustainable practices and a required system transformation.

The 30-year update to the *Limits to Growth* (Meadows et al., 2005), originally published in 1972, lays out three ways to respond to signals that resource use and pollution have exceeded the sustainable planetary limits: “muddy the waters” and hide it; relieve the pressure by economic or technical means; or change the system (p. 236). While the first kind of response dominated the political economy of the twentieth century, under the supremacy of the neoliberal economic paradigm, the second kind of response took over in the past few decades. In hopes that disclosure will change behavior, the business world engaged with corporate social responsibility (CSR practices), and Global Reporting Initiative (GRI) guidelines were launched in 2000; carbon trade and markets have put blind trust in the price mechanism to solve the pollution problem; while carbon capture and green growth proponents bet on the ever-changing technology. All this effort so far did not change the course of the economy, society, and the shrinking planetary capacity to sustain life.

The third option—a system change—seems inevitable:

The third way to respond is to work on the underlying causes, to step back and acknowledge that the human socioeconomic system as currently structured is unmanageable, has overshoot its limits, and is headed for collapse, and, therefore, seek to change the structure of the system³ (Meadows et al. 2005, p. 236)

Meadows et al. (ibid., p. 238) conclude that exponential growth in population and capital are the main structural causes of the overshoot of the planetary boundaries and point to the required change in expectations, goals, pressures, norms, costs, and incentives. Poverty is correlated with population growth, as is the lack of education. Further, beliefs and practices “that cause natural resources to be used more wastefully than money, that distribute income and wealth inequitably, that make people see themselves primarily as consumers and producers, that associate social status with material or financial accumulation, and that define goals in terms of getting more rather than giving more or having enough” (ibid. p. 238) are guiding daily lives but also business operations and policy frameworks. Goals and aspirations that drive the quest for growth in the economy, accept inequality and poverty, as well as the commodification of labor and the commons are ingrained in the “mental models” (Meadows et al., 2005, p. 254), so much so that the radical imagination necessary for meaningful change is hard to come by.

³The authors continue: “In systems terms, changing structure means changing the feedback structure, the information links in a system: the content and timeliness of the data that actors in the system have to work with, and the ideas, goals, incentives, costs, and feedbacks that motivate or constrain behavior”.

According to Meadows et al., a sustainable society is a dynamic society pursuing qualitative development instead of physical expansion while agnostic to growth. “Neither for nor against growth, it would begin to discriminate among kinds of growth and purposes for growth” (p. 254).

The increasing rate of resource exploitation is the key factor contributing to unsustainability. It is reflected in the pursuit of growth and extractive technology, producing a higher exploitation rate than a renewable resource needs to regenerate; coupled with market signals reinforcing unsustainable cycles and misplaced policies (Meadows, *n.d.*).

Inspired by limited action to change the system, Meadows (1999) identified 12 points for intervention in the system, which would catalyze transformation. These “places to intervene in the system” are ordered backward—from the least effective to the most effective leverage point.

12. Constants, parameters, numbers (such as subsidies, taxes, standards).
11. The sizes of buffers and other stabilizing stocks, relative to their flows.
10. The structure of material stocks and flows (such as transport networks, and population age structures).
9. The lengths of delays, relative to the rate of system change.
8. The strength of negative feedback loops, relative to the impacts they are trying to correct against.
7. The gain around driving positive feedback loops.
6. The structure of information flows (who does and does not have access to what kinds of information).
5. The rules of the system (such as incentives, punishments, constraints).
4. The power to add, change, evolve, or self-organize system structure.
3. The goals of the system.
2. The mindset or paradigm out of which the system—its goals, structure, rules, delays, parameters—arises.
1. The power to transcend paradigms (Meadows, 1999, p. 3).

I will return to these leverage points in Sect. 8.4 in connection with cooperative points of impact. Let me first turn to the key characteristics of the cooperative enterprise form, as embodied in the Statement on the Cooperative Identity by the International Cooperative Alliance (ICA, 1995).

8.3 The Cooperative Difference

The cooperative enterprise model is characterized by three fundamental properties implied in the Statement on the Cooperative Identity (ICA, 1995) which consists of an agreed-upon definition, a set of values, and operational principles: cooperatives are people-centered, rather than capital-centric; jointly-owned and controlled by their members; and democratically governed (see Chap. 2). These three properties supported by the values and principles of cooperation form the building blocks of the unique cooperative model (Novkovic & Miner, 2015; Miner & Novkovic, 2020). People-centeredness assumes that people are intrinsically motivated social beings,

balancing their personal and group interests in accordance with general moral principles. Joint ownership and control (distributed rather than concentrated) is a hallmark of cooperative organizations, and it is intertwined with members as owners, controllers, and beneficiaries (Dunn, 1988). Although typically operating under private property regimes, cooperatives distribute ownership rights equally among their members and may hold some of their assets in indivisible reserves (ICA Guidance Notes, 2015; Navarra, 2016; Tortia, 2018). Democratic governance is a personal right rather than a property right (Ellerman, 1990); in primary cooperatives decisions are based on one member-one vote, rather than wealth-based, with self-governance as the underlying engine of autonomous cooperative enterprises and a vital component in democratic decision-making by their members. Members typically engage with the cooperative enterprise as contributors to its operations as producers, consumers, or workers (Novkovic et al., 2023), while they also jointly own and democratically control it to enable such engagement. This sets the member-owned enterprise model apart from the investor-owned, with implications for governance and, in particular, the *purpose* of the cooperative enterprise; its *raison d'être*.

Cooperatives as collective, values-based enterprises (MacPherson, 2002; Novkovic et al., 2022) are a means of collective action to promote human dignity, democratic decision-making, engagement (empowerment) of employees and other stakeholders, and, often, decommodification of necessities (such as food or housing) and the commons, as well as protection of members from market fluctuations and impact of market power (Novkovic et al., 2023). Cooperatives, therefore, internalize social “externalities” by definition, and environmental externalities increasingly in recent decades either as new cooperative startups or by changing the focus of governance and operations to environmental issues.

Cooperatives engage in market exchanges, but they also resort to reciprocity and relational exchanges among their members, as well as with other organizations through inter-cooperation as a principle. This is reinforced by intergenerational stewardship since cooperative members are concerned about the longevity of the enterprise instead of short-term financial gain for the current generation of members (see Lund & Hancock, 2020).

Well-governed co-ops also tend to evolve nested and networked governance structures as a means to develop and grow, as they strive to practice and uphold the values and principles that all co-ops subscribe to—e.g., member participation, democratic decision-making, solidarity, and cooperation among cooperatives, among other. The types of networks defined by the purpose of their formation (Table 8.1) include regional and national associations (or federations), supply chains, consortia, and diverse (complex) network formation to achieve a particular, more complex, goal of broader societal interest.

In summary, cooperatives are democratic member organizations with associational and mutualist character, networked inter-cooperative structures, and a direct relationship through members' *use* of the enterprise (Borgen, 2004) for a particular need-satisfying purpose, rather than a purely financial investment. With these characteristics, there is evidence that they have the potential to impact on system change.

Table 8.1 Typology of cooperative networks by their purpose

Typology of cooperative networks	Purpose for network formation
1. Cooperatives are networks of independent actors	Forming a cooperative industrial democracy, social and economic justice, network governance, economic and social benefits, responding to “market failures”
2. Inter-organizational networks	Scale economies, cost reduction through joint services (second tier cooperatives; federations, consortia), financial support
3. Supply chain networks	Food security, fair trade, financial support within the supply chain, complementary goods and services
4. Sectoral networks; co-op development networks; cooperative federations/ leagues (regional, national, international)	Representation; to support the cooperative movement, lobby government, advocacy, co-op development
5. Complex networks with other (cooperative and non-cooperative) types of actors in the economy and society	Public goods provision, protecting and governing the commons, regional development, community development

Source: Adapted from Novkovic (2014, Table 3.1, p. 88)

8.4 The Cooperative Model and Its Potential as a Leverage for System Transformation

8.4.1 *The Leverage Points*

At the top of Donella Meadows’ (1999) list of places to intervene in the system lie a few characteristics of cooperative enterprise form which, if sufficiently spread, may influence change. Cooperatives have a different purpose and structure, which address the core of the underlying cause of unsustainability highlighted by Meadows et al. (2005). Created to use the enterprise for work, access to necessities, markets, ethical consumption, or pool risk and resources, the cooperative model contrasts investor-owned enterprises in most fundamental ways.⁴

The following points (#2–#6) are extracted from the Meadows’ list to make a case for cooperative relevance and impact in the coming years in these five areas.

#2. The mindset or paradigm out of which the system—its goals, structure, rules, delays, parameters—arises.

I start from #2 on the list, since cooperatives, too, belong to a paradigm. Awareness about the way of knowing (#1 on Meadow’s list of pressure points) is a challenge beyond organizational design and a matter of broad education.

However, a different mindset (framing; point of view) is the most valuable contribution a cooperative enterprise and the associated nature of economic activity can bring to the structure of an economic system. This mindset has been marginalized

⁴Some evidence of the positive impact on community health, wealth, and income equality is captured in Erdal’s study of Emilia Romagna, a region with high cooperative density (Erdal, 2014).

and pushed aside in mainstream economics and business theory and practice to the point that the model itself became under threat in some regions due to the inability of its members to picture a different way of organizing economic institutions or a different way of life.

That cooperatives are prone to isomorphism is a matter of some elaborations in the literature (Bager, 1994; Borgen, 2004; Novkovic & Gordon Nembhard, 2023), but the underlying systemic reasons have been difficult to engage with due to the dominant framing of the economy and accompanying institutions. The momentum seems to be shifting as the newest wave of crises—financial in 2008 and the pandemic in 2020—put a new spotlight on systemic issues facing the planet. It is no surprise, then, that credit unions were seen as an alternative to bank failures by the Occupy movement; or that worker cooperatives are on the rise in the platform economy.

#3. The goals of the system.

The goals of cooperative enterprises and their networked systems vary depending on their context (see also Chap. 4). Still, they typically take the role of stabilizers to counterbalance the outcomes of systemic fluctuations and market inequities. Examples include increased cooperative entry in recessions, providing jobs and stability (Perotin, 2016; Eum, 2012); ensuring a living wage; use of indivisible reserves to buffer the impact of crises on the workers and members (Navarra, 2016; Tortia, 2018); relying on social networks to increase resilience (Billiet et al., 2021; Merrien et al., 2021), etc. In that sense, cooperatives can also impact the system through #8 on Meadow's list—negative feedback loops as stabilizers—although their size relative to the problem they are trying to correct for may not always be sufficient to instigate a ripple effect. The networked nature of the model assists in scaling up impact.

This self-correction of structural fluctuations and business cycles is the reason for calls to support cooperative development in many regions. As self-help enterprises, cooperatives also address multiple areas highlighted in the Sustainable Development Goals (SDGs; see Beishenaly & Eum, 2021).

#4. The power to add, change, evolve, or self-organize system structure.

The cooperative system is about self-help, by definition. Democratically governed cooperatives evolve with their members whose needs are changing with new generations of members and the changing technology and the environment. A system change is potentially slower⁵ in democratic enterprises and their nested networks, but the uptake is faster once a decision is agreed on (Eckart, 2009). The mindset of members may hinder a system change. If they have a poor understanding of the purpose of their enterprise model, their behavior may be influenced by the dominant institutional setting, often hostile to cooperatives.

⁵The cooperative response to the 2020 pandemic crisis was swift (Billet et al.; Merrien et al.), so this “stylized fact” needs more research and evidence.

#5. The system's rules (such as incentives, punishments, constraints).

Members of cooperatives set the rules, change them, and evolve them as the environment and membership evolve as well. While cooperative enterprises can change the rules within the cooperative system, this power is limited by their density in the broader context. Within the boundaries of a cooperative system, organizations can impact both points #4 and #5 in Meadow's list of leverage points. However, cooperative density has to be significant to influence an industry or a regional system, or they have to strike broad networks and partnerships with other values-based organizations. This power to change the system is best showcased within the social solidarity economy in Quebec or in various pockets in Spain, France, Italy, and other regional economies.

#6. The structure of information flows (who does and does not have access to what kinds of information).

Cooperatives are known for transparency, openness, and information sharing. In worker cooperatives, these values are more readily realized because members are insiders in close proximity to the relevant information. Small cooperatives also tend to share information very quickly among the members. However, large (consumer or producer) cooperatives face a challenge because strategic decisions are often delegated to the leadership group and can be lost on the members. Good indicators may serve the information purpose, although often not in real time. Therefore, the lag between data collection and the ability to change the course may be significant.

In summary, cooperatives are born out of a different mindset—as self-help enterprise by a group of people who satisfy their needs through means of collective action, instead of the typical “hero entrepreneur” setting up a company to cash out on the IPO. Capital in cooperatives is instrumental—a necessary input but a means to a different end. This mindset and a different purpose can impact the system, which is destabilized by the quest for growth and capital accumulation (Meadows et al., 1972, 2005). Democratic decision-making ensures that rules and the structure of the organization and its networks evolve over time.

8.4.2 Transformative Power of Cooperatives

In Meadow's terms, the structural causes of overshoot are norms, incentives, and goals that add pressure to capital accumulation and exponential growth. In that sense, cooperatives provide negative feedback loops that keep the system in check. They are known to correct for market failures, internalize the externalities, and are laboratories for social innovation (Novkovic, 2008). The counterbalancing logic and purpose of cooperatives fall into the following categories (Novkovic, 2020, 2021):

Promoting Human Dignity: Impacting Workers, Consumers, Producers, and the Community

As Meadows infers in her writing, one of the imbalances of the current system is that people are treated as a cost in production, so layoffs are profitable. In contrast, losses due to layoffs are externalized to the households and to public finance. Pursuing growth and profitability demands cutting costs, which often implies violating the rights of consumers, workers, or other stakeholders. By definition, cooperatives internalize the externalities as self-help enterprises whose members and decision-makers are the stakeholders impacted by their operations.

Decommodification of Fictitious Commodities (Land, Labor, Money; Housing, Food, Health, Enterprise, Knowledge)

Karl Polanyi (2001 [1944]) termed land, labor, and money as fictitious commodities whose provision cannot be left to market self-regulation through the price mechanism (Paton, 2010). The commodification of natural resources, work, or money creates monopolies, prevents access, and produces negative externalities.

An embedded system failure most notably captured by Hyman Minsky (1986), the commodification of money and financialization of the economy have produced multiple crises. On the other hand, cooperative finance tends to be conservative in that it creates liquidity using members' assets to invest in the real economy. Moreover, financial market fluctuations do not directly impact cooperatives since their shares are not traded, and financial capital is a tool for a different purpose, yielding limited return.

Worker cooperatives decommodify labor; they are set up to provide meaningful work and protection from commodification, thereby also promoting human dignity (Navarra & Tortia, 2014; Burdin & Dean, 2012; Burdin, 2014; Perotin, 2016; Stocki & Hough, 2016).

Natural resources are treated as commons and collectivized in some cooperatives. Cases of community management of the commons (Sanchez Bajo & Roelants, 2011) or the formation of land trusts to collectivize and decommodify land are also present in many contexts. But overall, it is fair to say that natural resources have been neglected by all types of enterprises, including cooperatives, as the information about the planetary boundaries was scarce in the economic sphere, by ignorance or by design.

Other aspects of human activity not meant for market exchange should also be added to Polanyi's list (see Novkovic, 2021). They certainly include the enterprise itself, and is reflected in its purpose. While cooperatives are designed to stay in operation as long as they provide use-value and address a socio-economic need of their members, investor-owned enterprises are designed to grow and accumulate financial wealth, contributing to system failures.

Distributed Power (Democratic Decision-Making)

Democracy is a cooperative value and a principle; it is the hallmark of the cooperative enterprise model. Different cooperative types practice different forms of democracy (Novkovic et al., 2023), but it is important to note that democratic vote in cooperatives is a non-transferable personal right, rather than a property right

(Ellerman, 2016), and it cannot be equated to a shareholder vote in corporations (Tortia, 2018).

Worker cooperatives are particularly concerned about concentration of managerial power (Cannell, 2015), but oligarchic tendencies are even more pronounced in consumer cooperatives since members are more distanced from decision-making. Various institutional structures are created by the cooperative members to ensure that power is not concentrated in a few hands, and they may include committees (as in OAS Federal Credit Union, McMahon et al., 2020), sociocracy circles (Unicorn worker co-op; McMahon et al., 2021), or social councils (see the Mondragon case, Imaz et al., 2023), for example.

Fair Distribution of Income

Income inequality is a systemic issue and a source of unsustainability. It has a negative impact on welfare, child poverty, population wellbeing, happiness, and increasing social problems such as crime and teen pregnancy, for example (Wilkinson & Pickett, 2010, 2014).

The perception of fairness is also important for wellbeing. Cooperatives have a role to play when it comes to income dispersion and income inequality. Stemming from values such as equity, equality, and solidarity, cooperatives often pay attention to fair income distribution with respect to gender, type of work, paying a living wage, income distribution based on patronage (hours worked in case of labor), social needs, and the like. The highest to lowest pay ratio in cooperatives is hundreds of times lower than in comparable investor-owned businesses.

Besides addressing pay equity, cooperatives distribute income fairly to their members, according to their contributions to revenue stream through hours worked, or patronage. Members decide on the division of surplus to indivisible reserves, which serve as intergenerational transfer of wealth, and to member patronage or to reinvestment.

Longevity and Resilience (Purpose to Serve Future Generations)

Organizational resilience increases with shorter supply chains, networked systems of decision-making, embeddedness in the local community, and reduced exposure to speculative market price fluctuations. The unique features of cooperatives result in non-market responses to address human needs, asset lock since capital is non-transferable, and member participation in decision-making. Operationalization of co-op values such as solidarity and mutual self-help (MacPherson, 2002), and the principle of cooperation among cooperatives lead to the formation of networks—associations, federations, consortia, and supply chain networks. Networked structure, economic democracy, and indivisible reserves have proven to be some of the key factors securing cooperative resilience and longevity (see Merrien et al., 2021 for a review). Employment stability is a key factor contributing to a significantly greater rate of survival of worker cooperatives compared to investor-owned enterprises (Arando et al., 2010; Burdin, 2014; Smith & Rothbaum, 2014).

Economic Justice

Economic justice is often the reason for cooperative market entry. It includes decent work and a living income to labor; fair price to suppliers (e.g., mitigating monopsony pricing); not engaging in predatory pricing; paying fair taxes; affordable housing prices, and the like. Not treating labor as a commodity secures self-determination at work, and fair wages with equitable income distribution.

The commitment to growth driving unsustainability comes from the persistent “poverty, unemployment and unmet needs” (Meadows et al., 2005, p. 261). The authors call for a new way of thinking in order to resolve these issues. To resolve poverty, they propose a reliance on sharing, rather than accumulating wealth, and call for “solidarity and sufficiency.” While this may sound idealistic to some, the cooperative economy has always worked on these principles (see Chap. 5). Unemployment is a result of commodification of labor in the current system, separating work from the human being, and treating labor as a cost which needs to be cut to satisfy investors’ quest for profit. Such focus is behind the “working poor” phenomenon when even those who have jobs are unable to satisfy their basic needs. Labor market price signals have never internalized the externalities, and that is where (worker) cooperatives play a corrective role.

As associations of members who self-define the economic activity which will address their needs, and the rules of democratic engagement with the enterprise, cooperatives have the ability to change the mindset and awaken the radical imagination of their members and communities. The challenges they face are many—from isomorphic (regulatory and other) pressures to align with mainstream institutional logic, to heterogeneity of members and strategic misalignment (Borgen, 2004).

Also important from a systems point of view is their relatively limited reach when it comes to impact on policy and feedback loops which would trigger transformative practices. Measures and indicators developed with the cooperative mindset may provide a tool for greater impact.

8.5 The Mindset, Goals, Measures, and Transformation

The UN’s efforts to shift focus on sustainable development include the advancement of goals, targets, and indicators (SDGs) intended to serve as traffic lights that direct the global system toward a sustainable path.

Indicators can be impactful if they affect other leverage points with higher impact on the system (Meadows, 1999). The GRI and other similar tools have not succeeded to do that, since they focused on disclosure as a measure of success; their indicators have mostly been incremental and have not induced the needed behavior change. Meadows (1998) and GRI founder Allan White in subsequent years, understood that indicators need to be contextualized—placed in time, or limited by thresholds—in order to produce meaningful impact.

“Sustainability indicators must be more than environmental indicators; they must be about time and/or thresholds” (Meadows, 1998, p. viii).

Inspired by these works, Baue (2019) argues that context-based sustainability indicators with associated thresholds and allocations can influence the mindset and possibly a paradigm shift.

Context-based environmental indicators need a norm as a benchmark for comparison, which represents the threshold of a resource allocated to a particular use, in order to be sustainable. McElroy (2008) calls it “Sustainability quotient” where an actual value (impact) of an indicator is divided by the normative value allocated to this particular use (see Baue, 2019, p. 9). The norms are established by the scientific community assessing the planetary boundaries in nine critical areas of impact of human activity, such as air pollution and biodiversity loss, for example (see Steffen et al., 2015; Raworth, 2017).

When it comes to social indicators, a time component can contextualize progress, but norms are a matter of some debate—what is sustainable when it comes to inequality or unemployment; poverty, or gender equity? Cooperative mindset, purpose, and logic can contribute to setting these benchmarks (Novkovic, 2020, 2021), marking an important role the cooperative sector and the broader social solidarity economy can play in shifting toward sustainability and required transformation. By measuring and reporting on the purpose of cooperative organizing, cooperative indicators can exhibit their transformative nature while they perform as the yardstick (benchmark) by which to address structural problems in the economy and expose unsustainable practices (Novkovic, 2021).

The UN Research Institute for Social Development (UNRISD) developed the first comprehensive—and evolving—set of Sustainable Development Performance Indicators based on context-based accounting, with benchmarks and allocations (see Baue, 2019; Yi et al., 2022). In contrast to ESG metrics which assess the environmental, social, and governance risk to the enterprise, the SDPI turns this logic on its head to assess sustainability of the enterprise with respect to its impact on the social and natural ecosystems (Yi et al., 2022).

8.6 Conclusion

The collective, people-centered nature of the cooperative enterprise model, as defined by the ICA Statement on the Cooperative Identity, carries some inherent features which may provide the leverage points for intervention in the system. Meadows (1999) highlights that the most important points of intervention include changing the mindset, goals, and incentives in the economy. This chapter extends the argument that cooperative purpose and structure offer a different point of view, departing from the quest for profit and capital accumulation identified by Meadows as the systemic flaw: an embedded source of unsustainable outcomes due to misplaced incentives and inadequate cost accounting.

The cooperative economy has the potential to impact the socio-economic transformation required for a sustainable system operating within the planetary boundaries. Importantly, the cooperative model offers radical imagination needed for system

transformation, with a different mindset regarding the role of the enterprise as a socio-economic entity that provides meaningful work and serves as a vehicle to meet the needs of its members and community.

The issue with cooperative economy as a vehicle for change is that, while significant, it is still relatively small compared to the mainstream capitalist giants. Yet, change in complex systems is known to come from small impacts and ripple effects. One way to speed up the shift in the mindset is to contribute to indicators and measures used by the regulators and by rating agencies, but indicators that drive the change toward sustainable social, ecological, and economic practices rather than assist in “greenwashing.” Sustainable Development Performance Indicators by UNRISD provide a mindset-shifting approach to measurement, by introducing the thresholds and allocations, as well as social norms inspired by cooperative values which may move us closer to a sustainable future.

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Chapter 9

Balancing Flexibility and Stability: Leveraging Cooperatives for Organizational Resilience



Kata Isenring

Abstract This chapter provides an overview of recent developments in resilience research in organization and management studies, with a particular focus on cooperatives. The chapter highlights the importance of moving away from understanding resilience as a defensive and reactive measure and emphasizes the need for organizations to proactively design their capabilities to anticipate and respond effectively to adverse events while reducing overall vulnerability. Cooperatives, owing to their democratic principles, shared ownership, and community engagement, have developed organizational traits that foster resilience. The chapter presents three cases of the cooperative logics that demonstrate how organizations have leveraged their historical and structural factors to build problem-solving and adaptive capabilities that enable them to anticipate and respond effectively to adverse events while reducing overall vulnerability. The chapter concludes by discussing how decision makers across various organizational contexts can gain insights into how to balance flexibility and stability and develop their own resilience-enhancing logics and practices by examining the experiences of cooperatives.

Keywords Organizational resilience · Societal resilience · Cooperatives · Cooperativeness · Adaptive capabilities · Resilience-as-process · Strategic challenges

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M. Ambühl et al. (eds.), *Cooperatives in an Uncertain World*, Contributions to Management Science, https://doi.org/10.1007/978-3-031-56200-6_9

9.1 Introduction: What Is Organizational Resilience, and Why Should We Care

In this chapter, I explore recent developments in resilience research in organization and management studies, with a particular focus on cooperatives. The focus on cooperatives is useful, because owing to their democratic principles, shared ownership, and community engagement, cooperatives have developed organizational traits that foster resilience. Discussing resilience and cooperatives jointly aids a better understanding of how cooperatives contribute to resilience in general, and how they provide a bridge between organizational and societal resilience in particular.

It is not easy to put a finger on resilience—although theories about it seem to have flourished, its usefulness as a scholarly construct has been met with skepticism, and it has rarely been conceptualized and measured in empirical studies (Linnenluecke, 2017; van der Vegt et al., 2015). Some attribute the difficulty in pinpointing resilience to the fact that the world is becoming turbulent faster than organizations are becoming resilient. This is also called the “resilience gap,” a term coined by Hamel and Välikangas (2003). Others think resilience is a mere afterthought, as it can mostly be perceived after a crisis or disaster has already happened, thus, it is difficult to anticipate what enhances resilience (Coutu, 2002). Precisely because of the uncertainty involved and because of the rapid developments of our world today, in this chapter, I join recent reviews (Linnenluecke, 2017; Powley et al., 2020; Sutcliffe & Vogus, 2003; Williams & Shepherd, 2016) and argue that a more nuanced understanding of organizational resilience is necessary.

As will be discussed in greater detail in Chaps. 15 and 16, resilience is a cross-disciplinary concept with applications in many fields, such as psychology, public health, environmental science, engineering, management, and education. Its significance lies in promoting adaptive responses and recovery in the face of adversity and challenges. More recently, scientists in all fields have called for a more proactive approach and urged us to think about resilience as a capability that can be developed in preparation or, even better, to fully avoid adverse scenarios (United Nations, 2005). Due to its interdisciplinary nature, the concept of resilience is subject to various definitions as different fields approach and interpret it in diverse ways. While resilience exhibits variation and nuance based on context and perspective, several shared characteristics underlying its definition exist. First, resilience entails positive adaptation during times of crisis or stress, leading to a rebound toward a new stable state. Second, regardless of the domain, resilience is a mechanism to maintain stability (Maitlis, 2012; Westphal & Bonanno, 2007). Third, it involves learning, growth, efficacy, and competence (Sutcliffe & Vogus, 2003), as well as the capacity to recover from setbacks (Gittell et al., 2006; Powley, 2009; Zolli & Healy, 2012). Regardless of their field of study, scholars consistently revisit these foundational aspects. In contrast, the specific operationalization and mechanisms through which resilience unfolds may vary depending on the context and approaches employed in studying resilience.

Social scientists observed that some organizations and societies seem to be better at rebounding from adverse events (e.g., cooperative banks during episodes of financial crisis, in Bazot et al., 2019, or businesses with pre-existing collaborative networks after the New Zealand earthquakes, in Stevenson et al., 2014). Scholars in organization and management studies have been trying to identify the underlying traits that enable such increased resilience. Their recent conclusion is that one can only understand the complexities of organizational resilience by considering risk and crisis management (van der Vegt et al., 2015). Taking existing stipulations around defining resilience into account, Williams and colleagues proposed a more inclusive, process-based definition of resilience (for a complete review on organizational resilience, see Linnenluecke, 2017; Powley et al., 2020; Williams et al., 2017). In their study, Williams and colleagues define resilience “as the process by which an actor (i.e., individual, organization, or community) builds and uses its capability endowments to interact with the environment in a way that positively adjusts and maintains functioning prior to, during, and following adversity” (2017:742). Such a process-oriented definition reflects on the dynamic nature of resilience and acknowledges that depending on the timeline, organizing for resilience may require different resources and actions.

Resilience is also a multi-level concept (Linnenluecke, 2017; Williams et al., 2017), as it can be developed in various types of human collectives, such as families, organizations, and societies (van der Vegt et al., 2015). Organizational and societal resilience are interconnected concepts, where organizations’ resilience contributes to society’s overall resilience, and resilience on the societal level (e.g., due to socio-cultural factors or state incentives) can cascade down to organizations (see Fig. 9.1). In other words, we should strive toward resilience on all levels of analysis, as resilient societies are more likely to translate their adaptiveness into their organizational cultures. As a result, we can observe an increased organizational resilience in these societies. At the same time, resilience built and fostered on the organizational level can spill over to adjacent entities and accumulate into society-level resilience.

Chapter 15 discusses how cooperatives and hybrid organizations can contribute to resilience on the societal level. In this chapter, I take a closer look at the

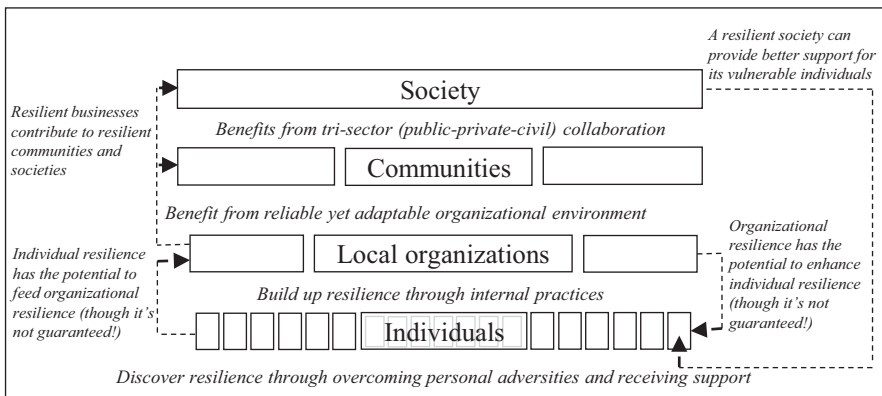


Fig. 9.1 Resilience is a multi-level, process-driven construct

antecedents and consequences of organizational resilience. I examine cooperatives as organizational units and identify some specific traits contributing to their resilience. The three short case studies in this chapter (on the intensive care unit of the University Hospital of Geneva, Raiffeisen's idea of cooperative banks, and the Swiss example of cooperative housing) illustrate that paying attention to the underlying principles of organizational forms can help us to identify and unlock resilience-enhancing logics and practices. In particular, the cases and extant literature indicate that cooperatives may have something to offer for a better understanding of the antecedents of organizational resilience.

9.1.1 Resilience as a Competitive Advantage

Until now, the prevailing approach focused on developing organizational resilience in a defensive and reactive manner. However, the real challenge for organizations (be it for- or non-profit) lies in a deep understanding of resilience at all operational levels and proactively building it to gain competitive advantage rather than relying solely on defensive responses to extreme events. "Resilience thinking" must no longer be limited to defensive and reactive measures; instead, it should be integrated into the organization's everyday activities, transforming its nature and becoming a best practice to address even minor issues that seem to have nothing to do with potential crises. Hence, the greatest challenge for organizations is to shift their resilience from a collection of redundant preventive actions, which primarily involve resource management, into a proactive strategy built on practices that enhance the daily effectiveness of operations and processes (Annarelli & Nonino, 2016:2). Mastering this challenge will leave organizations with storable, flexible, convertible, and malleable resources, that enable decision makers to cope with and learn from the unexpected (Sutcliffe & Vogus, 2003).

In organization and management studies, resilience is seen as "the ability to dynamically reinvent business models and strategies as circumstances change" (Hamel & Välikangas, 2003:2). Strategic resilience extends beyond reacting to isolated crises or recovering from setbacks. It involves the ongoing ability to foresee and adapt to significant and long-term shifts that could permanently affect the survival chances of an organization. It emphasizes the capacity to initiate change proactively, even before the need for such changes becomes evident (ibid).

9.1.2 Measurements of Organizational Resilience

Currently, resilience indicators lack standardization, making it difficult to develop insights into the antecedents, mechanisms, and processes of resilience across cases (Powley et al., 2020:346). Barker Caza and colleagues suggest that the lack of measurability may have created a biased situation in research, where authors tend to

only look at the positive aspects of resilience (Powley et al., 2020). However, it is important to note that resilience, if not flexibly adapted to the situation, may lead to rigidity and come at a cost to organizational learning (Williams et al., 2017). Therefore, Barker Caza and colleagues suggest that it is just as important to measure the negative as the positive aspects of resilience (Powley et al., 2020). Organizational sociologists have long been fascinated by organizational survival (for a review, see Josefy et al., 2017). What makes some organizations more likely to survive than others? Do firms learn from their own failures (J. A. C. Baum & Ingram, 1998), or perhaps even from the failures of their competitors (Kim & Miner, 2007)? Can the lessons learned from survival be translated into organizational resilience? What are the limits of resilience-enhancing learning? A closer examination of organizational survival could assist us in developing more accurate measurements and improving the overall empirical applicability of resilience as a concept.

9.1.3 Creating and Maintaining Resilience in Organizations

How to attain resilience and establish and sustain resilient processes? The literature has not yet achieved a unanimous agreement on implementing best practices (Annarelli & Nonino, 2016), and scholars call for more empirical research on the subject still (Sutcliffe & Vogus, 2003; Weick & Sutcliffe, 2001).

Organization and management scholars tend to approach resilience from a system perspective,¹ and the most important building blocks of organizations as complex systems are employees, teams and taskforces, the resources assigned to them, and the networks they constitute (van der Vegt et al., 2015). Whether or not an organization can implement measures that increase its resilience is also a matter of formal organizational structure. Case studies suggest that organizations with decentralized decision-making structures fare better in emergencies. Indeed, bureaucratic structures seem to block creativity, responsiveness, and adaptiveness of employees (McManus et al., 2008).

The definitional differences in resilience across fields and organizations, together with the conceptual and measurement challenges, indicate that more research on implementing practices that lead organizations toward better resilience is needed. General recommendations exist; for example, Powley et al. (2020:346) suggest that organizations can develop and maintain resilience by fostering a culture of resilience, investing in employee training and development, building strong relationships with stakeholders, and engaging in proactive risk management practices. However, the authors note that there is no one-size-fits-all approach to building resilience and that organizations must tailor their strategies to their specific contexts and needs.

¹This means that resilience is a characteristic of an entire system, rather than of the system's individual parts (Adger, 2000).

9.1.4 *The Dark Side of Resilience*

Most research depicts resilience as a desirable outcome for individuals, communities, and organizations, as it enables actors to function in the face of adversity. However, this “functioning” may also bring about unwanted side effects. In their 2017 review, Williams and colleagues unexpectedly find that resilience may bring about resistance to change, failure to learn and adapt, and an overall inability of the organization to pivot or transform (Williams et al., 2017:750). This area is currently underresearched and requires further attention. Here are, nevertheless, a few mechanisms through which resilience could weaken an organization’s overall position, competitiveness, or survival chances. First, there is the potential concern of moral hazard. For example, Baum (2018) argues that increasing resilience may reduce interest in preventing adverse events from occurring. Second, the benefits of resilience can also be misinterpreted or misunderstood by guiding attention to only one aspect. For example, Aldrich et al. (2018) express their worry about governments placing too much emphasis on the resilience of physical infrastructure instead of the overall resilience of society, which can lead to increasing public tension. Third, resilience may create a false sense of security at the individual, organizational, and societal levels. The experiment of Tinsley and colleagues proves this possibility. Their results indicate that people who escape disaster and frame their experience as “resilience” are more likely to underestimate the level of danger in similar future situations (2012). Cooperatives may be better protected against these unwanted side-effects of resilience; however, just like other organizations, they should also develop internal processes to tackle them.

9.2 Why Are Cooperatives more Resilient than Other Types of Organizations?

Organizations are successful at creating resilience when they overcome complex problems (Bigley & Roberts, 2001). Cooperatives are particularly capable of creating resilience, as they were created to address complex problems in the first place (Niedworok et al., 2021:539). Cooperatives contribute to resilience by fostering collaboration, innovation, and adaptability (see Chaps. 11 and 14). Through democratic principles and shared ownership, cooperatives create a strong sense of community engagement and participatory decision-making (see Chap. 4).

Cooperatives also provide a bridge between organizational and societal resilience. Cooperative organizational forms can be the source but also the result of increased societal resilience. For example, certain events can trigger a community’s resilience by increasing their willingness to cooperate. Often, new cooperatives emerge as a result (Rao & Greve, 2018). On the other hand, we can expect societies and markets with a larger density of cooperatives to be more resilient in general (Bazot et al., 2019; Caselli, 2018).

9.2.1 *The Organizational Hurdles of Resilience*

Organizations take cues from their environment and update their actions accordingly. Previous experience—regardless of whether it is the organization’s own experience or not—will contribute to future resilience as organizations encode new information, adjust mental models, and update their routines (Madsen, 2009). However, research shows that the learning effect from past experience is not linear, as organizations alternate between periods when they focus on safety and periods when they emphasize other goals, such as efficiency or innovation (Haunschild et al., 2015). Consequently, the ability to learn and increase resilience based on experience weakens over time, and thus, the organization’s vulnerability increases (Williams et al., 2017).

To maintain and improve resilience, organizations must overcome various challenges. According to Hamel and Välikangas (2003:20), there are four challenges that organizations must conquer to become more resilient. First, organizations must become conscious of their cognitive processes—what shapes them and how do they reflect back on the resources that are made available (for a review, see Eggers & Kaplan, 2013). To overcome the cognitive challenge, a company must free itself from nostalgia, denial, and arrogance. Decision-makers must constantly monitor change, and they must be willing to consider how shifts in the environment are likely to affect the company’s current success (Hamel & Välikangas, 2003). Second, in the quest for resilience, organizations must face the “strategic challenge,” i.e., the ability to create several new options as alternatives to “dying strategies.” This is because resilience requires alternatives and the ability to switch between them. Alternatives do not always have to be brand new. They may, in fact, be built on old, “forgotten” institutional logic, such as craft brewing in the industrialized Dutch beer brewing industry in the 1970s (Kroezen & Heugens, 2019). The important element of facing the “strategic challenge” is to value variety in strategic options, as variety is insurance against the unexpected (Hamel & Välikangas, 2003:30). Third, after having developed awareness and new ideas (i.e., mastered the first two challenges), organizations must be able to divert resources from past to future projects. Reallocating resources can be a painful and political process within any organization. To become more resilient, companies must mitigate the political climate around resource allocation. Hamel and Välikangas call this the “political challenge”; however, let us remember that the key here is resource (re)allocation. In most organizations, managerial power correlates with the size of controlled resources. No wonder if it is harder for new strategic options to attract resources, even though the fact of them being novel does not imply anything about them being riskier. Companies tend to “overinvest in the past,” and as a result, they have less flexibility to adapt to new situations. Unfortunately, rigid resource allocation is the enemy of resilience (Hamel & Välikangas, 2003:34–35). How individuals relate to resources can also differentiate resilient organizations from less resilient ones. Resilience requires transitioning from slack resources to self-reliance, which may activate new

roles and identities within the organization (Powell & Baker, 2014; Williams & Shepherd, 2016).

The last challenge is of ideological nature. In the last century as much as in this one, the main goal of every organization was to “do more, better, faster, and cheaper” (Hamel & Välikangas, 2003:38). This is the ideology of optimization, and today it is no longer enough. Optimization only works if there is no essential change in *what* must be optimized (ibid). To achieve strategic resilience, companies have to commit themselves to perpetual, opportunity-driven renewal instead of process optimization (ibid:39).

Hamel and Välikangas emphasize that it is nearly impossible to master all four challenges (2003). Keeping the process-based definition of resilience in mind,² recent research agrees that resilience is not an outcome, but a continuous process (Williams et al., 2017). To maintain high levels of resilience, companies must stay vigilant and continuously look for new ways to address these four challenges. Following the research updates in the fields of innovation and strategic renewal can enhance managerial understanding on the subject (for a recent review, see Schmitt et al., 2018).

9.2.2 Cooperatives Are Well-Positioned to Face the Hurdles of Resilience

The four challenges described above are especially difficult to address in combination. However, cooperatives are well-equipped to do just that, due to their strong core values and operational practices. First, since decision-makers in cooperatives hear the perception of their members frequently, and are conditioned to actively listen to these voices, management cannot stay in denial for too long. Their democratic organizational infrastructure also keeps them from becoming arrogant. For example, in 2022, the Swiss retail cooperative, Migros, was considering the introduction of alcoholic beverages into its supermarket offering, in hope of increasing revenues. However, Migros cannot make such a decision without asking the opinion of its ca. 2.3 million members first. 630,000 people participated in the vote, and the result was clear—members preferred to keep their supermarkets alcohol free (Migros, 2022). This example demonstrates that cooperatives are capable of addressing the cognitive challenge. Second, due to their focus on satisfying local communities, cooperatives naturally develop a multitude of strategic alternatives. For example, the Swiss housing cooperative ABZ offers living spaces for every generation: more modest, small apartments for young people and students, four-room apartments for families with children, with additional community spaces and

²That is resilience is an “interactive process of relational adaptation,” which has to do with continuously understanding, responding to, and absorbing variations, as well as continuously gaining back, maintaining, and/or building new resources (Williams et al., 2017:742).

on-site kindergartens, and finally, ABZ also offers spaces that meet the needs of elderly people, including additional healthcare services (ABZ, 2022).

Third, given their democratic decision-making routines, cooperatives can mitigate the political challenges that arise from the question of resource (re)allocation. Research on hybrid organizational identities (to which cooperatives also belong) shows that hybrid organizations are able to “work through” paradoxical situations, such as conflicting goals, values, practices, and beliefs (Jay, 2013; Lüscher & Lewis, 2008). A recently conducted ethnography about a natural food cooperative in the United States reports that the tension between pragmatist (read: pro-business) and idealist (read: naïve³) sections of the cooperative was internalized by the cooperative members, and due to the institutional traditions and rituals of the cooperative, clashes between the two groups enhanced the cooperative’s final decisions. In other words, what seems like a dysfunctional process within the organization, fostered functionality on the organizational level (Ashforth & Reingen, 2014).

Finally, with respect to the ideological challenge, or in other words, the dilemma of being hyper-focused on optimization instead of strategic evolution and perpetual renewal, cooperatives have the advantage that their primary goal was never optimization. As Niedworok and colleagues emphasize, cooperatives can be seen as highly flexible forms of organizations, capable of mitigating a wide array of problems, and even facilitating innovation (2021).

In addition to being prepared to face the four main challenges outlined above, cooperatives are also known for their stability and longevity. This is important, because according to Hamel and Välikangas, longevity is a key element of organizational resilience, as it allows for complexity to develop.

9.3 Three Cases of Resilience-Enhancing Cooperative Logics

In the following section, I briefly introduce three real-world examples of organizations building or contributing to resilience. The example of Raiffeisen Bank, and cooperative banks, in general, showcase a common situation of why cooperatives emerge in the first place: to solve community-specific problems. Raiffeisen's initiative to create cooperative banks was primarily focused on strengthening *community* resilience. During the financial crisis, it also became evident that Raiffeisen banks demonstrated greater *organizational* resilience compared to their non-cooperative counterparts. The case of the intensive care unit at the University Hospital of Geneva is set in a non-cooperative organizational setting, at a certain point in its history, the employees adapted cooperative logics and were thus able to increase the resilience of their unit. Finally, the case of the Swiss housing cooperatives illustrates how cooperative structures that are deeply embedded into societies

³A word used by the cooperative members themselves.

can contribute to societal resilience. This last case also discusses some of the challenges cooperatives face in modern times.

9.3.1 Resilience by Design: Raiffeisen's Idea of Cooperative Banking⁴

9.3.1.1 Reviving an Old Organizational Form to Tackle New Challenges

In the 1850s, the German agricultural depression became so severe, that emergency food aid and other forms of charity were no longer able to address the social and economic problems. When Friedrich Wilhelm Raiffeisen realized this, he established the first rural credit cooperative in 1864 to provide financial resources to the impoverished rural population. Raiffeisen formulated his own set of principles for credit cooperatives, which have lost little of their validity and topicality and have recently resurfaced in many academic articles and European policy documents on social innovation. These principles were based on the trilogy of self-help, self-responsibility, and self-administration, which became his adage for individual farmers. It is important to note that Raiffeisen did not invent the cooperative model, since it already existed in the Middle Ages in the form of commons and guilds, but he revived and adapted it to the needs of the rural population (see Chap. 5). Many other European countries soon replicated cooperatives established in the Raiffeisen tradition, and national cooperative champions encouraged farmers to establish farmers' unions and to set up agricultural and credit cooperatives to feed their existential needs (Groeneveld, 2020).

9.3.1.2 Responding Locally to Unlock Resilience

Raiffeisen's idea of establishing credit cooperatives helped to correct market failures, such as financial exclusion, and to overcome the associated problems of asymmetric information in favor of the rural population, particularly farmers and small businesses. By providing access to credit and financial resources, Raiffeisen's credit cooperatives helped to ameliorate the living conditions of the rural population and break the negative spiral of worsening life conditions. The three principles (see above) became the backbone of jointly owned firms by farmers, which helped to stimulate people to take control of their own destinies. In retrospect, many scientists and policymakers now qualify Raiffeisen as a "social innovator" who found a solution to a social problem, and society as a whole was the main beneficiary. Therefore, Raiffeisen's idea of credit cooperatives helped to unlock resilience in the

⁴The mini case study presented in this chapter relies primarily on the work of Groeneveld (2020).

community by providing access to financial resources and promoting self-help and self-responsibility (Groeneveld, 2020).

9.3.1.3 Cooperative Banks Are more Resilient

During the great financial crisis of 2007/2008, cooperative banks were less affected and more resilient than organizations with other ownership structures (Birchall & Ketilson, 2009). We should keep in mind that every crisis is different, and affects organizations, societies, and economies differently (Rao & Greve, 2018). Consequently, there is no one-size-fits-all ownership structure that will guarantee a certain level of organizational resilience, and the effects of new crises will need to be constantly made sense of on all operational levels of organizations (Christianson & Barton, 2020).

However, as Groeneveld aptly summarizes it (2020), certain common traits of cooperatives lead the research community to believe that cooperatives are a particularly well-suited form to build resilience. First, cooperative banks have a distinctive cooperative nature that results in a low-risk profile and a strong focus on the real economy, which may help them weather financial crises (Chiaramonte et al., 2015). Second, cooperatives have strong local knowledge and relationships, which can help them better understand the (changing) needs of their customers and respond to (shifting) local economic conditions. Third, cooperative banks can provide access to credit and financial resources to small and medium-sized enterprises (SMEs) and households, which can help to ameliorate the living conditions of the rural population and break the negative spiral of worsening life conditions. Fourth, in times of crisis, cooperative banks can demonstrate their long-term orientation, solidarity, and local anchoring, which are important attributes for resilience (Groeneveld, 2020).

9.3.1.4 Hybridization of Cooperatives May Undermine Their Resilience

In response to various isomorphic pressures, cooperative banks have relaxed their adherence to a number of Raiffeisen's original principles over the years (Groeneveld, 2020). Some scientists argue that this has led to a loss of distinctiveness and social innovativeness (Boscia et al., 2015; Poli, 2019) while Groeneveld presents a more balanced view by stating that cooperative banks have not completely abandoned their original principles and that a more nuanced understanding of their distinctiveness and degree of hybridization is needed (2020). The further modifications of the original cooperative ideas are indisputable (their effect on resilience and organizational distinctiveness is not). Many of the modifications made by cooperative banks have meant a departure from the founding principles of Raiffeisen. First, a move toward commercial banking practices seems to have occurred. This means that cooperative banks have adopted strategies that move them toward the operational mode, management practices, and strategies of commercial banks. Many of these new practices were meant to combat difficulties inherent to the cooperative form in

the first place. As a result, the cooperative identity of banks started to fade. Second, cooperative banks have experienced a continuously declining local presence, which commenced in the 1950s. Without being linked to local communities, cooperative banks may lose their ability to perceive, respond, and adapt to local crises. Third, many scholars consider member growth and the increasing optimal size of cooperative banks as threats to governance (Höhler & Kühl, 2018). As early as the 1950s, the expanding size and complexity of local cooperative banks meant that the inclusion of professional bankers on the elected boards was inevitable. As a result, financially compensated managers replaced the originally unsalaried and voluntary cashiers. This change affected governance and planted the seeds for information asymmetries and principal-agent problems, i.e., “potential conflicts of interest between managers and owners” (Groeneveld, 2020:369, see also Fama & Jensen, 1983). This short case example demonstrates that the special attributes of cooperatives are likely to create more resilience, while the disappearance of these attributes may decrease the organization’s and its stakeholders’ overall resilience levels. At this point, it is important to note that in the case of cooperative banks, we cannot clearly separate its effects on organizational and societal resilience, as this case shows us that cooperatives can contribute to both. For example, access to financial resources can help individual cooperatives to be more resilient, while correcting market failures and demonstrating solidarity can contribute to the resilience of the broader society (e.g., Chiamonte et al., 2015; Coccorese & Shaffer, 2021).

9.3.2 Emerging Organizational Resilience: Intensive Care Unit at the University Hospital of Geneva⁵

When the University Hospital of Geneva merged its two intensive care units (ICU) in 2005, an organizational crisis unfolded. Many difficulties arose during the merger. However, instead of the expected chaos, efficiency and quality of care unexpectedly increased. This means that the teams involved in the merger could weather the uncertainty that was brought upon them surprisingly well. What caused this sudden onset of resilience? The hospital appointed a research team to investigate the situation to codify and routinize the practices that led to it. The team, consisting of authors Pariès et al. (2013) combined existing resilience capabilities lists from extant scholarly works (e.g., Hollnagel et al., 2006) to investigate the causes of the suddenly emerging organizational resilience at the hospital. As a result of their efforts, a follow-up project named REACT was launched to further improve the crisis management abilities of the hospital staff.

ICU systems (including the individuals, work groups, and the service as a whole) are known to operate under high pressure, and extremely complex clinical conditions, which require them to adapt quickly (Madsen et al., 2006; Pariès et al., 2013).

⁵The mini case study presented in this chapter relies primarily on the work of Pariès et al. (2013).

Prior to the merger of the ICUs in Geneva, the 2 units, namely, the surgical intensive care unit and the internal medicine intensive care unit had a history of competition and conflict, which manifested itself in rivaling managers and different management methods in the units. After the merger, when the head of the former internal medicine intensive care unit took over, the unit struggled with establishing its legitimacy, and absenteeism, high employee turnover, and burnout became an everyday sight. Surprisingly, amidst these difficulties, the overall performance of the service increased. In the first 2 years after the merger, 20% more patients were admitted, peak hours were well-handled, and patient readmission rates decreased.

Pariès and colleagues recorded their observations about the ICU, distinguishing among the different levels of operation (individual—team—unit), as well as the nature of the observed situations (normal—disturbed—crisis). They concluded that most features of resilience engineering theory seemed to be present in the ICU; however, they emphasize that these features were not there by design, but rather, they emerged from experience. In the following, I will briefly summarize their most important findings and show how some of the observed mechanisms and actions resemble the operational logic of cooperatives.

9.3.2.1 Collective Information Sharing Increases Resilience

The medical visit is an institutionalized event at the ICU, in which people in different roles (residents, senior physicians, deputy head doctors, nurses, etc.) participate. Each participant in the medical visit examines the patients using their own unique set of knowledge, expertise, and competences. As a result of the diversity in experience, the examination process is more robust. It also offers a platform for the group to make sense of their observations and discuss various possible trajectories and complications. For example, doctors suggest signals and control values that should alert the nurses, and provide instructions for recovery, thus prompting nurses to be prepared in case such a problem occurs. During non-crisis situations, medical visits happen in an expected and anticipated rhythm. However, when complex cases occur, deviation from the protocol occurs—but due to the collective sharing process, this deviation is based on collective consensus, and the responsibility is shared among all participants (Pariès et al., 2013).

9.3.2.2 Assessing the Situation and Responding in Real Time

Whether or not a team can correctly gauge the severity of a situation can directly influence patient survival rates. The main challenge of the ICU is to navigate its relatively fixed capacities to the fluctuating demands of the patients. In the ICU of the University Hospital of Geneva, leading nurses participate in doctors' symposia to better assess patients' status and anticipate their release. When this anticipatory regulation process fails due to workload surges, a capacity crisis occurs, and the operating mode of the unit immediately shifts. To maintain system resilience, it is important to immediately recognize the emergence of a crisis, and to switch to a

different steering logic. In this logic, “priorities, objectives and trade-off criteria are modified, and teams, roles, and responsibilities are being reconfigured” (e.g., nurses may take on the roles of residents) (Pariès et al., 2013).

It is also important to identify the type of crisis as it emerges. In case of a capacity crisis such as the one described above, the bottom of the pyramid (e.g., nurses and residents) gets mobilized. A key success factor in managing such a capacity crisis is the dynamic adaptation of the level of delegation, as well as decentralization at the operation floor. In the case of a complexity crisis, however, mobilization at the “top of the pyramid” (e.g., senior doctors and experts from other units) occurs, while junior employees are delegated to attend more “inferior” tasks. Regardless of the type of crisis, whether the team can collectively (and on time) recognize the need to shift from non-crisis to crisis mode, will determine the unit’s resilience (Hollnagel, 2010).

9.3.2.3 Self-Organization and Collaboration across Roles and Teams

Following the merger, due to the lack of clarity of the frameworks and policies senior physicians did not feel supported by the unit management. Thanks to the relatively high autonomy doctors have in their vocation, they were able to self-organize and create a guidance framework for themselves when the management did not provide one. The doctors proactively created new procedural responses and cooperation modes to handle difficult situations. As these cooperation modes proved efficient, they later became institutionalized within the unit. Pariès and colleagues point out that such poly-centric governance practices are better suited to generate system resilience (see also Ostrom, 2010).

9.3.2.4 Adaptation of Protocols in a Cooperative Setting

Pariès and colleagues also observed that during times of crisis, caregivers have a different attitude to protocols. Protocols are necessary, but “they may need to be adapted – sometimes invented—to have a quicker and more efficient effect.” However, while doctors (who are usually the innovators) benefit from proposing inventive strategies, the nurses (who must implement these strategies) may be punished for performing these actions “outside the protocol’s protective scope.” As a result, a competitive atmosphere emerges, where doctors must convince nurses to break the protocol, while nurses may veto the doctors’ decisions if they deem it too risky or not convincing enough. This cooperative way of doctors and nurses balancing rules and flexibility contributes to the system’s resilience.

Pariès and colleagues emphasize that the resilient features were not planned in the case of the ICU in Geneva and that in many cases resilience could only be achieved at great personal costs, such as chronic stress levels and exhaustion of hospital staff (e.g., 17% of the caregivers had a higher burnout score in the first 2 years after the merger). One could but speculate, had the organizational form and mindset been adapted early on, such sacrifices might have been diminished or avoided.

9.3.3 Organizational Resilience Fosters Societal Resilience: Cooperative Housing in Switzerland⁶

9.3.3.1 The Social Benefits of Housing Cooperatives in Switzerland

In Switzerland, ca. 12% of rental apartments are provided by non-profit housing cooperatives and social institutions (cities and municipalities) (Kraft, 2021). The goal of housing cooperatives is to create quality and affordable housing for all segments of the population. In most housing cooperatives, residents are members and have a say in decision-making. Instead of paying a security deposit like in a regular rental apartment, they pay for a so-called share certificate. This makes them co-owners and they thus share the responsibility for the entire cooperative. This form of cooperative living is often referred to as the “third way” between renting and homeownership. According to the Swiss Association of Non-Profit Housing Developers, living in a housing cooperative offers several advantages. First, residents of cooperatives benefit from lower average rents compared to the rest of the housing market. This is because cooperatives do not aim to generate profits with their properties. They charge only a so-called cost-based rent, meaning they charge only as much as the apartment (including land, construction costs, maintenance, and management) actually costs. Second, the properties of cooperatives cannot be resold. They are removed from speculation and remain affordable in the long term. Third, residents enjoy high housing security, as their apartments cannot be easily terminated. Fourth, members can participate in the cooperative’s decision-making processes. Each cooperative member is invited to the general assembly and can vote on important matters and elect members of the board. Furthermore, any member can submit a proposal to the general assembly to suggest changes. A further option for those who wish to be even more actively involved is to participate in the board or a working group. Fifth, many housing cooperatives foster an active community life in their neighborhoods, with events, recreational offerings, and social services, thereby diminishing loneliness in the community. Finally, joining a cooperative does not require a large amount of personal capital, and is therefore available to everybody (Verband der gemeinnützigen Wohnbauträger, 2023). As a result, cooperative housing communities are more socially inclusive.

9.3.3.2 A Short History of Cooperative Housing in Switzerland

Housing cooperatives in Switzerland can only flourish due to the presence of multiple factors such as agreeable market conditions, political and regulatory willingness, and cultural as well as societal acceptance. Today, nobody questions their beneficial impact on society. However, their development was not always straightforward. The following short historical overview demonstrates how the

⁶The mini case study presented in this chapter relies primarily on the work of Schmid (2004).

co-alignment of multiple factors (e.g., peace and economic stability) contributed to the acceptance and spreading of housing cooperatives in Switzerland.

The first Swiss housing cooperatives emerged after 1860, during the industrialization of the country, as an attempt to address poor living conditions. Especially between 1890 and the First World War, many housing cooperatives were founded in the cities of Basel, Bern, Biel, Zurich, Winterthur, and St. Gallen. Only a few of these housing cooperatives from the nineteenth century still exist today, and there is no record of significant construction projects by housing cooperatives during this time. It was not until 1910 that the actual cooperative movement began with the establishment of the first railway worker cooperatives supported by federal enterprises (Mangold & Ruf, 1929). During the First World War, a few more housing cooperatives were established in cities; however, due to economic conditions of the time, they were scarcely able to construct any apartments. It was only after the First World War that circumstances allowed for an increased establishment of housing cooperatives and the construction of apartments. The housing shortage was so significant that many cities, cantons, and even the federal government initiated active housing construction support. This led to the first wave of housing cooperative booms (Schmid, 2004). A second wave of establishment and construction was observed during and after the Second World War (Küng, 1948).

9.3.3.3 Success Factors of Swiss Housing Cooperatives

Housing cooperatives in Switzerland come in all shapes and sizes. The variations in design, objectives, organization, underlying cooperative principles, and even regional distribution are substantial. However, these cooperatives play a significant role in the quantitative and qualitative housing supply of Switzerland, particularly in cities, urban areas, as well as in communities outside of them. In addition to offering affordable rents, most housing cooperatives provide a wide range of benefits to both residents and members, as well as to the public sector, benefits that are not typically found with non-profit housing providers. These results are evident in terms of rental rates, occupancy rates, composition of residents, as well as the many social, communal, and membership-related additional offerings (Schmid, 2004). This achievement can, in part, be attributed to the alignment of cooperative organizational design with the specific requirements and cultural norms of local communities, which vary from canton to canton in Switzerland.

9.3.3.4 Challenges of Housing Cooperatives

Survey results (Schmid, 2004:102) show that the “cooperative mindset” among tenants, members, and policymakers has been declining for some time. The opportunities and benefits of cooperative housing are less widely known, and the cooperative movement is less present in political and general public discourse. This may be because cooperatives themselves are no longer as politically active, like they were

once, during World War I, when the cooperative movement was a formative political force alongside labor and trade union movements. Today, a collective identity in terms of cooperative politics no longer exists (ibid). The political power of housing cooperatives has not completely vanished, though. Balmer and Gerber report that housing cooperatives are well-equipped to sustain themselves in the face of political jolts and to resist financial constraints or market-oriented rental practices. They are also capable actors in the context of local counter-reactions to housing scarcity and the strategic measures that are favored by local stakeholders who resist the rollback of the state (2018).

At the same time, many housing cooperatives seem to have a structural problem. As census data shows, housing cooperatives cannot always offer solutions that meet today's modern living requirements (read: demand for more space in apartments). Due to small spaces, it is often precisely the families that must decide against cooperative living. This indicates that in some areas, it is becoming harder to find tenants that are committed to the cooperative, and would be willing to act as board members, for example. With the diminished interest in housing cooperatives,⁷ the risk of having to run these organizations by external, third-party services increases, further eroding cooperative identity (Schmid, 2004:106).

The survey also reveals a surprising level of inconsistency with regard to how these housing cooperatives are organized and managed. There is a large variety in forms of management (from self-management to third-party management), degrees of professionalization, and types of boards and auditors. In sum, while housing cooperatives are proven to contribute to community-level resilience worldwide (e.g., during the COVID-19 crisis, see Arnold & Quintas, 2020), for them to remain attractive in the future, a higher level of professionalization is recommended (Schmid, 2004:110).

9.3.4 Case Study Outcomes and Reflections

The first two organizations in the above examples created and nurtured resilience, which eventually helped them to overcome difficulties in critical situations. It is notable that the University Hospital of Geneva does not have a cooperative structure; however, after the merger of the two units, doctors, nurses, and other stakeholders were so worried about the potential problems that might emerge that they adopted a cooperative mindset, which contributed to an overall higher level of resilience of the hospital, even without the support of upper management. This mindset manifested in practices of openness and generativity, during which the group of colleagues (consisting of nurses, residents, and doctors) used their collective

⁷...that is, in some parts of Switzerland, with the city of Zurich being an exceptional success story (Schmid, 2004:104).

knowledge and resources to make sense of emergent situations, and modify their behavior to solve them (Carmeli et al., 2013).

Raiffeisen Bank, on the contrary, had a cooperative structure and culture at the beginning, however, these became diluted over the years, which resulted in decreased resilience. Overall, the two case studies show that neither traits of the cooperative as an organizational form nor resilience levels are constant in time. Resilience can emerge from experience (in the ICU in Geneva), but it can also be designed (as in the case of the Raiffeisen banks). Resilience levels can change due to organizational restructuring, or due to a shift in the organizational mindset. In any case, organizational resilience is not something that we should take for granted in the presence of one organizational form or another, as it is the result of continuous human effort and communication across multiple levels of the organization (van der Vegt et al., 2015).

The third case, focusing on housing cooperatives, serves as a bridge between organizational and societal resilience. This case underscores the fact that the societal advantages of cooperatives can only be consistently realized when there is a widespread societal consensus regarding their utility. Presently, Swiss housing cooperatives are confronted with numerous challenges, suggesting that even well-established cooperatives with lengthy traditions can diminish in significance if they fail to modernize their offerings. Although housing cooperatives have undoubtedly played a role in enhancing societal resilience in Switzerland, their future could be more precarious than many are willing to acknowledge.

9.3.4.1 How Did the Three Organizations Overcome the Cognitive, Strategic, Political, and Ideological Challenges in Their Quest Toward Resilience?

The *strategic challenge*, (i.e., to create new options instead of sticking to “dying strategies”), was, or is currently being addressed in all three cases. The ICU at the University Hospital of Geneva learned to recognize crisis situations and became good at switching between tasks and roles. Swiss housing cooperatives have been implementing measures to address the emerging new needs of their members, however, at this point, their strategic renewal is still an ongoing process.

The historic case of Raiffeisen Bank serves as an example of how an organization can simultaneously tackle the *strategic*, *cognitive*, and *political challenges* by its mere establishment. Raiffeisen noticed a society-level challenge, and addressed them by creating an entirely new type of organization. Having illustrated how Raiffeisen Bank addressed multiple dimensions of organizational challenges, we now return to examine specifically the *cognitive challenge*. This challenge (i.e., recognizing and accepting the need for change) was addressed by the ICU when they appointed a research team to investigate the situation after the merger and codify and routinize the practices that enabled the team’s resilience. In housing cooperatives, the *cognitive challenge* is constantly in the forefront of attention due to their role vis-à-vis the state and the market (Balmer & Gerber, 2018). Interestingly, it is not so much their own cognitive challenges rather than the cognitive challenges

of the Swiss policymakers that housing cooperatives address. Housing cooperatives use their interface toward the state and market to also manage the *political challenge* (i.e., the difficulty of reallocating resources and mitigating the political climate while doing so).

Indeed, in all three cases, actors have developed various responses to *political challenges*. In the ICU's case, resource reallocation happened when the hospital announced the merger, and the political climate was managed thanks to the staff's flexible adaptation skills, as well as individual-level resilience. Housing cooperatives contribute to solving resource challenges in the Swiss housing policy context by providing an alternative to state and market solutions for housing provision (Balmer & Gerber, 2018).

Finally, the *ideological challenge* (i.e., commitment to perpetual, opportunity-driven renewal instead of process optimization) is being addressed in all three cases. Perhaps slightly less so in the context of the ICU, as optimization is still a dominant logic in the healthcare industry complex. However, this particular ICU team's case demonstrates that there is a willingness on the individual and team unit levels to embrace opportunities and renew practices.

The three cases in this chapter demonstrate that resilience is the result of a "complex interplay of many factors at different levels of analysis" (van der Vegt et al., 2015:977). However, the spillover from one level of analysis to the next is not guaranteed. Developing capacities for resilience at lower levels does not necessarily increase overall system resilience (van der Vegt et al., 2015:977). For cross-level resilience spillover, a great amount of holistic organizational awareness and conscious, process-oriented orchestration seems to be necessary. Organizations need to adopt a time-oriented approach: even if the spillover is facilitated at one point in time, there is no guarantee that it will function in the future. It requires continuous effort, learning from past experiences, and frequent adjustments to maintain cross-level resilience. In other words, organizations can purposely nurture and develop their resilience (Sutcliffe & Vogus, 2003); however, it requires a shift in organizational members' focus and attention, and this may influence resource allocation (Bigley & Roberts, 2001). For any organization, the key is to understand the trade-offs between the allocation of resources for building resilience and other activities (Williams et al., 2017:757).

The above case studies discussed how cooperatives could contribute to the solution of complex and significant issues that affected or still affect a large part of society. It seems from the cases that cooperative logics are particularly helpful in mitigating complex societal challenges. To meaningfully address grand challenges, a complex interplay between actors of different hierarchical levels and geographies is necessary. In other words, top-down and bottom-up approaches need to continuously reinforce each other (Chatterjee et al., 2023). Cooperatives are uniquely positioned to facilitate dialogue between top-down and bottom-up voices, as their inclusive management approach reaches and empowers underprivileged groups, while they are recognized by major market and political actors (Niedworok et al., 2021). Indeed, linking various groups of society and decision makers, cooperatives

are well-positioned to perceive and problematize local challenges, and then advocate for them in the national policy-making process.

9.4 Avenues for Future Research

Most studies look at organizational resilience during or immediately following adverse events (e.g., Bazot et al., 2019; Billiet et al., 2021; Musson & Rousselière, 2020). However, it is both timely and crucial to shift our crisis-oriented mindset toward an approach where resilience becomes an inherent feature of organizations right from their inception. One promising avenue is the integration of crisis management and resilience. The dynamic interplay of these two fields could enable future scholars to discover how aspects of leadership, time, complexity, and mindfulness can contribute to more resilient organizing (Williams et al., 2017). Additionally, the development of quantifiable resilience metrics within the framework of corporate reporting, akin to ESG standards, presents a transformative pathway for companies. Lastly, organizations, especially cooperatives, could harness tools like strategic forecasting and scenario planning to pre-emptively identify emerging societal needs (Scoblic, 2020).

9.5 Conclusion

This chapter provided an overview of recent developments in resilience research in organization and management studies. Most notably, scholars emphasize the necessity of moving away from understanding resilience as a defensive and reactive measure. Instead, organizations need to proactively design their capabilities, such as knowledge, skills, processes, and routines, in a way that enables them to anticipate and respond effectively to adverse events while reducing overall vulnerability. Organizations should recognize that resilience is not merely an outcome but a dynamic process, one that evolves over time and requires constant reevaluation and adjustment based on experiences and cues from the environment (Williams et al., 2017).

The three cases described in this chapter illustrate that cooperatives, owing to historical and structural factors, have developed organizational traits that foster resilience. Hence, decision makers across various organizational contexts can gain insights by examining the problem-solving and adaptive capabilities demonstrated by cooperatives. These cases also serve as a reminder that components of resilience building are contingent on specific contexts. While other organizations can certainly derive lessons from cooperatives, there are no off-the-shelf solutions for resilience. Instead, organizations should cultivate an internal understanding of the obstacles hindering their journey toward greater resilience. Addressing the four challenges—cognitive, strategic, political, and ideological—outlined by Hamel and Välikangas

(2003) is a promising starting point. Simultaneously, cooperatives should regularly assess whether they are staying aligned with their principles and values. Only then can the cooperative structure genuinely enhance resilience.

Lastly, while this chapter primarily focuses on organizational resilience, it cannot be isolated from other levels such as individual, community, and societal resilience. Scholars universally agree that an organization's resilience is significantly influenced by the environment in which it operates (e.g., van der Vegt et al., 2015:973). To mitigate the undesired side effects of resilience, such as system rigidity, false sense of security, and to address grand societal challenges, adopting a multi-stakeholder approach to resilience will become imperative in the future (see also Chaps. 14 and 15). Ultimately, the resilience of any society relies on the resilience of the institutions that comprise it (van der Vegt et al., 2015:977).

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Chapter 10

Cooperative Ecosystems: Contents, Perspectives, and Challenges



Theresia Theurl

Abstract Both ecosystems and cooperatives are entrepreneurial responses to technical, economic, and social challenges. Both are collaborative organizations. Companies or individuals work together in networks to achieve better results than they would alone. The design of networks shows great diversity. For example, some are more stability-oriented, others flexibility-oriented. Three types of ecosystems have emerged: Business ecosystems, platform-, and data-based ecosystems. Their configuration is based on flexibility and agility and a low degree of formalization. Although these characteristics are positive in a dynamic environment, the deficiencies in the mechanisms of stabilization and participation are criticized. Shared success can stabilize. For this to happen, however, governance must include appropriate incentives for actors to decide in their common interest in dilemma situations, which is also in their own interest in the longer term. The advance of digitization, data management, and value creation via platforms is leading to a further increase in collaborative business models and their differentiation. Ecosystems can take different forms of institutionalization, including those as cooperatives. Cooperatives are characterized by their advantages in stabilization and participation. They are therefore well suited as a form of institutionalization for ecosystems. Here it is argued that cooperatives are ecosystems, while ecosystems can be cooperatives.

Keywords Ecosystems · Networks · Cooperatives · Platforms · Data space

What are cooperative ecosystems, why do they arise, and what are their associated challenges? On the surface, a combination of cooperatives and ecosystems may seem surprising. While cooperatives look back to a long tradition, ecosystems have only recently become a topic of analysis. However, they have more in common than is generally recognized. Both types of organizations are entrepreneurial answers to disruptive developments of their times. Both of them put cooperation into their focus: Legally independent enterprises or other economic actors work together to accomplish goals they could not have achieved individually. Nevertheless, despite these common characteristics, there are differences that have to be identified and

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analyzed. To sum up: Cooperatives are usually ecosystems, while ecosystems may be cooperatives.

This will lead to the following reasoning: First, the relevant characteristics of collaborative economic activities will be outlined (1). Then two chapters introducing and analyzing the economic characteristics of ecosystems (2) and cooperatives (3) will follow. The focus will be on the governance and implementation of collaboration. The fourth chapter (4) will describe connections between these two types of cooperation, the current developments and perspectives of cooperative ecosystems, and will point to their challenges.

10.1 Cooperation as a Business Model

The temporary or continuous cooperation of enterprises that remain independent themselves is no new development. It is deeply rooted in economic history. There is and has been cooperation in multiple ways. Cooperation means joint value creation and to subdivide these activities. Several companies are involved, which collaborate with each other beyond their corporate boundaries. The organizational alternatives to such hybrid arrangements with mutual and overlapping communication and transaction relations (Powell, 1990) are integrated companies or transactions of specialized companies on markets (Williamson, 2005). The following reflections will mainly be based on microeconomic cooperation decisions but also on the cooperation itself. There will be no consideration of macroeconomic or social effects that cooperation may have since cooperation may affect individuals not actively participating in the cooperation (e.g., competitors or customers). Cooperation may also affect regions and industries in which they operate. However, external developments may also impact the cooperation decision and cooperation performance (e.g., expectations of society or the governmental regulation of cooperation). This macro-level analysis will not be part of this text, but should generally be considered.

10.1.1 Cooperation Rents as a Corporate Target

Any cooperation decision of a company is a strategic decision of the corporate development having highly important consequences. After considering relevant alternatives of corporate development (i.e., integration or acquisition and market procurement), the cooperation decision thoroughly weighs the advantages, disadvantages, and risks (Theurl, 2010). These effects, which mainly arise in the future, have to be discounted to the moment of decision-making. There are numerous advantages for cooperation that are usually derived from the cooperation targets like cost advantages, time advantages, access to resources, knowledge, technology, or market access. Such advantages could be measured by corporate performance indicators related to these cooperation targets. Disadvantages arise as costs are caused

for example due to cooperation efforts, the decision-making process, new dependencies, conflicts, and concessions. A cooperation decision produces microeconomic results that cannot be achieved by individual activities (Holm et al., 1999).

Cooperation rents can also arise from project results that are not primarily expressed in the usual economic categories but, for example, in social developments that benefit the cooperation partners. Cooperation rents are also relevant, if there is a focus on new or superior value creation for customers. By its very nature, cooperation is the basis for any cooperation rent, which may exhibit numerous manifestations and is created by applying various mechanisms. Costs of cooperation reduce or eliminate the cooperation rent. Cooperation rarely produces only advantages. Thus, cooperation emerges if the net result is positive. Moreover, the distribution of the cooperation rent is relevant.

There are numerous mechanisms producing such a cooperation rent that may work simultaneously. Highly relevant are economies of scale and economies of scope as well as network effects. Economies of skills allow cooperation partners to share knowledge and use complementary competences. In times of reduced product life cycles economies of speed (i.e., acceleration due to access to others' competences or know-how) and innovativeness ("economies of innovation") become more and more relevant. This also applies to economies of risks to reduce entrepreneurial risks. These mechanisms apply to all cooperation projects but in different ways and varying degrees.

Economic history shows that cooperation strategies became relevant in times of uncertainty or radical technological and social change (see Chap. 5). This is especially observed for small and medium-sized enterprises, freelancers, and people with precarious economic backgrounds. In addition, it applies to economic actors intending to enter markets and to victims of structural change. Therefore, cooperation strategies also serve as a device to transform business activities.

10.1.2 Governance and Institutionalization of Networks

Terms like alliances and partnerships are frequently used synonymously with cooperation or networks of enterprises. Networks themselves often describe multilateral cooperation projects with more than two constituting partners. There is a wide diversity of arrangements for implementing cooperation, which aligns with the variety of cooperation targets and sources generating a cooperation rent (Theurl, 2010; Sydow, 1992). Cooperative arrangements can be rigidly or flexibly configured leaving much leeway for their implementation. Networks can be horizontal (on one or more steps of the value chain), vertical along the value chain, diagonal (between industries), or consist of a combination of directions. Enterprises can cooperate with other enterprises or with public institutions, with non-profit organizations, with start-ups, with suppliers, with customers, with competitors. Cooperation can take place with firms from their sector or those from other sectors. The enterprises can collaborate regionally (e.g., regional innovation clusters),

nationally, or internationally. They can target joint production, joint innovation, or the increase of efficiency. The partners can be similar in their resource profiles, but they can also be heterogeneous in this respect. Partners may cooperate with equal rights or forward some rights to a dominant partner.

Collaboration can be for individual projects or permanent. Companies decide whether to participate in one or several networks, i.e., build up a network portfolio for their value creation. In a networking process, there can be a shortening or an extension of one's own value chain, parts can be outsourced or integrated. The cooperation changes the own value creation and its organization. Deep and complex cooperation can lead to a complete dissolution of one's value chain up to a complete communitization in the network. Correspondingly, the virtual boundaries of the cooperating companies change. The world of networks is colorful. Thus, the underlying business development strategies are correspondingly diverse.

Not only does the focus of collaboration and its design differ but also the actual institutionalization (Theurl & Schweinsberg, 2004, pp. 19–32). This can be more or less binding, which corresponds to the legal protection and has consequences for the exit options as well as for the exit costs. Informal cooperation can be terminated easily and with low prices. Signing a cooperation agreement, on the other hand, increases the partners' protection and the binding nature of their contracts. Equity investments further increase the commitments. If the cooperation partners set up their own legal entity—a cooperation company as a joint venture—the exit options are further reduced, and the costs of dissolution or withdrawal, or exclusion are further increased. When setting up a company, it is necessary to decide in which legal form this should be done. For example, legal stipulations for some forms of cooperation restrict the freedom for cooperation (e.g., cooperatives and franchising networks).

10.1.3 Governance Decisions for Collaboration in Networks

Already in the run-up to the cooperation and then in the negotiations, fundamental decisions are necessary with respect to the rules, the leeways, and obligations. However, each of the determinations can lead to dilemma situations.

- **Stringency or freedom:** The more stringent and binding the commitments, the less freedom the individual players (companies, cooperation management, employees) will have. Strong commitments facilitate the stabilization of expectations about the partners' behavior. However, the presence of leeway facilitates the use of new information, which improves decisions and increases incentives to take responsibility. Courage and curiosity can lead to trying for something new. However, behavioral freedom can also lead to opportunistic behavior that harms the network partners: (Commitment dilemma).
- **Participation or dominance:** The more important it is for partners to cooperate on a level playing field, the more they will value their influence, the contribution of

their interests, and participation in decisions. However, power can also be distributed asymmetrically between partners, e.g., if dominant partners contribute important infrastructure or patents or other assets. Even then, entry incentives may exist for less successful partners. For example, superior infrastructure, complementarities, and the opening up of new customer groups can also lead to entry if the existing power deficits are recognized: (Power dilemma).

- Formal rules or soft factors: Successful cooperation requires rules. These are all the more effective, the better they are integrated into a trustful relationship (Faems et al., 2008). Shared values, the reliability of the partners, a positive cooperation reputation, intensive communication, and a consistent business model create inner workings of a network that can reduce information asymmetries and build-up trust (Das & Teng, 1998; Blumberg, 2001). The better the cooperation works, the more the soft factors allow formal rules to fade (Lumineau, 2017): (Rule dilemma).
- Complex relationships or simple structures: The larger the scope of activities, the larger the number and the heterogeneity of the partners become, the more complex the cooperation gets. Complexity can be reduced or accepted. In the first case, rigid, even hierarchical, relationships have to be defined and standardized. In the second case, the diversity of relationships is promoted, overlapping super- and subordinations as well as spontaneous developments are allowed, and reciprocal relationships are used (Colombo, 2003), but this also increases the openness to results: (Complexity dilemma).
- Homogeneous or heterogeneous requirements of cooperation partners: Similar cooperation partners facilitate the cooperation management. However, the more the cooperation partners differ in their requirements, preferences, structures, and value contributions, the greater the challenges for the management in terms of orchestrating the cooperation partners. This is associated with transaction costs. However, it is precisely the heterogeneity of the partners that can generate new outcomes that increase the cooperation rent in times of uncertainty and change. An important differentiation is whether heterogeneity is at the same time complementarity and how pronounced the complementarity is. Similar partners tend to rely on the size and cost relevance of networks (additive networks), in contrast, heterogeneous partners (complementary networks) will focus on innovations: (Horizontal dilemma).
- Emphasis on joint (centralized) or on partner-individual (decentralized) tasks: Networks require individual competences of the partners as well as common competencies and services within the network. The latter can be better achieved together than by each of the partners individually (infrastructures, management, lobbying, network development, etc.). This leads to a partial and gradual centralization of resources, competences, and responsibilities, as well as of power. Figuratively, two levels emerge: value creation is decentralized, and the organization, coordination, and production of collective goods is centralized. Networks are characterized by different degrees of centralization. A high degree of centralization can have a negative effect on the partners' incentives to participate, a low degree can be associated with the neglect of synergies: (Vertical dilemma).

- **Stability or flexibility:** Networks evolve after their establishment, with paths not strictly predetermined but influenced by behavioral and environmental uncertainty. The behavior of the partners, the external influences, and the fundamental decisions contribute to the development. The stability of cooperation is in latent conflict with flexibility or agility, i.e., rapid adaptation to a changing environment that places high demands on management. Ex ante agreements on rules for shaping the network development process are therefore necessary as well as exit and entry rules: (Dynamics dilemma).

Taking together all the different expressions of the above criteria and all their possible combinations, it becomes obvious how many options for designing networks exist. A very rough division differentiates between networks that tend to be stability-oriented and those that tend to be flexibility-oriented (Theurl, 2010).

10.1.4 Managing Networks

The preceding remarks prove the need for effective management of networks (Theurl & Meyer, 2018). The institutionalization of management structures can also take place in different ways. It can be located in a separate company or in one or more or all of the cooperating companies. However, a mode of decision-making and participation always has to be defined. In most cases, the management tasks are delegated by the cooperation partners as the principals of the network to a specialized agent (Iristay, 2007). The cooperation partners assign tasks, rights, and resources to the agent implying the typical problems of principal-agent relationships. Awareness of these challenges and appropriate precautions should limit the problems as far as possible.

While the strategic decision of the partner companies to cooperate, as well as the choice of partners is made based on their individual cooperation expectations and the cooperation target within the partner companies, the management of the network then becomes a joint task. Like in an ecosystem, all relevant stakeholders are considered, directly or indirectly. It comprises (1) the negotiation process, which includes a definition of the common cooperation target and the mechanisms of distributing the jointly created cooperation rent, the division of tasks and internal communication, as well as the design and institutionalization following the dimensions already outlined. In the second step (2), the implementation of the negotiation results including the creation of the network infrastructures, follows. Step three (3) implements the operational management. The continuous and accompanying evaluation of the results, their distribution, and the comparison with the network goals is the fourth management task, with the aim of developing the network (4). Depending on the evaluation results necessary adjustments can be made to the objectives, the distribution of results, governance, and institutionalization, the division of labor, the network infrastructures, the partner structure, or the operational management.

Network management is dynamic and enables a continuous learning process that leads to adjustments. It can be more or less participatory, stabilizing, or adaptation-oriented. In the life of a network, the internal value creation, the cooperation between the partners and their network, possibly also the partner structure, as well as the external relationships will change. This will be more pronounced the more the technological, social, economic, and regulatory conditions change. Not all networks are successful.

10.2 Value Creating Networks as Ecosystems

Just three decades ago, it was uncommon to use the term ecosystems in economics, as it originated in the natural sciences. This has changed significantly. Therefore, questions arise as to how to define such “economic” ecosystems, how they relate to enterprise networks, and what their economic characteristics are.

10.2.1 *Content and Characteristics of Ecosystems*

In biology, ecosystems are defined as interactions between living organisms of different species with each other and with their environment. They are shaped by the nature of the habitat, by the type and composition of the living beings as well as their spatial distribution. The habitat has boundaries that separate the active inner life from the outer world. However, the boundaries are not rigid. They can expand and accommodate new elements. Changes occur through the interaction of organisms (food exchange, energetic relationships) as well as through long-term developmental processes triggered by reactions to external forces. It appears that the stability of an ecosystem increases with its complexity, whereas simply structured ecosystems can become functional again more quickly than complex ones when disturbed.

The term “ecosystem” with its concept borrowed from nature found its way into economic organization theory just before the turn of the millennium by James F. Moore (1996). He addressed the increasing importance of the cooperative economy through the rise of ecosystems as modified value creation models. An adoption, concretization, and application of the concept (Teece, 2012, 2016; Adner, 2012) and a wide diffusion of the term as a new structure of economic relationships (Jacobides et al., 2018) followed. Ecosystems are not only widely used in the start-up environment and in the collaborative economy today, but also beyond. More specifically, the term ecosystems is used for the phenomena presented in Sect. 10.1: Value creating networks in their various types, but with an emphasis on flexibility-focussed design, multilateral relationships, responsive to environmental influences, cross-industry, participatory, inclusive of all stakeholders and innovation-oriented.

However, this line of connection to business networks is rarely mentioned, and hardly elaborated.

The starting point for value creation in an ecosystem is the analysis of whether the enterprise will be able to provide a superior value proposition from within the company given the framework conditions or whether complementary competencies, resources, industries, and relationships are required for this purpose (Jacobides et al., 2018; Adner, 2017). In the first case, a company-centered business model can be maintained, relying on internal development processes. In the second case, an ecosystem-centered business model is proposed. Turning the focus from the customer to the company, the question of cooperation rent becomes obvious.

One possible trigger for ecosystems are products that offer additional benefits, provided they can be integrated into broader solutions to problems. This requires complementarities for development, production, and exchange, e.g., the combination with smart services (Theurl & Meyer, 2022). The relationships between platforms and IT components and their customers in an ecosystem are a second starting point. A third approach emphasizes the ecosystem as a space of social and reciprocal exchange relationships and addresses decision-making processes as well as the modalities of collaboration. The focus is usually on dispensing with strict rules and formal contracts and on using indirect and informal links (Jacobides et al., 2018; Adner, 2017). The formation of a community through adequate incentives is seen as an important constituent feature.

Consequently, the characteristics of an ecosystem are the multilateral cooperation of several actors, the different intensities of their relationships, their specific complementarities, and the absence of fully hierarchical control (Teece, 2012; Tsujimoto et al., 2018; Jacobides et al., 2018). Based on these defining features, three aspects of ecosystems in the economy can be highlighted:

- The association with ecosystems in nature is obvious.
- The similarities with business networks are obvious and apply especially to a subgroup that exhibits the design features mentioned.
- They leave a lot of leeway for their actual governance and institutionalization.

The current discussion of ecosystems takes place primarily in three contexts, which will now be discussed: Business ecosystems, platform-based ecosystems, and data-based ecosystems.

10.2.2 Business Ecosystems

Business ecosystems are the most general description of ecosystems. Their main economic characteristics can be summarized as follows (Moore, 1996, 1999; Teece, 2012):

- Orientation to thematic worlds (e.g., mobility and education) enables new value propositions.

- Value propositions require complementary: knowledge, data, and technologies.
- A long-term collaboration with a broad partner portfolio can jointly provide an offer that each company could not provide on its own.
- Players from different groups, markets, sectors, also competitors (competing), suppliers, buyers, production partners, public institutions, start-ups, and non-profit organizations are suitable partners.
- Special attention is paid to start-ups as partners, as they in particular enable new synergies.
- Prerequisites for participation are positive results of the partners' cooperation plans, taking into account the risks.
- Delimited value chains are transformed into a value network of partners.
- The focus is on creating innovations.
- The cooperation of the partners largely operates on a level playing field, and participation in the systems governance is considered very important.
- A mutual influence of the partners through cooperation further develops the ecosystem.
- One player—usually referred to as a network orchestrator—is responsible for network management and organization of community tasks, avoiding hierarchical elements as much as possible.
- To avoid risks of dependency, failure or high coordination costs, participation in multiple ecosystems is considered useful.

There are various targets that can be pursued with business ecosystems. Their content as well as their founding contexts are strongly reminiscent of business networks. Their establishment is triggered by a changed business environment, that requires adaptation as well as the enabling of new developments. Technological developments that not only suggest the digital transformation of the companies themselves but also allow the merging of products and services as well as the breaking up of boundaries, are dominating reasons for ecosystems. The integration of start-ups and partners from other industries is seen as particularly important.

It is true that business ecosystems can also have a real (or analog) content. However, their focus and anchoring is in the digital economy with its newly created services, the new value creation models, the Internet of Things, the changed transaction cost structures, and numerous new start-ups. Even business ecosystems that are still analog will increasingly make use of new communication and information technologies and take the path of digital transformation. The focus of interest is on digital ecosystems that place both platforms and data at the center of value creation. Business ecosystems can thus also be seen as the foundation for platform-based ecosystems and data ecosystems. The economic characteristics and mechanisms outlined here can also be found there. It is not uncommon for the necessary complementary element to be a platform.

10.2.3 *Platform-Based Ecosystems*

Platform-based ecosystems implement the general design features of business ecosystems in the digital space and derive their value proposition primarily from the existence of a platform (Cusumano & Gawer, 2002; Jacobides et al., 2018; Schössler, 2018; Petit & Teece, 2020). With the emergence of transaction platforms, their merits of digitally bringing together the two sides of the market and later on offering additional services were appreciated. Platform owners quickly became very successful. The use of economies of scale and multiple network effects resulted in dominant market positions as well as in the occupation of customer interfaces in many markets. This was complemented by the siphoning off of value contributions from customers, partners, and locations (Vallas & Schor, 2020). Being dependent on these pioneering platforms did not only lead to the disillusionment of players in the sharing economy. Providers of IT services or of goods whose production or distribution require platform services also criticized “platform capitalism” with its asymmetrical distribution of power and large potentials for exploitation (Gawer, & Cusumano, 2008; Gillespie, 2010; Staab, 2019). The large platforms have long since built their own ecosystems, which further raise the barriers to entry and leave little room for maneuvering for the smaller partner companies.

Different types of platforms (Gawer, 2014; Chen et al., 2022) are at the core of many ecosystems (Srnicsek, 2016): Product platforms (e.g., Ebay), service platforms (e.g., Uber), and advertising platforms (e.g., Google Search) constitute transaction platforms. Moreover, there are industry platforms (e.g., Siemens Mindsphere and Bosch IoT Suite) as well as cloud platforms (e.g., Microsoft Azure) as innovation platforms. All these types of platforms have in common the provision of the technical infrastructure by a platform provider in order to develop and create digital services and process data (van Dijck et al., 2018). Many platform-based ecosystems today strive to go beyond isolated transactional systems and enable innovation on the platform (Cusumano et al., 2019).

In the meantime, numerous platform-based ecosystems have been built that are independent of the large platform companies. Often it is start-ups that develop new platforms. In addition to the platforms, the ecosystems consist of the companies that need this platform to offer their services, as well as their end customers and those of the platforms. The orchestrator is also part of the ecosystem. Together, they create the coordinated value of the ecosystem and are the providers of the value proposition. If the platform provider is also the orchestrator of the ecosystem, it has a dominant position as a lead firm with exploitation potential (Schössler, 2018). If the management function is delegated to a separate player, the latter becomes the agent of the ecosystem principals.

The complementary companies are often the developers, providers, and producers of IT services (e.g., enterprise software, applications, functions, and interfaces) or they are providers of goods that contribute to the common offer of comprehensive products. If the ecosystem does not have adequate governance, it runs the known risks: (partial) loss of the customer interface, exploitation by a dominant platform

provider (owner, coordinator, information owner, power on determining rules), insufficient legal protection without contractually regulated cooperation, as well as excessive revenue shares, etc. With a cooperative governance of the ecosystem, on the other hand, they can benefit from important advantages. They can forego building their own platforms with high investment costs and transforming their own structures, thus concentrating on using their competences.

The opportunities for platform and complementary companies to work together have evolved over the past decades (Hosseini, 2019), which is related to both the evolution of platforms and the associated business models. Simple transactional platforms were followed by the platforms of multi-sided markets with the inclusion of different groups of customers and partners and the sharing of associated data. The complete monetization of information and the use of multidimensional network effects, AI, and data analysis ensued. The definition and use of API interfaces (Application Programming Interface) is currently of increasing importance. Complementary companies can implement new features and microservices via such interfaces of the platforms. This allows players in the ecosystem (complementary companies, end customers) to further develop the platform with their own solutions to problems and without involving the platform owners. Through shared development, unilateral dependency can transform into mutual dependency. Although such governance mechanisms started to emerge, the dependence of complementary companies on the platform remains. Only indirect access to many customers, as well as single-homing, reinforces this dependency.

The orchestrator has a large portfolio of tasks to finish. In addition to the partner management of the complementary companies and the end customer management, there are joint tasks to ensure effective cooperation: App management to support the complementary companies, platform development, business development, innovation management as well as various administrative tasks, e.g., personnel and finance (Porschen-Hueck & Rachlitz, 2022). The orchestrator should ensure that the platform provider is prevented from opportunistic behavior and exploitation of individual partners, that cooperation is in the common interest and that the cooperation rent is not threatened by participants' or the platform provider's misbehavior. This presupposes adequate incentives and requires a clearly defined task profile for the orchestrator with rights delegated to him. The alternative is extensive self-direction of the system or institutionalization of the ecosystem that contains suitable trust anchors or credible rules. Different types of institutionalization can be derived from this.

10.2.4 Data-Based Ecosystems

The need and the possibilities to exchange and use data, combined with a common data management, are another starting point for the establishment of ecosystems (Bitkom, 2022). There are numerous connections to platform ecosystems. Data is also exchanged and processed in these ecosystems. It is also a digital ecosystem.

Nevertheless, the starting point is different because a shared data space with a trustworthy data infrastructure requires a specific institutionalization. This institutionalization is needed, because firstly the knowledge that the sharing of data of the most diverse kinds, as well as the use of previously unused data, brings benefits to the participants, i.e., a cooperation rent via the known mechanisms. Secondly, there is the desire to protect one's own data, the wish for self-determination of data usage, the decreasing acceptance of monetization by other players, and the insistence on digital sovereignty. Data ecosystems also have the economic characteristics of Business ecosystems. They are also meant to be a counter-model against the large platform corporations that have a strong attraction for data.

There are several reasons for setting up data ecosystems. First of all, there are regulatory reasons. For example, there are efforts in the European Union to create a competitive, decentralized European data space, which will enable a cooperation rent (European Commission, 2022). However, the data space should also ensure people's data sovereignty and additional rights to use their data and access information collected about them by third parties. In this way, a fair and innovative data economy should be created, also by defining who can profitably use and access non-personal data. Furthermore, rules for data exchange and requirements for data intermediaries are defined or proposed. The relevant EU documents are the Data Governance Act (European Union, 2022a) and the Data Act (European Union, 2022b).

However, the intention is not only to have a common data space, but a data-based ecosystem that also enables decentralized data use. In addition to the exchange processes that are the content of the data room, this also includes upstream and downstream processes for obtaining and processing data. (Bitkom, 2022). But how should this data-based ecosystem be institutionalized under concrete legal requirements?

A second reason follows immediately. The legal acts allow private parties to organize themselves in order to protect the rights to their data that arise from digital transactions and are not protected by the rules of the GDPR. For this purpose, they can enter into a cooperation and/or jointly establish intermediaries. These can also be designed as data-based ecosystems. To be effective adequate institutionalization is necessary. A third reason is when companies or private individuals establish data-based ecosystems for joint data management through the combination, evaluation, and provision of personal or supply relevant data. Fourthly, data clouds of companies or research institutions or scientific communities are also data-based ecosystems that are set up jointly. They should create the necessary infrastructures, ensure the required services, and jointly define standards for data management while complying with regulatory requirements (Pols & Heidkamp, 2020). The resulting services can be used exclusively by the ecosystem itself or sold to third-party customers (Venters & Whitley, 2012), who then also become part of the ecosystem (Lipsky, 2013; Münzl et al., 2015).

Finally, craftsmen, tradespeople, and other SMEs are realizing the potential of smart services, the Internet of Things, the abundance of data, and the associated digital networking possibilities. Technical devices produce countless data. They are generated in the individual production steps and at the transaction interfaces. First

and foremost, this is construction and production data. Cross-company data use allows a cooperation rent to emerge if it is possible to better coordinate production processes and create new value from the use of data. Such data spaces can result in cooperation decisions.

In summary, it can be seen that in this sensitive area of sharing and common use of personal or corporate data, microeconomic and macroeconomic benefits can be achieved. However, there are risks of data misuse and unauthorized monetization, which makes digital sovereignty increasingly important. Against this background, the question of an adequate institutionalization of data-based ecosystems, which includes incentives to share one's own data in a protected way, arises again. The requirement for institutionalization now consists primarily of the availability of credible rules that can be perceived as commitments for all partners. In contrast to platform-based ecosystems, informality and flexibility are less relevant.

10.2.5 Balancing Flexibility and Stability

The three types of ecosystems presented here can also be interpreted as networks. Their configuration is based on flexibility and agility as well as a low degree of formalization. However, the implied advantage of adaptability tends to be associated with deficits in stabilizing cooperation. In the case of data-based ecosystems, it is obvious from the outset to institutionalize reliable rules that enable security and protection for the sharing of one's own data. The convergence and interdependence of platform-based ecosystems and data-based ecosystems are obvious. The two cannot operate in isolation from each other. Therefore, the existence of suitable stabilization mechanisms that simultaneously ensure the participation of the actors becomes more important.

Joint success usually has a stabilizing effect. But for this to occur, governance must contain appropriate incentives for the players to decide in the common interest in dilemma situations, which in the longer term also works in their own interests. Do adequate forms of institutionalization of ecosystems exist? It can be assumed that such forms will entail a reduction in informality but can stabilize expectations and behavior.

10.3 Cooperatives and Their Networks

Cooperatives are the oldest institutionalized form of cooperation. In networks with a dense system of relationships, the cooperation of the actors (i.e., the cooperatives' members) and their development follows clearly defined rules.

10.3.1 Institutional Innovation in Disruptive Times

Cooperatives emerged in the nineteenth century as an institutional innovation that diffused quickly and widely (Theurl, 2018) (see Chap. 5 for a detailed discussion of the historical emergence of cooperatives). Cooperatives as collective self-help took place primarily in local and regional areas. An environment without hope for people's economic and social participation thus became a space in which infrastructures emerged, economy could develop and society could consolidate. Reduced to the essentials, the emergence of cooperatives corresponds to the emergence of ecosystems. The following explanations contain the rationale for the interpretation of cooperatives as a network as well as an ecosystem.

The bleak conditions in agriculture, crafts, and trades made people take their fate into their own hands by entering into cooperative agreements, the core of which was the establishment of a joint enterprise with special governance. This idea of creating a rent from cooperating and its constituent features has survived largely unchanged to the present day. In the cooperatives' development institutionalization and differentiation increased. Many cooperatives became larger, and their cooperation more complex. Cooperative groups were formed, such as the cooperative banking group. Some cooperatives have existed for more than one and a half centuries. The economic sectors and fields of activity in which cooperatives are mainly active today have changed, as have the contemporary challenges they are used to tackling. Today, cooperatives are founded for socially important challenges and forward-looking economic activities (Theurl & Schweinsberg, 2004). Cooperatives are mainly founded in times of major changes with uncertainty for the people. They are cooperation models that prove themselves, especially in disruptive phases (such as during the Corona pandemic, as explored in Chap. 7).

10.3.2 Partner-Oriented Business Model

The value creation model of cooperatives and their networks has special features that make their governance unique (Theurl, 2001, 2005b). People or companies cooperate horizontally in order to enable them to carry out economic activities that cannot be expected to be economically successful when implemented alone. Today, these members in cooperatives (i.e., the cooperating partners) are mostly small or medium-sized enterprises or individuals. The cooperation partners are united by the need to create the pre-conditions for their own entrepreneurial, freelance or consumer activities (e.g., the organization of orders and the creation of digital infrastructures,). They cooperate through a joint enterprise, called a cooperative, which organizes or provides joint services for them, which they could not do alone.

Cooperation in the cooperative enterprise can be upstream or downstream of the members' own activities, which acts like an extension of the value chain into the cooperative enterprise. Cooperation in cooperatives can also take place on the basis

of a common value proposition, for which the cooperative coordinates the value creation. The members of the cooperative, who remain independent, are the cooperation partners with their information advantage about customer wishes, with their own deficits as well as the possibilities to develop individual solutions. The joint enterprise supplements the missing elements for them by using economies of scale and scope, as well as risk, competence, and knowledge advantages. Combining the high-powered incentives of decentralized members with the possibility of efficient value creation in a network (i.e., the cooperative) based on the division of labor is the value creation logic of cooperatives. The special combination of these two levels of activity not only demonstrates the network structure of partnerships established as cooperatives, but also creates mutual control relationships and special behavioral incentives (Theurl, 2013).

10.3.3 Member-Value as a Strategy

The purpose of cooperatives—at least in Germany required and protected by law—has to be determined by the partners in order to create value for the partners (= members), a Member-Value. It corresponds to the cooperation rent. This objective forms the core of the cooperative's governance, which reflects the multiple functions of the members. They are not only owners and thus, decision makers who also provide the equity for the cooperative. They are at the same time the customers or suppliers or parts in the value creation process. These multiple functions of the members result in the cooperative's special characteristic of simultaneous owner control and individual corporate strategy.

The Member-Value is the value of the cooperation to its members (Theurl, 2002, 2005a). Unlike, for example, the unidimensional shareholder value of a listed company, it consists of three components. The direct Member-Value is based on the service relationships between the member and the cooperative enterprise and is directly derived from the purpose of the cooperative. It operationalizes the joint purchase or sale of services that support the members in their own value creation and have been outsourced by them (to the cooperative). The indirect Member-Value derives from the members' ownership function. Its components are partly financial in the form of interest and dividends and partly decision-making and design rights as well as advisory and control rights. The sustainable Member-Value corresponds to the investment relationship, which corresponds to the long-term elements of the service and ownership functions. It represents an option value that results from the future existence and performance of the cooperative. Its basis is an investment in people, products, processes, and institutions. The focus is on the long-term existence of the cooperative through its ability to adapt and innovate. It is necessary because the cooperative is part of value creation of the individual member's economic activities.

The three components of Member-Value, which flow exclusively to the members through several channels, are interdependent. A major difference from other types

of cooperation is the optimization of the cooperative's value by interacting with its members (as its customers) and for the members (as its owners). What is jointly created remains in the network and does not flow away to external investors. The identity of owner (investor) and user creates an incentive compatibility that is hard to copy.

In most countries, cooperative shares are not quoted on the stock market. Thus, hostile takeovers are excluded. The equity capital is raised by the members when they join the cooperative and through the retention of profits as part of the sustainable Member-Value. Since most cooperatives have no (direct) access to the capital market, there is no direct influence of financial market developments on the cooperative's entrepreneurial decisions. Cooperation in cooperatives is participatory. With few exceptions, the principle of "One man, one vote" applies. Voting rights are independent of the number of cooperative shares and thus independent of the contributed capital. The operationalization of the Member-Value, its integration into the network strategy as well as other strategic decisions is made by the cooperation partners (i.e., the cooperative members). The admission of new partners is uncomplicated and managed by the cooperative itself. This flexibility and openness enables the scaling of activities and partner networks, which facilitates the cooperative's development.

10.3.4 Stability Through Consistent Governance

Cooperatives and their networks are made up of actors whose interaction with each other and whose interaction with the conditions of their economic and social environment follow rules that are laid down in their governance and in laws on cooperatives. Nevertheless, the cooperative's members remain independent. Thus, cooperatives with their network of relationships can be classified as ecosystems. Their governance shows an extraordinary consistency: The cooperative value creation model corresponds to the strategic orientation toward Member-Value. The direct Member-Value corresponds to anchoring of value creation in the real economy. The indirect Member-Value reflects the willingness of the cooperation partners to assume entrepreneurial responsibility for the common tasks. The sustainable Member-Value expresses the long-term orientation of the business model. In all decisions, future development is inherently taken into account via the Member-Value correlations. The consistency of the business model, strategic orientation, and value framework influences the identity of any organization. It acts as an anchor of trust both internally and externally. The cooperation partners, as well as actors in the cooperative's environment, can form stable expectations about the behavior of the partners and the strategy of the network.

10.3.5 Characteristics of Cooperative Institutionalization

In summary, the special characteristics of the institutionalization of cooperative networks can now be listed:

- The cooperation of partners enables a cooperation rent that not only increases the economic and social participation of the partners but also implements internal solidarity and fairness.
- Cooperation in cooperatives enables similar as well as heterogeneous partners to contribute complementary competences and activities and/or to achieve virtual size.
- The legal basis provides a reliable and transparent framework for institutionalization that nevertheless provides sufficient design options for creating the cooperative's business model.
- Rules, as credible commitments, enable a reduction of uncertainty about the behavior of the partners as well as of the management of the cooperative.
- The cooperative value system consists of its anchoring in the real economy, readiness for entrepreneurial responsibility and control as well as sustainable management. This value system especially encompasses the sense of cooperation that corresponds to its social responsibility.
- The consistency of the business model, strategic orientation, and value framework, which is anchored in the Member-Value context, also contributes to the stabilization of expectations and behavior.
- The identity of owners and users (customers/suppliers) guarantees the orientation toward the partners. What is jointly generated always remains in the cooperative, which provides protection against exploitation by external parties.
- The partners decide together on the continuous development as well as on the creation of innovation-promoting conditions, e.g., platform infrastructures.
- The capital relationships between partners (i.e., members) and the joint network (i.e., cooperative) provide protection against hostile takeovers.
- Participation in strategic decisions as well as in the control of the joint enterprise with one vote of each partner ensures the partners' influence on the development of the network. The governance of the cooperative is a participatory one in which transparently and safely allocates property rights, thus providing protection against exploitation by other network partners.
- Partners remain autonomous but gain a share of the cooperation rent through cooperation, which enables their economic participation, sometimes even their economic existence, and increases empowerment for their activities.
- The mostly local or regional scope of activity of cooperatives and their networks enables positive locational effects, which can include additional value creation, infrastructures, and jobs for the members of society not directly involved in the cooperation. They can reduce a loss of economic activities and a negative development spiral, especially in rural areas.
- A change in value creation made possible by digitalization can also bring about a new balance of locations for people to work and live. This is linked to the fact

that regional anchoring does not necessarily limit the relevant economic area for the network, which opens up additional areas of activity through digitalization.

All in all, these features, together with the credible rules, stabilize the cooperatives. They can be interpreted as an anchor of trust that provides protection against exploitation by individual partners, including management. It is obvious that the more similar the members' ideas about the purpose and development of the network are, the better these stabilizing services will be. The participatory structure can complicate decision-making processes if there are incompatible ideas about the future strategic directions. Therefore, it is important for the network that the democratic decision-making, which is always emphasized, is organized efficiently and transparently. This can also promote a responsible discussion of development perspectives, which can lead to better-informed decisions and prevent short-termism. This also applies as a counter-argument to the fear that adaptations to a changing environment are too slow in cooperatives and their networks. It should have become clear that this is by no means inevitable. The stabilizing effect of the cooperative's governance does not exclude adaptability and speed of development, although it is subject to some pre-conditions.

10.4 Cooperative Ecosystems

Today networks are mostly called ecosystems. This is especially true if they have a low level of formalization and the results are delivered with complementary elements and digitally. These are digital ecosystems. However, this delimitation is not mandatory based on the conceptual content of ecosystems. It will increasingly lose importance because, firstly, analog networks and companies have also begun their digital transformation. Secondly, some ecosystems are in search of a stabilizing and participatory institutionalization. It is supposed to protect the contributions of the partners so that innovation incentives are created. Cooperative collaboration can provide a stabilizing offer. Therefore, it is now necessary to look at the contexts in which cooperative institutionalized ecosystems exist.

10.4.1 Institutionalization of Ecosystems

Referring to oneself as an ecosystem does not mean that the concrete institutionalization is also predefined with it, which, in addition to informal cooperation, can also be contractually structured or implemented through a separate company in various legal forms. Institutionalization has consequences for the concrete cooperation of the partners as well as for the orchestrator with its management tasks. It is especially important when innovations are sought that need to be protected and when the exploitation of individual partners is to be prevented. Developments in the digital

economy show that these are relevant endeavors. It is, therefore, obvious to consider a stabilizing institutionalization for ecosystems. The stabilization potential of institutionalization as a cooperative was shown. It was also emphasized that cooperatives are ecosystems with specific governance. However, not every ecosystem is a cooperative or plans to institutionalize itself in this way. Therefore, it is obvious to explore whether and in which areas cooperative ecosystems exist or are being discussed. Interest in them has increased with the rise of digital processes, services, and things. Large amounts of data and the increased possibilities to analyze and transfer them, as well as the application fields of artificial intelligence, also contribute to the increased interest.

10.4.2 Digital Transformation of Existing Cooperative Ecosystems

Digitalization with its many facets as a trigger of change in the cooperative economy, works through several channels (a detailed discussion of digitalization and cooperatives can be found in Chap. 6). These are, above all, the possibilities of scaling and generation of network effects as well as the necessity of standardizing digital processes. In addition, there are the advantages of bundling data-based information, the increased possibility of data analysis, and the consideration of changed customer preferences. These influencing factors lead to a review of cooperation in already existing cooperatives. The result is not seldom a deepening or widening of cooperative ecosystems or the creation of new ecosystems. There is both a change in shared value creation through its partial shift to platforms and the joint organization of digital services that support such processes as well as the organization of data.

Cooperative ecosystems with a long tradition in Germany, e.g., the cooperative financial group or large trade networks, are currently making extensive investments to digitalize their cooperation along the value chain and at the customer interface. This corresponds to a deepening of their ecosystems, which should improve the efficiency of joint value creation and the fulfillment of customer preferences. In this process, service organizations are established as well as partial cooperations for individual digitalization steps within the ecosystem, but also the acquisition of platform companies. For example, a consortium from the cooperative financial group has already acquired FinCompare, a digital platform for SME financing, at the end of 2021 (Klotz, 2021). These steps are also a reaction to intense competition from digitally oriented FinTechs and BigTechs.

These efforts should help to keep value creation, revenues, and innovations in the ecosystem. It is about defending the customer interface, which is particularly attractive and vulnerable to digitalized competitors. Some cooperatives and sectors are better prepared for this than others because they started early with the digital transformation or because their value creation was based on the exchange of information

and data and the development of digital services from the outset. Convincing examples are the IT service provider for tax consultants (DATEV) or picture and video agencies as well as press agencies such as APA and other information service providers. They are all cooperative institutionalized ecosystems.

In parallel, the enlargement of existing cooperative ecosystems is taking place through the expansion of their service portfolio. This is done, for example, through the digital networking of cooperative banks and housing cooperatives (Noelle, 2016) or of housing cooperatives and energy cooperatives as well as for larger projects. The aim is to offer service bundles that cover thematic worlds. “Beyond Banking” is an effort of the cooperative finance group, which plans to identify near- and far-banking services outside its core business and develop them into group-wide solutions. An ecosystem is to be created around the areas of health, care, and living. In this ecosystem, scalable digital business models are to be established and coordinated by the newly formed company “Amberra.” It is to act as an “innovation accelerator.”

10.4.3 Cooperative Platform-Based Ecosystems

Criticism of the large platform corporations with their ecosystems has led to numerous proposals that other owners should build competing platforms, e.g., as cooperative institutionalized companies (Meyer & Theurl, 2017). However, it has quickly become apparent that the size and lead of the BigTechs makes this endeavor unpromising. In this context, however, three developments have given rise to cooperative platform ecosystems. First, the development of regional or sector-specific platform ecosystems with cooperative institutionalization has been successful. Examples are Booking Südtirol, the streaming platform Resonate, or other online marketplaces. Either start-ups initiate cooperation with complementary companies or vice versa. Secondly, existing cooperatives increasingly see a starting point in using their regional anchoring to build platforms that are open to regional suppliers and demanders. The cooperative ecosystem also integrates non-cooperative agents to develop regional economic cycles that keep value creation, infrastructures, and population in the region. The desired effects are directly felt by the initiators in the individual economy and indirectly through the macroeconomic and societal effects.

Thirdly, in the course of these developments of regional cooperation, cooperatives have been formed that develop and offer digital services together but go beyond their regional core. This usually requires access to development platforms. This suggests developing one themselves or joining existing platform ecosystems. In doing so, they can negotiate better terms for joint projects as a cooperative than any individual. Such players are consultants, developers, or data analysts. They offer their end customers entire digital concepts or individual elements, e.g., data analyses, algorithms, digital technologies, infrastructures, and concepts for data security. In this way, new platform ecosystems are created or existing ones are scaled up. Service providers and platforms typically bring in complementary competences.

This category of platform ecosystems includes, for example, the govdigital eG founded in 2021. Here, public sector IT service providers work together with other experts to develop platform-based, nationwide public IT services. Interestingly, especially start-ups that develop platform-based ecosystems or design concepts for them intensively discuss cooperative institutionalization in order to endorse it because of its participatory and rule-based governance but then do not choose it because of the fear of long decision-making processes, too little adaptive flexibility, and weak innovation orientation. It is equally interesting that a cooperative-oriented joint-stock company or limited liability company is then founded or proposed (Porschen-Hueck & Rachlitz, 2022).

10.4.4 Cooperative Data-Based Ecosystems

Data as well as its storage, evaluation, bundling, complex analyses and analysis methods, artificial intelligence procedures, and applications have gained great importance. In connection with the efforts to create an EU data space, cooperative activities are emerging both in the business sector and among private individuals. With the Gaia-X project (Gaia-X, 2021), for example, representatives from business, science, and administration from Germany, France, and other EU states are planning to build a competitive secure, and trustworthy data infrastructure. Gaia-X is to become a unified data and service space, a digital ecosystem that connects a platform-based ecosystem with a data-based ecosystem. On this basis, sovereign decisions on data-based business models are to be made possible. Common models and rules for data monetization are to be developed, and cross-sectoral cooperation is promoted in the data economy. Numerous definition and standardization tasks must be completed in advance. The institutionalization of the preliminary work for such a combined data- and platform-based ecosystem is not carried out by a cooperative. However, an international non-profit organization based in Brussels was founded to achieve the project goals in 2021. This non-profit association has cooperative-like characteristics.

Activities by private individuals address data sovereignty. A European data cooperative called polypoly has emerged from a start-up. Technical precautions are intended to enable members to keep their own data on their end devices and only surrender rights of disposal voluntarily in the future for a fee. In this way, an extensive cooperative ecosystem of European citizens is to emerge as the core of a decentralized data economy on the basis of data sovereignty.

The Data Governance Act (European Union, 2022a) aims to provide a framework to increase trust in voluntary data sharing for the benefit of businesses and citizens. Within this framework, data cooperatives may operate to provide data intermediation services (Art. 2, 10, and 12). Such cooperative intermediation services are to be provided between data holders and potential data users and include personal (taking into account the GDPR requirements) and non-personal data. Art. 2 (15) defines “services of ‘data cooperatives’ means data intermediation services

offered by an organizational structure constituted by data subjects, one-person undertakings or SMEs who are members of that structure, having as its main objectives to support its members in the exercise of their rights with respect to certain data, including with regard to making informed choices before they consent to data processing, to exchange views on data processing purposes and conditions that would best represent the interests of its members in relation to their data, and to negotiate terms and conditions for data processing on behalf of its members before giving permission to the processing of non-personal data or before they consent to the processing of personal data.”

Cooperative institutionalizations for data-based ecosystems are also proposed by the Enquete Commission Artificial Intelligence—Social Responsibility and Economic, Social, and Ecological Potentials of the German Bundestag. To promote the use of AI for small and medium-sized enterprises, the sharing and common use of anonymized data is proposed in order to generate added value “e.g. through trust centers for data exchange or the creation of interdisciplinary data cooperatives” (Deutscher Bundestag, 2020, p. 37). Today, it is not possible to assess how simple or complicated the establishment and activities of such data cooperatives will be. Nevertheless, their anchoring in the regulatory documents of the EU data space is to be welcomed.

Already today, cooperative institutionalized data-based ecosystems are being founded to collect personal (e.g., health-related) data from members in a GDPR-compatible manner and to make it available for research. All rights of disposal remain with the members as data owners. Only they authorize the use of the data for individual projects. The cooperative acts as a data trustee. For example, the Swiss Midata as an open innovation system is a combined platform- and data-based ecosystem. The platform is used for data storage. IT service providers and scientists can develop data applications, e.g., apps, in strictly separate use and offer them to the members. The cooperative Data NatuRe eG—Daten Naturkost & Reformwaren has developed a data ecosystem for the natural food, natural goods, and health food industry, which it has been operating since 2017. Against the background of the importance of reliable master data along the value chain and increasing demands on data management, the aim is to ensure electronic data exchange via standardized formats and to minimize the susceptibility to errors in the area of data maintenance. In this case, too, the members remain the owners of their data and determine to whom it is passed on.

Cooperative institutionalization is not only suitable for the organization of data clouds and data pools for the purposes mentioned but also for networks of medium-sized companies, craftsmen, freelancers of all sectors, or especially for self-employed IT entrepreneurs. The purpose is always the efficient and secure organization of their data. Accordingly, there are numerous examples, most of which are a combination of platform- and data-based ecosystem. Hostsharing eG, for example, was founded as early as 2000. It claims to have been the first cooperatively organized web hoster and describes its offer as cooperative cloud computing. Community hosting is supposed to enable digital sovereignty, sustainability, and excellence for the members.

Another application area is based on the Internet of Things. Data-based ecosystems institutionalize physical objects equipped with sensors, software, and other technologies to connect them to other devices and systems via the Internet so that data can be exchanged between the objects. Concrete value creation decisions require data analyses that enable the basis for linking digital images of the value creation process and can thus restructure it, also by means of a digital infrastructure. The question of concrete cooperation between data owners also arises in this context. This question has been answered several times in recent years with the establishment of data cooperatives (Baars et al., 2021), for which the foundations were developed as part of a joint project of the Ferdinand Steinbeis Institute, the Baden-Württemberg Cooperative Association (BWGV) and the chairs of Business Informatics 1 and Controlling at the University of Stuttgart. The data owners become the members of the cooperative, which has the responsibility for data management and collaboration, while the data analytics are provided by external providers on a contractual basis. They are part of the data ecosystem, but not of the cooperative. The pre-conditions for cooperation include clear rules on how, by whom, and under what conditions individual data may be used.

This category of cooperative ecosystems also expresses how closely connected platform- and data-based ecosystems are. It has been shown how multifaceted the contexts are in which agents choose cooperative institutionalization. Digital ecosystems can be cooperatives or choose other forms of institutionalization. However, cooperatives are always ecosystems, regardless of whether they have already started the process of their digital transformation or not. Finally, the question must be asked what perspectives cooperative ecosystems have and what challenges they face.

10.4.5 Perspectives and Challenges

The technological, economic, and social environment suggest that business collaboration will continue and increase. Digitalization, data management, and value creation via platforms suggest larger organizational units. Cooperative business models form a suitable foundation for this. The European Union's goal is to create an integrated data space where competition between infrastructures will end the power position of the large platform companies. However, this presupposes that it leaves room for strategic decisions in the economy and society in order to be able to use technological developments as progress and to generate further innovations.

It can be assumed that digital ecosystems will continue to grow in order to exploit the potential for innovation. The individual economic choice between different institutionalizations will be decisive for the share of cooperative ecosystems. There are some strong arguments in their favor. The focus is on the partners' right to participate, i.e., assured participation in strategic decisions and sharing in the results of value creation. The fact that no minimum capital is required for the company makes it easier to set up, as does the possibility of limiting liability. Many agents consider the concrete structuring of voting rights to be positive. It prevents dominance by

individual members and significantly reduces the potential for exploitation. Both security against hostile takeovers and a convincing resistance to insolvency contribute to the long-term, real economy and innovation-oriented orientation of decisions.

Transparent and credible rules of cooperation are viewed very positively by many agents. In addition, cooperative institutionalization offers more flexibility in design than is often assumed. This makes it possible to combine legal entities and natural persons as partners, which can also be important for regional ecosystems. Subsidiaries, funds, and participations are possible. The Member-Value orientation neither allows for unlimited and isolated profit maximization nor permits the outflow of jointly generated profits. Nevertheless, cooperative ecosystems can expand. They can and may realize profits and also need them for their development. It is also easier to expand the partner network than, for example, in the institutionalization of a limited liability company. When joining or changing partners, there is no need to change the articles of association and no company valuation.

The fact that the focus is not on maximizing shareholder value but on Member-Value is in line with social developments. It is seen as positive at a time when the social responsibility of companies is rigorously demanded and also regulated within the framework of ESG requirements. Cooperative ecosystems are recognized as having a comparative advantage in meeting these requirements. Their owners can demonstrate the purpose of their cooperation with their individual economic actions as well as with the subsequent positive societal effects for a long period of time. Their ownership is literally “responsible ownership.” The young generation of founders thinks and works participatively in communities, digitally, and in projects. They are convinced of swarm intelligence and value sharing. Against this background, the perspectives for cooperative ecosystems can be assessed positively.

Nevertheless, there is no guarantee. There are also challenges and differing weightings of the cooperative characteristics. The assessment of some observers that cooperative institutionalization would rob agility, flexibility, and innovation orientation has already been mentioned. This cannot be completely ruled out, especially with heterogeneous members, and there are examples of this. But this is not necessarily the case. Compared to other institutionalizations, the cooperative characteristics are usually less well known, and this also applies to founding consultants. Sometimes the long history of cooperatives leads to the assessment that they are no longer up to date today. Still, others are subject to the false assessment that profits are not possible and not permissible. Even cooperatives that declare themselves to be non-profit, however, have to finance their development from their own resources and will need a surplus of income to do so.

The fact that cooperative shares are not tradable is an obstacle to the sale of successful start-ups. That the increase in value cannot be taken away by members when they leave the cooperative is sometimes viewed critically by founders. However, this is an important characteristic of cooperatives: Ownership is tied to the cooperative and not to the individual partners. The latter two criticisms weigh heavily, especially if the partners do not take a long-term activity period as a basis from the outset. Then the sustainable approach also becomes less important for them, which

entails that part of the cooperation rent necessarily becomes available only in the future.

One challenge for cooperative ecosystems is competition law. It favors transactions within hierarchically organized companies compared to transactions between partners. This poses major challenges for cooperative groups, in particular, if they want to implement joint digitization strategies or if the data distributed in the network is to be shared. This is particularly relevant for customer data. This disadvantage hinders small and medium-sized companies in their digitization strategies. This drawback applies to all ecosystems.

Data sharing opportunities will continue to grow. At the same time, credible rules are desired to ensure the security and transparency of data spaces as well as individual data sovereignty. This is the prerequisite for the desired cooperation rents to emerge. This will likely encourage the cooperative institutionalization of ecosystems. It is therefore important that the framework currently created by EU law for the property rights of data supports these developments and creates appropriate incentives. Whether this will be the case is difficult to assess at present. In summary, we can expect both positive prospects and some hurdles for cooperative ecosystems.

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Part III
Cooperatives and Grand Societal
Challenges

Chapter 11

Collaborative Responses to Grand Challenges: The Case of La Scuola Open Source



Nunzia Coco

Abstract In an era marked by economic, financial, and health-related crises, the concept of “grand challenges” has gained prominence, signifying complex issues with global repercussions that demand innovative solutions. This chapter explores the potential of cooperative initiatives and open innovation strategies as novel approaches to addressing these challenges. Drawing on a case study of “La Scuola Open Source,” a cooperative project situated in a socially challenged context, the chapter delves into the dynamics of crowdsourcing as a strategy to navigate societal transformations. The study highlights the pivotal role played by open practices and design-driven methodologies in nurturing a profound sense of community belonging and drive a community-driven initiative to a formalized cooperative entity. The study provides valuable insights for practitioners and policymakers in the field of social innovation, particularly those striving to address pressing grand societal challenges.

Keywords Cooperative initiatives · Open innovation strategies · Social transformation

11.1 Navigating Grand Challenges: Exploring the Potential of Cooperative Initiatives

In recent years, the world has confronted a period of instability marked by successive economic, financial, and health-related crises, compounded by geopolitical tensions. These challenges of substantial magnitude, often referred to as “grand challenges,” encompass large, complex issues with a global impact. They give rise to societal, technological, and developmental tensions that require unconventional approaches to resolve them (Ferraro et al., 2015; George et al., 2016). This situation is largely attributed to a developmental pattern that is full of inherent contradictions.

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The amplification of wealth concentration, economic inequality, the ascendancy of major technology corporations, erosion of privacy and autonomy, and heedless depletion of natural resources have been further intensified by the forces of globalization.

Following the sequence of crises spanning the past 15 years, there has been a discernible acceleration in questioning the prevailing economic framework, which has primarily revolved around narrow corporate pursuits. This shift in perspective has manifested globally through initiatives such as the United Nations' Agenda 2030 and has been further emphasized by expansive post-pandemic economic policies that aim to reorient attention toward a comprehensive development framework encompassing economic, environmental, and social dimensions.

By virtue of its unique characteristics and intrinsic nature, cooperation possesses the potential to cultivate a viable social and operational environment that facilitates collaborative problem-solving endeavors (Fontanari & Sacchetti, 2019). Its participants are united by a shared identity, driven by collective aspirations (Sacchetti & Tortia, 2013). Diverging from conventional enterprises that primarily prioritize the interests of stakeholders, cooperatives facilitate mutually beneficial outcomes for all stakeholders. This structural framework accelerates and streamlines the dissemination of strategic knowledge among participants, thereby facilitating the adoption of digital, social, and ecological innovations.

The chapter discusses the emergence of a cooperative model, organically evolving to effectively address communal challenges. This approach is closely aligned with the needs of local communities and establishes strong social networks, making it particularly relevant in today's complex and transformative times. The cooperative approach holds the potential to expedite community-driven development and transitions while respecting their interests and unique characteristics.

Central to our exploration is the case study of "La Scuola Open Source," showcasing an innovative strategy, crowdsourcing. This approach harnesses untapped skills and human resources within a pervasive crisis context and contributes to the collaborative development of tailored training services for the local community. The cooperative's multifaceted initiative embodies a community-centric approach, providing a fresh perspective on addressing the complexity of contemporary challenges.

Furthermore, the chapter delves into the dynamics of crowdsourcing as an open innovation strategy, illustrated by the case of La Scuola Open Source. Situated in the challenging context of Bari's Old Town in Italy, a city plagued by high crime rates and low education levels among its population, this cooperative endeavor strives to drive positive social change, bridging online and offline communities through digital platforms. This chapter closely examines the intricate interplay between the local landscape and the creation of a crowdsourced community, seeking to establish a new "community point of view" that empowers citizens to actively engage in transformative endeavors.

Based on the outcomes of a 2016 project (Coco, 2017), rooted in an action research initiative (Coco & Colapinto, 2023), I argue that using open innovation practice and the support of digital platforms, it is possible to accelerate the transformation of a social context. Indeed, the project underscores the role of open practices

design-driven in cultivating community cohesion and the pivotal function of digital platforms in aligning the online crowd engagement with offline actions. Additionally, the investigation uncovers the emergence of cooperative governance models through a “learning by doing” approach, revealing effective strategies for engaging individuals in tackling social challenges.

By presenting these findings, our chapter not only contributes to an empirical understanding of the cooperative’s significance in navigating grand challenges but also introduces innovative strategies that harmoniously integrate online crowd engagement with real-world activities. Through the lens of cooperative initiatives and the dynamic interplay of crowdsourcing, we embark on a journey toward comprehensive and collaborative open innovation strategies to contemporary complexities.

11.2 Understanding Open Innovation for Social Challenges

The open innovation strategies originally designed for business have a profound applicability in tackling the significant societal challenges that have emerged as the foremost management concerns of the twenty-first century. The original conceptualization of open innovation, introduced by Chesbrough (2003), challenged the prevailing belief in vertical integration within companies. At a time when proprietary intellectual property rights were highly valued, Chesbrough emphasized the benefits of openness, both in terms of bringing in external ideas and disseminating internal knowledge beyond organizational boundaries. This departure from vertical integration meant that internal research and development (R&D) divisions no longer held a monopoly, as external sources of knowledge were incorporated and external paths to market competed with internal business units for the most valuable applications of new knowledge. The underlying principle of openness was the recognition that not all intelligent individuals worked within the organization, thereby inviting generativity through the emergent process of discovering and deploying new combinations of knowledge.

The definition of open innovation put forth by Chesbrough and Bogers (2014) highlights the concept as a distributed innovation model, involving the purposeful management of knowledge inflows and outflows across organizational boundaries for both financial and non-financial reasons, in alignment with the organization’s business model. Notably, the purpose of openness could extend beyond pecuniary motives, as organizations may engage in open innovation to pursue opportunities that cannot be easily quantified in financial terms, particularly in the short term (Dahlander & Gann, 2010). This perspective forms the foundation for understanding the significance of open innovation in addressing societal challenges.

Following Chesbrough’s influential work, numerous papers have further developed the concept of open innovation and explored its implications for effective organizational functioning (Bertello et al., 2023; Huizingh, 2011; Randhawa et al., 2016; West & Bogers, 2017). Researchers have examined the integration of ideas

from suppliers and users as an alternative to vertical integration, and the application of open innovation has extended beyond corporations to organizations of various types (Bogers et al., 2010).

The widespread diffusion of technological infrastructure and its utilization has played a pivotal role in fostering user engagement (von Hippel, 2005). This phenomenon has been particularly instrumental in shaping the boundaries and dynamics of the innovation process. Nambisan (2017) argues that technological advancements have facilitated the emergence of more fluid and complex innovation structures and processes, giving rise to distributed organizational forms and fostering intricate interdependencies between innovation and its outcomes. In this context, the crowd has emerged as a significant resource for generating innovations (Enkel et al., 2005, 2009; Kristensson et al., 2002).

Crowdsourcing, as introduced by Howe (2006), has gained prominence as a powerful approach wherein tasks previously performed by employees or teams are outsourced through digital platforms to large, undefined groups of external individuals via open calls. This digital transformation, including the rise of crowdsourcing, has revolutionized the way organizations engage with online, distributed collective intelligence, aligning it with specific organizational goals (Brabham, 2013; Kristensson & Magnusson, 2010).

While crowdsourcing presents promising opportunities for enhancing innovation capabilities, organizations face the challenge of establishing effective and mutually beneficial partnerships with online communities (Bogers, 2011; Chesbrough et al., 2018; Lauritzen & Karafyllia, 2019; Stefan et al., 2021; West & Gallagher, 2006; West & O'Mahony, 2008), particularly when striving to achieve societal goals (Chesbrough & Di Minin, 2014; McGahan & Suhkram, 2020). The existing social innovation literature provides limited discussion on the enduring value of online communities over prolonged periods and how such communities can be leveraged and replicated (McGowan & Westley, 2015). Furthermore, the potential of digital technologies in sustaining and supporting innovation processes remains an understudied area (Enkel et al., 2020).

11.3 The Rising of La Scuola Open Source

The case of “La Scuola Open Source” illustrates how digital platforms can empower cooperatives to rise and grow, driving social change through education, research, and skill development. The study emphasizes the value of online communities in long-term social innovation, showcasing the integration of digital platforms and crowdsourcing to co-create initiatives and drive transformative change. This chapter narrates the findings of a 2016 research project aiming at supporting social innovation within an open and bottom-up approach.

In 2015, a young association, without any legal structure, consisting of 13 members participated in a social innovation national competition sponsored by “Che Fare,” an Italian social innovation incubator. Their idea aimed to spark a cultural

renaissance in Southern Italy, where 1 out of 5 individuals is unemployed, and between 2008 and 2014, approximately 600,000 jobs were lost. Among the unemployed, 1 out of 3 are young people aged between 15 and 34 years, while only 1 out of 5 have found employment. Among those who choose to leave the region, 1 out of 3 are graduates. In recent decades, what has been lacking is a perspective for the future (and hope), as birth rates in the South have been steadily declining since 1965.¹ The collective aims to establish a new center for education, research, and consultancy—technological and social—for industry, commerce, and craftsmanship (both digital and non-digital). They call the center La Scuola Open Source (The Open Source School) and establish it in the Old Town of Bari, the administrative center of the Apulia region in Southern Italy. The vision behind La Scuola Open Source was to create a physical and virtual space where education would be open and accessible, serving as a catalyst for social change and transforming Bari into a better place to live. This initiative was particularly significant in an area characterized by cultural stagnation due to limited individual, entrepreneurial, and governmental investments, resulting in high levels of organized crime, especially among the youth.

The idea behind La Scuola Open Source encompassed four key aspects: education, research, the development of new professional skills, and the creation of job opportunities. By addressing the local need for international knowledge and fostering future opportunities for the population, La Scuola Open Source aimed to revitalize the Southern Italy community. To bring this idea to fruition, the association initiated an online call through Facebook and its website, inviting people from diverse backgrounds to participate in a workshop to co-create the initiative. More than 200 applications were received, and 64 individuals were selected based on their coherence, expertise, and motivation.

The selected participants, along with renowned instructors and tutors, gathered in Bari for a triple co-design workshop called XYZ. The workshop spanned 12 full days, where participants collaborated on three sub-themes: designing the identity of La Scuola Open Source (workshop X), designing the tools through which La Scuola could operate (Y), and designing the processes and logic able to sustain the initiative (Z). Each sub-theme had dedicated coordinators, instructors, tutors, and a member of the young association. The workshop aimed to generate ideas and solutions that would form the foundation of La Scuola Open Source, which would be officially unveiled to the public in November 2016.

The research project was intentionally structured as participatory action research to effectively tackle the interconnected objectives of promoting social change and producing reliable, practical knowledge. This approach is characterized by its capacity to facilitate both the generation of knowledge that informs actionable strategies and the acquisition of knowledge through active engagement, all aimed at serving the specific needs and aspirations of specific communities (Coco &

¹Data from report SVIMEZ: <https://www.camera.it/temiap/t/news/post-OCD15-11888>; and https://www.agenziacoesione.gov.it/news_istituzionali/rapporto-svimez-2022/

Colapinto, 2023; Cornish et al., 2023). As such it is an evolving process that is undertaken in a spirit of collaboration and co-inquiry, whereby research is constructed and conducted with members of a social system, rather than on or for them (Coghlan & Shani, 2018; Shani & Pasmore, 1985).

Data collection for the project involved a variety of methods, including interviews, examination of relevant documents, participant observation, and active involvement of the community as co-researchers. By adopting this approach, the project ensured that data was gathered from multiple sources, allowing for a comprehensive understanding of the subject matter while actively involving the community in the research process (Cornish et al., 2023). One of the authors acted as a participant and workshop lecturer (workshop Z), collecting direct data through field notes and transcriptions of participant actions and reflections. Additionally, 43 open-ended interviews were conducted with participants, teachers, and tutors, providing further triangulation of information.

The Z workshop employed an action research protocol, involving iterative stages of planning, acting, and reflecting. Sub-theme Z, consisting of 23 participants divided into smaller groups, actively identified issues, discussed actions, and interrogated their own practices. The action researcher generated reports within the system, disseminated findings to other groups and sub-themes, and facilitated bidirectional feedback and reflection to foster positive change in a participatory environment.

Descriptive data were gathered on participant profiles and workshop outputs, including three general reports per sub-theme (X, Y, Z) and eight specific outcomes from sub-theme Z (presentations, pictures, and prototypes). Additionally, digital repertoires, such as the XYZ Facebook page, La Scuola Open Source website, participant blogs, and press coverage, were continuously monitored to capture diverse perspectives and experiences in the digital platforms.

To enhance the validity of the findings, post-workshop interviews were conducted with the young association and a representative from “Che Fare.” These interviews provided valuable insights into how the workshop outcomes were being processed to realize the vision of La Scuola Open Source (Table 11.1).

Table 11.1 Timeline of *La Scuola Open Source* development

September 2015	Video call—first phase “Che Fare” competition
November 2015	University Tours: in order to be share the idea proposal
December 2015	Winners of “Che Fare” Competition
June 2016 (03/06/16 to 05/07)	Open online—Call to X, Y, Z workshop—60 vacancies
21/06/16	Received 86 applications
02/07/16	Received more than 120 applications
05/07/16	Received 199 applications and the call closed
July 2016	Selection of participants
July 2016 (18th–30th)	Workshop X, Y, Z
November 22nd 2016	Opening of the School
September 19th 2020	New Governance form: co-op

11.4 The Project Data

To comprehend the development of the initiative and gain a comprehensive understanding, a chronological approach and interpretive approach, as suggested by Orlikowski and Baroudi (1991), were employed to analyze and create a report on how the young association engaged in crowdsourcing. This involved preparing brief descriptions of the young association’s activities, the participants involved in the workshops, and the outcomes achieved, such as profiles of members, workshop participants, and new Facebook members over time (Table 11.2).

The data analysis process focused on two primary considerations. Firstly, it involved describing and characterizing the XYZ workshop, including the activities and mechanisms employed to engage the crowd. Secondly, the analysis examined the values and actions implemented to actualize the project and provide public access to La Scuola Open Source.

During the XYZ workshop, a cyclical process of actions and feedback was documented, aiming to enhance the understanding of the social situation at hand, which was the creation of La Scuola Open Source. Initial interpretation and analysis of these data were carried out through ongoing interactions with two founders to ensure the reliability of the interpretations. In the second phase of analysis (August 2016), descriptive stories were shared with the founders and the workshop participants (currently accessible online at <http://www.lascuolaopensource.xyz/XYZ-Report/>). Feedback from these individuals regarding the interpretation of the data

Table 11.2 Action research thematic plan during workshop Z per group (12 days)

	Planning and saying (focus)	Acting and observing (main actions)	Reflecting and relating (implementations)
Group 1	SOS and the stakeholders	Interviews with stakeholders and other organizations	Report “SOS X Firms”
Group 2	New educational models	Interviews with possible future users	System of pricing to have access to education
Group 3	Community and territory	Organization of an Open Night	Guideline to involve the territory
Group 4	Governance	Interviews with participants of X, Y, Z and the collective	New governance rules; ideation of voting system
Group 5	SOS and its knowledge sustainability	Interviews with participants of X, Y, Z and the collective	Storyboards of interaction between SOS and the universities or research centers
Group 6	Relations with online	Co-creation sessions with X, Y	SOS website map
Group 7	Participation with the community	Interviews with participants of X, Y, Z and the collective	Channels and accessibility analysis of the platform
Group 8	Relation with the educational offers	Interviews with teachers and professors	Education model advertising proposal

was integrated and linked to relevant theories to provide clarity on emergent themes and constructs (Glaser & Strauss, 1967) (Table 11.3).

The initial understanding of observations and field notes was developed through the first round of coding. During this phase, certain concepts emerged as significant from the coded data, such as “group,” “community,” “participation,” “process,” “service,” “new,” “open,” “design,” “network,” and “value.” Further exploration was conducted to examine the connotations of these terms as perceived by the participants in relation to the initiative. To achieve this, the contents of reports, blog posts, shared Google documents, and articles written by the participants were analyzed during the second phase of analysis. All these materials were openly accessible through the La Scuola Open Source website (<http://lascuolaopensource.xyz/>) and were distributed with open access. Notably, two active Facebook channels, namely the closed group La Scuola Open Source Community (<https://www.facebook.com/>

Table 11.3 Data collection

Data source	Type of data	Use in the analysis
Direct observations and facilitation during action research (12 days)	Field notes with transcription of participants actions and reflections—descriptive stories	Characterization of the dynamics of the workshop
		Characterization of the strategies adopted to provide new meaning to the initiative
		Identification of the themes which represent the community
Interviews	First Round during X, Y, Z workshop (43 open ended conversations)	Characterization of the perception of the change to make by activities
	Second Round—end of the workshop (7)	Analysis of the interactions and alignment between collective intentions and community intentions
		Triangulate workshop data
Facebook posts (from 18/07/16 to 22/11/2016) SOS page (6k followers) Community (close groups) (+600 members)	441 posts 60 posts	Cluster analysis of themes and values discussed
		Identification of discourses and values relating the community-representation and SOS initiatives.
Digital Action repertoires	Shared documents on the website—reports from the X, Y, Z groups	Development of an historical and chronological account of SOS initiatives and activities
	Digital feedback form from participants	Characterization of the perception of the participants at the workshops
	Participants Blogs articles	Characterization of the perception and self-representation of the participants with the initiative

First order concept	Second order themes	Aggregate dimensions
<ul style="list-style-type: none"> Words tracking: most used terms while speaking about the project: "group", "community", "participation", "process", "service", "new", "open", "design", "network" and "value" 	Inspiring values	The role of design process
<ul style="list-style-type: none"> Community identity – who we are going to be? Experience during the workshop Open people, open space – participatory models 	Change in social reference – open community	
<ul style="list-style-type: none"> Change on the educational model New roles as educators 	Educational Model explorations	Challenge in governance
<ul style="list-style-type: none"> Discussion on the business identity Discussion on the group identify and governance representations 	Identity ambiguity – groups identity	
<ul style="list-style-type: none"> Identification of services Lectures models Ideas for the future developments New forms of learnings Inclusiveness and diversity 	Refine desired of future processes – educational forms	The role of digital platforms
<ul style="list-style-type: none"> The system to govern the initiative The role of the platform The role of the network Technology to be use 	The system, the Tools and platform development – platform system	

Fig. 11.2 Analytical coding process

Once it became evident that the utilization of values played a pivotal role in connecting participants with the social initiative, our investigation delved into how the XYZ workshop and the crowdsourcing call effectively fostered this connection. By closely analyzing the comprehensive dataset, we were able to identify three overarching dimensions (Corley & Gioia, 2004) that characterized the interactions, challenges, and leveraging of the La Scuola Open Source initiative within the crowdsourced community. These dimensions encompassed two activities, namely the role of design processes and the role of digital platforms, along with one challenge related to the governance model (Fig. 11.2).

11.5 Crowdsourcing to Build a New Community

By employing participatory action research and analyzing the contents shared within the digital network, we can illustrate how the crowdsourced community actively contributed to the advancement of the initiative. This collective effort culminated in the successful realization of the project in November, solidifying its legal establishment as a cooperative entity. The members maintained a high level of involvement throughout the project, actively participating in discussions regarding the research findings. They leveraged their identities, knowledge, and networks to frame the issue and initiate the creation of a social organization. While social entrepreneurs may have a desire to “do something,” the exact nature of that endeavor may not be clear initially (Mair & Marti, 2006). Hence, they relied on their networks to

engage individuals who could contribute to the development of the organization. Initially, they formed small collaborative teams of design experts to act as instructors and tutors during the X, Y, and Z workshops. However, a significant shift occurred when they launched a crowdsourcing call through Facebook and their website, inviting people from diverse backgrounds to co-create the initiative. This call received over 200 applications, indicating a positive response to the opportunity.

For the founders, crowdsourcing was not seen as just an “alternative innovation system” relying on untrained individuals (Howe, 2006). Instead, they perceived it as a chance to establish a new community, drawing inspiration from the unique characteristics of Bari and their own experiences as individuals who left their home country to pursue education. Their shared aspiration was to return and create a better future for themselves and their community.

The association embraced crowdsourcing as a means to invite and build a community of creative and highly motivated individuals. They recognized it as an opportunity to generate new knowledge about social challenges and actively experiment with, adapt, and implement innovative practices. Rather than viewing crowdsourcing solely as a source of ideas or labor, they saw it as a powerful tool for community development, fostering collaboration and collective problem solving.

By leveraging their networks and embracing the potential of crowdsourcing, the association expanded the reach of its initiative and tapped into the diverse expertise and perspectives of individuals from various backgrounds. This approach allowed them to harness the collective intelligence and passion of the community they were building, leading to a more inclusive and impactful development process.

This vision materialized during the 12-day workshop, where participants from diverse backgrounds and experiences fully immersed themselves in a multidisciplinary approach centered on cooperation and skills exchange. In interviews, some participants described the experience as transformative, stating that it marked the beginning of something new, a shared journey to create novel collaborations and rewrite the narrative of their community. The workshop fostered strong interactions and forged new relationships among the participants and within the local area. One participant aptly expressed, “*La Scuola Open Source is not filling a bucket, but lighting up a fire.*”

Following the workshop’s conclusion, the seeds of a new community had been sown. The 64 participants, along with the 24 instructors and tutors, felt a sense of unity through their shared workshop experience and remained willing to collaborate, even remotely, in order to advance La Scuola Open Source project. This success can be attributed to a value-based change process, driven by two key elements (design processes and digital platforms) and a challenge pertaining to the governance model. Participants effectively utilized the shared values cultivated during the workshop to propel the social initiative forward.

11.5.1 Design Processes: Fostering Collaboration and Empowering Community Creation

According to research (Lakhani et al., 2006; Lakhani & Panetta, 2007), crowdsourcing excels at engaging a diverse and dispersed crowd with varied knowledge and

backgrounds. However, this diversity can lead to a multitude of viewpoints and values, which, if not properly managed and channeled, may hinder progress toward a specific goal.

In the participant groups from sub-themes X, Y, and Z, comprising 64 individuals, a wide range of autonomous and diverse approaches emerged. Group X, for example, employed a decision-making process based on voting, ensuring the active participation of all members in each decision. In contrast, Group Z was subdivided into eight smaller groups, working independently on their deliverables while adhering to the overarching “design for service” methodology. The design-for-service approach embraced by Group Z embodied an exploratory and constructivist perspective, aiming to establish new value relationships among diverse actors, including individuals, technologies, and artifacts (Kimbell, 2011). This approach enabled participants to conceptualize and develop innovative solutions while considering the broader service ecosystem.

Although not in direct competition, the approaches of Group X and Group Z highlighted the intrinsic diversity within the participant groups, with each group offering distinct perspectives and methodologies. However, during the delivery phase, Group X faced challenges as the multitude of perspectives struggled to effectively converge. In contrast, Group Z achieved success by generating eight distinct outcomes that effectively addressed the intricate issues surrounding the School’s future processes and services.

This accomplishment underscores the importance of the design processes employed by Group Z, which provided a structured framework and tools for workflow without stifling creative autonomy.

Dealing with a complex social problem revealed the effectiveness of the design process for two key reasons. Firstly, design practices compelled participants to transform ideas into tangible outcomes by utilizing tools such as storyboards and customer journeys. These visual representations enabled a deeper understanding and enhanced engagement among group members through a shared perspective.

Secondly, design practices, particularly through ethnographic interviews, provided opportunities for active participation of all group members in the inquiry process. Material artifacts such as prototypes and experience prototypes were created, facilitating the envisioned processes. For instance, one of the groups in Group Z organized an impromptu event called the “open night” to raise awareness about the initiative among the population of the city of Bari. Within a short span of 2 days, the group designed a public evening where people could experience a glimpse of the “future.” Artifacts like simple promotional gadgets (i.e., La Scuola Open Source bags), demo objects (i.e., 3D printer demo objects), and customer journeys were crafted to make their services visible and easily comprehensible.

These tools and mechanisms exemplified the constructive nature of design, transcending individual viewpoints and involving crowdsourced members in the creation of a new “community point of view.” This inclusive approach aimed to ensure the success of the social initiative by engaging additional stakeholders, including citizens and social contexts. Ultimately, these mechanisms fostered a sense of belonging and facilitated decision-making for the members in subsequent steps. As

one member remarked, “The results of this workshop are in front of you. Thanks to its community, we will be able to open [La Scuola Open Source] in November.”

In summary, the utilization of design practices provided tangible outcomes, shared understanding, and active participation, enabling the participants to effectively address the social problem. By involving the community through visual representations and engaging artifacts, the design process fostered collaboration, inclusivity, and a sense of ownership among participants, ultimately paving the way for the successful realization of the initiative.

11.5.2 Digital Platforms: Shaping Values and Engagement Throughout the Project

The role of digital platforms in shaping values and fostering engagement emerged as a significant aspect of the project. Analysis revealed a strong commitment to knowledge generation within these platforms, demonstrated by both the association and the community of stakeholders at large.

Throughout the project, three distinct attitudes toward digital platforms were identified, where values were expressed and influenced.

Initially, technology played a pivotal role in engaging the community. The project’s website and social media channels, notably Facebook, served as primary digital platforms for disseminating the values of the association. Through these channels, the project’s call, abstract, and draft plan were shared, resulting in an overwhelming response of over 200 applications received for the workshop initiative.

During the workshop phase, web-based platforms assumed a supportive role as complementary tools. Digital platforms acted as repositories for process steps and ideas, while face-to-face interactions and physical prototyping took center stage in driving the project forward. The act of “making” and creating physical artifacts such as drawings, storyboards, prototypes, and visual maps became integral to fostering conversations and collaborations among the participants, and citizens. Additionally, a concerted effort was made to document and share the project’s progress online, ensuring transparency and knowledge dissemination.

Toward the conclusion of the workshops, technology regained significance as a means to reflect upon and share the progress made. The project’s closed Facebook group experienced substantial growth, attracting 400 active members within a few months, while the open group garnered 2000 followers in under a month. These digital platforms provided a platform for the community to engage, exchange ideas, and celebrate the milestones achieved during the initiative.

Throughout the initiative, technology played a vital role in both community engagement and progress sharing throughout the project. The digital platforms enabled widespread dissemination of project values, facilitated collaborative discussions, and provided avenues for reflection and knowledge sharing. They facilitated the connection of tangible and intangible resources, fostering interaction, and

generating value for diverse participant groups, including the founders, the online crowd, the 64 workshop participants, and the citizens. The growth of online communities showcased the positive impact of leveraging technology in fostering engagement, amplifying project outcomes, and extending the project's reach beyond the workshop phase.

To achieve these objectives, the digital platforms fulfilled three fundamental functions: match, facilitate, and pull. Initially, during the crowdsourcing call, the platforms *matched* users based on their characteristics and values by providing accurate descriptions of the initiative's social goals.

During the workshops, the platforms *facilitated* value-added interactions between different actors by providing updates on workshop activities, reflections, and suggestions from the participants, along with clear guidance for the next steps of the initiative.

Subsequently, as the 12-day workshop concluded, the platforms *pulled* users in by expanding, scaling, and reinforcing the value derived from network effects. Effective strategies to attract and retain users, while simultaneously scaling the network, were employed, such as frictionless entry, self-reinforcing activities, diverse activity promotions, and word-of-mouth recommendations.

11.5.3 Governance Challenges and Dynamic Decision-Making in Crowdsourcing for Social Innovation

The crowdsourcing and collaborative model for social innovation encountered immediate governance challenges. Determining who, where, and when decisions should be made became a key question. Should decisions be made before, during, or after the X, Y, and Z workshops? And should they be made by the crowdsourced communities or the founders?

In an open innovation context, system boundaries are often unclear, and actor preferences are diverse and evolving. As a result, goals and purposes become moving targets (Rindova & Kotha, 2001). This dynamic presented both a challenge and a generative principle for the community during the X, Y, and Z workshops.

The proposal of a non-centralized entity, where decisions could be shaped from the bottom-up, facilitated convergence. The founders (the association) and the instructors acted as brokers, linking and sharing knowledge among all groups. It was recognized that every approach is provisional and can be improved upon, rather than being definitive.

The workshop served as a "learning by doing" mechanism, allowing experimentation and exploration of feasible goals and means. Early characterization of means and ends provided a starting point and served as the basis for exchanging experiences among collaborators. This exchange of knowledge resulted in continuous learning, enabling adjustments to be made after the workshop.

The community has shown continued enthusiasm for exploring new possibilities for governance. This commitment is evident in the extensive discussions on Facebook following the workshop, as confirmed by content analysis (Fig. 11.1). This high level of engagement prompted the founders to initiate a transformation process from a community to a cooperative.

Italy has a rich history of cooperatives, established to address members' needs within its economy. In the late twentieth century, shifts in the economy created gaps in welfare services, which were filled by private social initiatives, including cooperatives. These initiatives grew, Italy took a pioneering step in 1991 by formally recognizing and instituting regulatory frameworks for social cooperatives.

The Italian law defined social cooperatives as entities striving for community welfare, personal growth, social integration, and provision of social services (Type A), while also generating employment for marginalized groups (Type B). Over time, both Type A and Type B social cooperatives in Italy grew substantially. Notably, while cooperatives are more prevalent in the southern regions of Italy relative to the population, they tend to employ a larger proportion of the workforce in the northern-center regions (OECD, 2021).

Recently, scholarly inquiries have delved into the connection between widespread prosperity and the presence of cooperatives at the regional level in Italy. The South of the country continues to deal with greater income inequality compared to the more central and northern areas, although recent trends indicate a narrowing of this gap (Ciani & Torrini, 2019). The Southern regions, inclusive of islands, persist in experiencing more pronounced disparities, centered around comparatively lower real income levels than their Center-North counterparts.

A study by Costa and Delbono (2023) has shed light on this relationship, suggesting promising findings warranting further exploration. Their research identifies a substantial and statistically significant correlation between the scale of cooperative employment and the widespread prosperity. Consequently, they cautiously posit that Italian cooperatives possess the potential to emerge as contributors to regional prosperity, potentially playing a role in mitigating regional disparities, particularly concerning employment and income discrepancies within communities. Moreover, their observations indicate a seemingly positive correlation between the magnitude of the regional cooperative movement and the resilience of the regional economic system, especially during crises like the ongoing pandemic.

A transition toward a cooperative form was carried out openly and with transparency, extending an invitation to all interested individuals who aimed to "Appeal to more generous aspirations," as explicitly stated in the email sent to all participants. Since September 19, 2020, the cooperative has welcomed 70 members, reflecting a shared vision for a formalized structure that aligns with the shared values and goals. The decision to form a cooperative reflects the community's aspiration for a more inclusive and participatory approach to governance, where decision-making power is distributed among its members.

This cooperative transformation, initiated by the founders, establishes a platform for shared ownership and decision-making. It acknowledges the significance of collective contributions and ensures a diverse range of perspectives shape cooperative's

activities. This approach nurtures a feeling of empowerment among members, enabling them to play an active role in the organization's development and orientation, while also striving for the betterment of the community at large, individual growth, social integration, and the delivery of education services.

The formation of the cooperative marks an important milestone in the community's evolution. It demonstrates their commitment to collaborative governance and their willingness to explore new models for collective action. Within this legal framework, the cooperative's trajectory is guided by the collaborative efforts of its members, ensuring the realization of its mission and vision: contributing to regional prosperity, addressing regional and local disparities, and fostering the development of a resilient regional economy.

11.6 Collaborative Responses to Grand Challenges: Embracing Ambiguity and Diverse Engagement

In the face of a dynamic and intricate global landscape characterized by successive crises and complex transformations, the emergence of cooperative models has demonstrated its inherent potential to organically address communal challenges. Operating from the grassroots, the case study of "La Scuola Open Source," has revealed a cooperative model able to align closely with local needs and to establish robust social networks, underpinning its significance in navigating the demands of our times. Our exploration presented the use of an innovative strategy—crowdsourcing, which taps into latent skills and resources, serving as a response to a context unfortunately recognized for its elevated incidence of juvenile crimes. This cooperative accomplishment offers a unique lens through which to confront the multifaceted demands of our era.

In the quest to reimagine solutions to grand challenges, it is important to recognize that the landscape necessitates the involvement of a diverse spectrum of stakeholders and unconventional approaches. Our endeavor seeks to shed light on the potential of cooperatives to play a pivotal role in responding to grand challenges, advocating for a comprehensive understanding of their engagement within broader systems and complex issues.

Indeed, our chapter has introduced a pragmatic and participatory approach to addressing these grand challenges. Anchored in the principles of inclusivity and engagement, this approach integrates both virtual and physical efforts to foster nuanced strategies that inspire localized responses without imposing a uniform consensus on methods or goals.

Through the lens of crowdsourcing, the experience of La Scuola Open Source offers an enriching and participatory trajectory that embraces experimentation over prescription. This dynamic approach embodies ambiguity, welcomes diverse forms of engagement, and remains dedicated to its commitment to catalyzing positive and transformative change.

The insights collected from this transformative journey significantly contribute to our comprehension of cooperatives' potential as instruments for constructing comprehensive, collaborative, and effective responses to grand challenges. This potential is amplified by the integration of design processes, digital platforms, and distributed governance models.

The orchestration of collaborative interactions, thanks to the design process (Lauritzen & Karafyllia, 2019), as evidenced in the Z workshop, facilitated structured conversations, improved alignment of ideation phases, and a deeper engagement with the specific needs and skills of the local community. The study emphasizes that multi-actor collaboration, when guided effectively, allows for the utilization of all relevant assets such as knowledge, creativity, resources, and transformative capacities in public innovation (Bommert, 2010). These empirical insights offer valuable guidance for enhancing collaborative innovation within the public sector through an effectual approach.

Drawing on insights from open innovation literature, the study highlights the complex dynamics and interrelationships among various actors, including the online community and the offline one (workshop participants, the young collective, and citizens). Digital platforms played a pivotal role in creating a diverse and united community, driven by a shared goal of catalyzing social change (Lee et al., 2021; Logue & Grimes, 2022; Misuraca & Pasi, 2019). The study underscores the significance of complementarity between online and offline actions, as the X, Y, and Z workshops facilitated interpersonal connections while subsequent online conversations further nurtured innovation on a local scale. The ongoing communication through the Facebook channel exemplifies the facilitation of implementation through resource exchange, coordination, and joint ownership.

The study underscores the importance of reinforcing offline engagement with online support to foster new forms of partnership, ownership, and social innovation through cross-disciplinary collaboration. Despite its small scale, the project's robust interconnectedness with a globally distributed community allows for both local rootedness and the exchange of ideas, information, and people on a global scale. This highlights the transformation of isolated entities into interconnected nodes within short and long-distance networks, where local networks invigorate the socio-economic fabric while long-distance networks connect communities to the broader world.

Overall, this chapter provides valuable insights for practitioners and policymakers, showcasing the power of crowdsourcing and collaborative approaches in driving cooperatives to face grand societal challenges. The interplay of design processes, digital platforms, and governance models, creates an enabling environment for sustaining participatory innovation, ultimately contributing to societal betterment.

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An area of special interest is cooperative businesses, which she views as compelling alternatives to traditional business structures. She believes that such models offer promising avenues to address substantial societal challenges.

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Chapter 12

The Evolution and Evaluation of the Italian Legislation on Social Cooperatives and Social Enterprises: Facilitator or Obstacle to Their Diffusion?



Silvia Velmer

Abstract Historically, the Italian cooperative movement has represented a pivotal backbone of the national economy, since cooperatives were able to satisfy their members' needs through the provision of products and services at affordable conditions. Started as grassroots organizations to answer local social needs, social cooperatives have become key actors in the provision of welfare services in Italy over the last decades. The legal acknowledgment came long after the establishment of social cooperatives in the civil society and the legal framework defined social cooperatives as the first multistakeholder entrepreneurial form with a social mission, rather than a profit maximization objective. Several laws on socially-oriented organizations have followed. Over time, social cooperatives have progressively accomplished the social mission of cooperative organizations, while cooperatives are more focused on growth. In the context of grand societal challenges, the strong orientation of social cooperatives on their social impact and their embeddedness in the local territory supports them in the development and implementation of local resolution to these global challenges.

Keywords Social cooperatives · Social enterprises · Italian legislation on social enterprises · Italian reform of social cooperatives · Grand societal challenges

12.1 Introduction

This chapter focuses on the Italian legislative evolution on social cooperatives and social enterprises and provides a characterization and evaluation of the legislative frameworks that have been passed over time. Together with the legislative framework, I also provide evidence for the evolution of cooperatives. As such, it provides

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a complement and comparison to the chapters examining these dimensions in the Swiss context (in particular Chaps. 2, 3, and 5).

In general, cooperatives have always been part of the Italian economic backbone. Similar to in other countries, many cooperatives were founded in order to answer the needs of their members. The economic changes of the late twentieth century have left a void in terms of welfare services that have been answered by voluntary private social initiatives which adopted different organizational forms, including cooperatives. Over time, these initiatives have grown, and in 1991 Italy legally acknowledged and regulated social cooperatives. The Italian legislative framework is a pioneer in the definition and regulation of social cooperatives and it inspired also legislative frameworks of other countries. Gradually, the term social enterprise gained traction across Europe and the Italian legislator identified social cooperatives as the primary organizational form of social enterprises. The Italian nonprofit sector continued to grow. In 2016, the Italian legislator passed a reform regulating the Third Sector (so, nonprofit organizations) with a dedicated law on social enterprises declaring social cooperatives as *de jure* social enterprises. However, we will see, building on a short case study, how the separation between cooperatives and social cooperatives brought a shift in cooperatives in terms of attention to the social mission.

Grand societal challenges such as climate change and poverty might even enhance this shift, since social cooperatives might be more embedded in the local context and more prone to find a concrete answer to such challenges.

The chapter is structured as follows: first, I provide data on the cooperative and Third sector in Italy. Next, I describe the history of emergence of social cooperatives and the first legislative framework (law 381 of 1991) on social cooperatives. Then, I describe the evolution of the Italian legislative framework with a depiction of the first law on social enterprises and its evolution inside the Third Sector reform. Subsequently, I will provide an evolution of the social function in cooperatives building on a short case study. Finally, building on the Italian context, I will highlight the role that (social) cooperatives might cover in addressing grand societal challenges.

12.2 Swiss and Italian Cooperative Context

Both in Switzerland and in Italy, cooperatives are lawfully regulated by the national Civil Code, which provides a definition of cooperatives. As stated in Chap. 3, the Swiss legal framework defines cooperatives as “a corporate entity consisting of an unlimited number of persons or commercial enterprises which primarily aims to promote or safeguard the economic interests of the cooperative’s members by way of collective self-help or which is founded for charitable purposes.” (art. 828 of the Code of Obligations¹) (see also Chap. 3). Compared to the Swiss legislative

¹ https://www.fedlex.admin.ch/eli/cc/27/317_321_377/en#part_3/tit_29/chap_1/lv1_A. Accessed 28 February 2023.

framework, article 2511 of the Italian Civil Code defines cooperatives based on the type of mutual exchange they perform. As such, the Italian legislator recognizes and categorizes the following cooperatives:

1. Cooperatives that perform their activities in favor of their members, consumers, or users of goods or services
2. Cooperatives that leverage mainly on the job performance of their members
3. Cooperatives that leverage mainly on the provision of goods and services from their members in order to implement their activities (Italian Civil Code, art. 2511, 2512)

The Italian law regards the mutual exchange as the main aim of cooperatives, while the Swiss legislative framework defines as the main purpose the generation and safeguard of the economic interest. The economic trait of the Swiss cooperatives is entailed also in the definition of cooperatives: the Swiss legislator defines them as “corporate entity,” whereas in the Italian context, cooperatives are seen as an organizational form with ad hoc regulations compared to the corporate form. As stated in Chap. 3 only in 2021 the Swiss legislative framework acknowledged the possibility for cooperatives to have charitable purposes, whereas in Italy, this was regulated in 1991.

12.2.1 Data About the Italian Cooperative Sector

Cooperatives have been a pivotal backbone of the Italian economy since the nineteenth century. In line with the evolution of cooperatives represented in Chap. 5, the first Italian cooperative dates back to 1854 (Legacoop Lazio, 2021) and was located near Torino, in Northern Italy. It was a consumption cooperative that ensured the working class could access essential grocery goods at accessible prices. At the end of the nineteenth century, the Catholic Church supported the cooperative movement, which encompassed different political orientations: in the early twentieth century, cooperatives were either adhering to the Catholic or the left-wing orientation, thus being direct expression of political parties (Sacchetto & Semenzin, 2014). Starting from the 1950s and from the 1970s onward, cooperatives were able to shift from a working class, anti-capitalistic to a market orientation (Sacchetto & Semenzin, 2014).

Figure 12.1 shows an overview of the evolution of cooperatives in Italy in terms of number of organizations and number of employees.

With the aim of satisfying the needs of their members and not maximizing profits, cooperatives have grown over time and have survived economic crisis through the implementation of different strategies (Giarè & Petriccione, 2014).



Fig. 12.1 The evolution of cooperatives in Italy. Personal elaboration from data of Giarè and Petriccione (2014)

For example, amidst the 2008 economic crisis, employment in cooperatives saw a significant rise of 6.8% with an increase of 80,000 employees over the period from 2008 to 2013 (Carini et al., 2015). However, the increase in costs due to the safeguard of jobs brought a reduction in the income of the cooperatives (Carini et al., 2015).

In 2015, around 60,000 cooperatives were registered in Italy (Calzaroni et al., 2019). They generated more than 28 billion Euro in added value² with work and social cooperatives contributing to more than 73% of the total value generated by the entire cooperative sector. In the same year, cooperatives employed more than 1.1 million individuals and were mainly active in the healthcare and social assistance sector as well as in the transportation and storage sector (Calzaroni et al., 2019; ISTAT, 2019). Looking at the type of cooperatives, the most diffused forms are production and working cooperatives (around 30,000) and social cooperatives (about 14,000).

Table 12.1 provides an overview of the different cooperative types, while Figs. 12.2 and 12.3 show the distribution of cooperative types and employees in 2015 (ISTAT, 2019).

Cooperatives are heterogeneously distributed across the entire national territory with a higher number of cooperatives registered in Lazio, Lombardia, Sicilia, Campania, and Puglia (see Fig. 12.4).

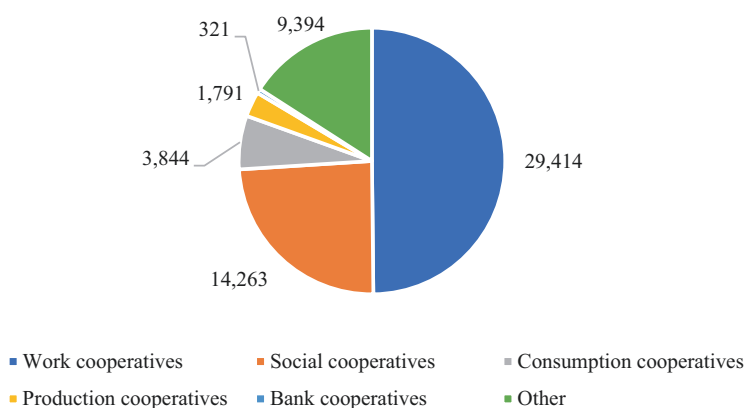
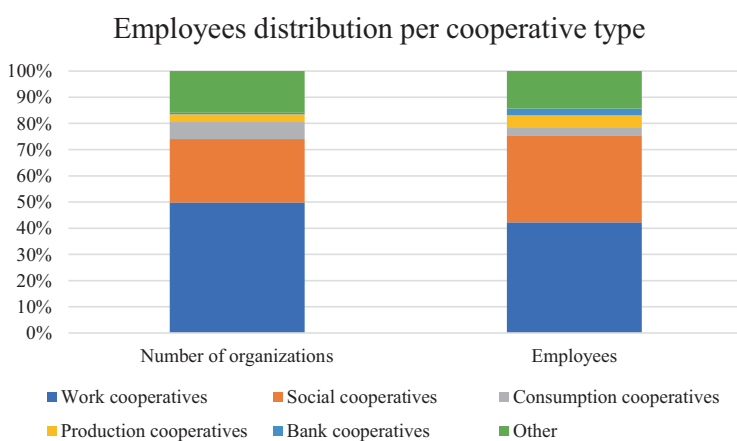
Over time, the number of cooperatives active in Italy has grown. In December 2021 more than 110,000 cooperatives were registered (Ministero delle Imprese e del Made in Italy, 2022), nearly doubling the number of cooperatives in 2015. Looking at the type of cooperatives, 70% of them are either production and work cooperatives (more than 53,000) or social cooperatives (around 24,000). As shown in

²Excluding the cooperatives active in the insurance and banking sector.

Table 12.1 Overview of different cooperative types and number of employees per cooperative type. Personal elaboration from data of ISTAT (2019)

	Number of organizations	%	Employees	% Employees
Work cooperatives	29,414	49.8%	486,241	42.2%
Social cooperatives	14,263	24.2%	380,070	33.0%
Consumption cooperatives	3,844	6.5%	38,114	3.3%
Production cooperatives	1,791	3.0%	52,329	4.5%
Bank cooperatives	321	0.5%	29,080	2.5%
Other	9,394	15.9%	165,514	14.4%
Total	59,027		1,151,348	

Distribution of cooperative type in Italy

**Fig. 12.2** Distribution of cooperative type in Italy. Personal elaboration from data of ISTAT (2019)**Fig. 12.3** Employees distribution per cooperative type. Personal elaboration from data of ISTAT (2019)

Geographic distribution of cooperatives in Italy in 2015

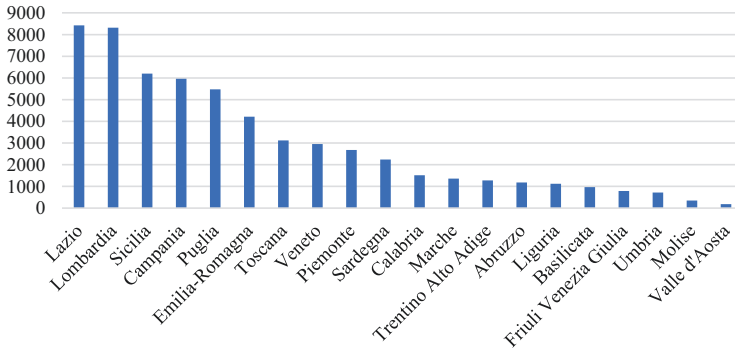


Fig. 12.4 Geographic distribution of cooperatives in Italy in 2015. Personal elaboration from data of ISTAT (2019)

Geographic distribution of cooperatives in Italy in 2021

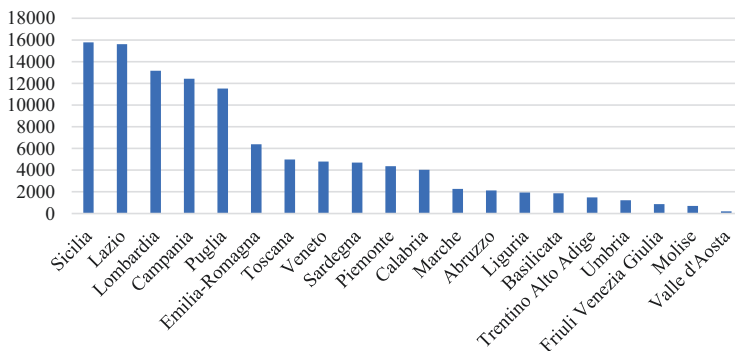


Fig. 12.5 Geographic distribution of cooperatives in Italy. Personal elaboration from data of Ministero delle Imprese e del Made in Italy (2022)

Fig. 12.5, cooperatives are diffused across the whole national territory with the highest numbers registered in Lombardia, Lazio, Campania, Puglia, and Sicilia. In 2021, these regions register more than 10,000 cooperatives on the territory, respectively.

Compared to Switzerland (Chap. 2), the Italian cooperative system has a mixed reputation. At a local level, cooperatives benefit from a good reputation. However, some large scandals have undermined the public image and reputation of cooperatives. For example, the scandal related to the merger of two organizations. One of the merging organizations happened to be a group of insurance cooperatives (Il Sole 24Ore, 2014). In the realm of these scandal, accusations of insider trading had been

done. Another form of prejudice and bias toward cooperatives is their alleged lack of growth compared to capital-based for-profit organizations (Damaggio, 2019). However, the most recent edition of World Cooperative Monitor counts 14 Italian cooperatives in the top 300 ranking based on their turnover (World Cooperative Monitor, 2022). These cooperatives register more than 66 billion USD in turnover (World Cooperative Monitor, 2022). Similarly to Switzerland, two retail and trade cooperatives, Conad (18,22 billion USD) and Coop (16,45 billion USD), dominate the ranking (World Cooperative Monitor, 2022). However, they both generate around 50% less turnover compared to the Swiss competitors Migros and Coop.

12.2.2 Data About the Italian Third Sector and the Role of Social Cooperatives

The Italian Third sector comprises different types of socially-oriented organizations, such as associations, foundations, and social cooperatives and, in 2020, around 363,000 nonprofit organizations were active in Italy (ISTAT, 2022). Around 85% of them are associations and they employ around 170,000 workers (more than 19% of the sector). Overall, Italy has a rather fervent Third Sector and registers one association every 160 citizens (Carli, 2021).

In 2020, this sector involves around 4.6 million volunteers and, in total, around 870,000 employees (ISTAT, 2022). Social cooperatives cover a pivotal role in the Italian Third Sector: in fact, notwithstanding their minor diffusion (4% of the nonprofit organizations active in Italy), social cooperatives employ more than half of the workforce (more than 460,000 employees) active in the Third sector in 2020 (ISTAT, 2022).

Figures 12.6 and 12.7 provide an overview of the organizational and employees' distribution in the Italian Third Sector.

Over the last decade (2011–2020), the number of Italian nonprofit organizations has grown by around 20% and the sector in which these organizations mostly intervene are culture, sports, and recreational activities (ISTAT, 2022). The Third sector has been especially proactive and flexible in organizing effective answers throughout emergency contexts, such as COVID-19 pandemic, leveraging on different strategies, such as new investments, re-crafting of services, and/or production and catalyzation of the digital transformation (Barbetta et al., 2021). From an economic perspective, the Italian Third Sector has generated in 2020 80 billion Euro of economic value generation, which represents around 5% of the national GDP (Viola, 2020). Social cooperatives are responsible for creating one-fifth of the total value generation (Vita, 2021).

Similarly to cooperatives, social cooperatives in Italy have a mixed reputation. In 2014, Italian public authorities unveiled a criminal network of several organizations which were intimidating and corrupting public authorities to obtain public contracts. Several of these organizations were active social cooperatives in the

Organizational distribution in the Italian Third Sector

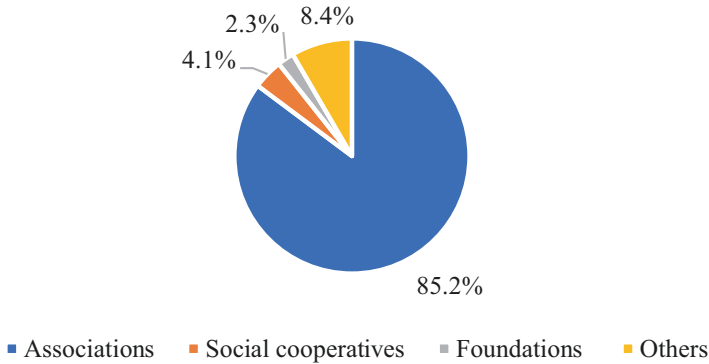


Fig. 12.6 The organizational distribution in the Italian Third Sector in 2020. Personal elaboration from data of ISTAT (2022)

Employees' distribution in the Italian Third Sector

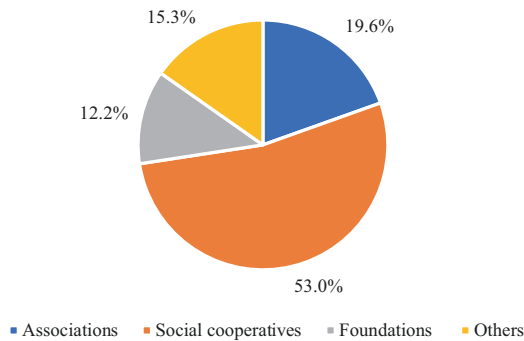


Fig. 12.7 Employees' distribution in the Third Sector in 2020. Personal elaboration from data of ISTAT (2022)

reception of refugees and social housing sector (Martone, 2016). This scandal undermined the image of social cooperatives in public opinion (Borzaga 2014) and representatives of the sector sought to recover from this negative campaign (Il Foglio, 2015). In general, cooperatives are perceived mixed and prejudices are still persistent (Damaggio, 2019). These prejudices touch upon different aspects of social cooperatives. For example, it is common knowledge that social cooperatives, and the Third Sector in general, pay less compared to comparable positions in the private sector (Becchetti & Castriota, 2010), thus cooperatives rely on the intrinsic motivation of workers as core driver of job satisfaction (Borzaga & Tortia, 2006).

The existence of a salary difference is true to a certain extent; however, it may be highlighted that employment in cooperatives has risen over the years and has provided stable work opportunities (Ministero delle Imprese e del Made in Italy report, 2022).

The description of the historical context in which social cooperatives emerged is necessary in order to gain a comprehensive understanding of the emergence and evolution of the legislative framework focused on social cooperatives. This will be the focus of the next section.

12.3 History of Emergence of Social Cooperatives in Italy

The first voluntary organizations such as “Opere Pie” (literal translation: Pious works) based on private initiative developed throughout the eighteenth century until mid-nineteenth century (Borzaga & Santuari, 2001) (for a comparison to the Swiss historical evolution, see Chap. 5). These organizations implemented social programs to support the less wealthy social classes (Ianes, 2020; Borzaga, 2021) and were supported from the Catholic Church (Borzaga & Santuari, 2001). The first cooperatives date back to the nineteenth century and were founded as forms of self-help organizations through which their members received insurance coverage against negative events, such as accidents (Ianes, 2020). After the two World Wars and with the rising role of the welfare states, the role of these private initiatives diminished, and government-driven policies became more prominent (Ianes, 2020). Hence, the Italian State was responsible for the redistribution of resources and the provision of services. Subsequently, many social private initiatives were turned into public institutions or urged to provide their services in dependency to the public authorities (Borzaga & Santuari, 2001). Cooperatives were the only private organization with a lawfully recognized social goal,³ but the outcome of their activities could be distributed exclusively among their members. However, in the 1970s the oil crises, the subsequent inflation, and the rising unemployment rates catalyzed the demand for social services that the State was not able to satisfy. According to experts, the rise of socially-oriented organizations was mainly due to a cut in public expenditures (Marzocchi, 2012). However, this is a partial representation of what was happening in that period (Borzaga, 2021). More specifically, together with the diminishing public resources devoted to social services, a grassroots movement sought to develop concrete answers to the citizens’ needs (Borzaga & Santuari, 2001; Ianes, 2020).

The emerging voluntary organizations increasingly replaced the State through the provision of services, adopting either the associative or the cooperative legal

³The Constitution acknowledges the social function of cooperation based on mutuality and without the purpose of private speculation. The law promotes and favors their diffusion with the adequate means and ensures with the appropriate checks their character and their purpose (Article 45, Italian Constitution).

form. However, the Italian law did not allow nonprofit organizations, such as associations and foundations, to implement productive activities, such as the provision of services (Ianes, 2020). Hence, associations were not adequate organizational forms that supported this voluntary movement in providing a concrete answer to citizens' needs. Cooperatives represent the only legal form that could simultaneously address an economic and social goal by blending entrepreneurial opportunities with the public general interest (Ianes, 2020). These social cooperatives took three different forms, namely social solidarity cooperatives, social services cooperatives, and integrated production/work cooperatives (Ianes, 2020, p. 10). In the latter type of cooperatives, disabled and non-disabled people worked together and their contribution to the organizational purpose varied depending on individual skills, while social services cooperatives represented the employment opportunity for professionals of the healthcare and social sector who did not find a job in the public sector (Ianes, 2020). Conversely, social solidarity cooperatives impacted on the Italian legislative framework, since it represents a paradigm change of the cooperative framework in two main ways: first, it provides a novel perspective on cooperatives, since social solidarity cooperatives expand their mission also to non-members of the cooperative and aim at pursuing the broader interest of the community (Scalvini, 1987; Ianes, 2020; Ianes & Borzaga, 2021).

Social solidarity cooperatives (...) went beyond the boundary of a mutual aid society whose mission was to meet the needs of its members, by adopting a wholly new approach for a cooperative, pursuing the general interest of the community (Ianes, 2020, p. 10)

Second, social solidarity cooperatives represent the first multistakeholder organization, since it allows to have a heterogenous member base made of volunteers, workers, and beneficiaries members. Consequently, the first social cooperatives struggled to receive legal acknowledgment, since they did not fulfill the organizational requirements foreseen by the Italian law (Ianes & Borzaga, 2021).

The social cooperatives pushed on their formal acknowledgment leveraging on the fact that the Italian Constitution had long recognized cooperatives' social role (Ianes & Borzaga, 2021), thus the Constitution explicitly stated the social function of cooperatives, thus expanding their mission through the leverage on an external mutuality principle: the impact and scope of the cooperatives' activities are not limited to the members, but also to external beneficiaries (Borzaga & Santuari, 2001).

12.4 Law on Social Cooperation

The adoption of the Law 381 in 1991 represents the formal acknowledgment and recognition of the bottom-up movement of voluntary organizations that drove the emergence of the social cooperation in Italy. This law was a pioneer in defining and regulating social cooperating and inspired legislators of other countries (Defourny & Nyssens, 2012) in doing so. Moreover, the law on social cooperation

influenced the development of the later laws of 2006 and 2016 related to social enterprises and Third Sector, respectively (Fici, 2021).

12.4.1 Characteristics of Law 381/1991

The law defines social cooperatives as organizations to pursue the “general interest” of the civic society through two main types of social cooperatives:

1. Type A cooperatives: which provide health, social, and educational services
2. Type B cooperatives: which operate in different sectors and integrate marginalized individuals who struggle to be integrated in the job market (e.g., convicts, drug addicts)

Relatively to Type B cooperatives, the law provides a categorization of marginalized individuals, such as individuals with physical or mental impairment, individuals with addiction, minors with working age, convicts with condemns alternative to imprisonment, and other categories that the legislator may identify. Moreover, the law foresees that marginalized individuals have to constitute at least the 30% of the cooperative working force, and if compatible with their subjective state, to be member of the cooperative (Marvulli, 2021).

By defining the mission of social cooperatives as “the pursuit of the general community interest of human promotion/development and the social integration of citizens” (Gazzetta della Repubblica Italiana, 1991), the Italian law recognizes that a private organization develops productive activities not to accommodate or fulfill a self-interest, but rather to realize the social function of cooperatives foreseen by the article 45 of the Italian Constitution (Scalvini, 1991).

The concept of solidarity characterizes this new form of cooperation and distinguishes it from the ordinary cooperation founded above all on the mutuality principle. (Scalvini, 1991)

The law 381 of 1991 regulates the first entrepreneurial form which foresees as general purpose of the organization, the generation of social value and not only profit. It paves the way for a concept of “open solidarity” (Borzaga, 2021), so the social cooperatives are not required to generate value for their members only, but also to external beneficiaries. Moreover, the social cooperative represents the first type of multistakeholder enterprise, since the law does not include any specific requirement relatively to the kind of stakeholders that can be eligible as members of the social cooperative. Thus, workers, volunteers, and beneficiaries can participate actively to the decision-making process of the social cooperatives. This has several advantages, such as the possibility of including multiple perspectives, such as the one of the beneficiaries of the cooperative services, inside the decision-making process. Moreover, the inclusion of volunteers in the governance of the cooperatives might support the organization in developing effective services to beneficiaries (Fici, 2021). However, a multistakeholder governance also slows down and complicates the decision-making process due to the higher risk of conflict (Depedri, 2007). This

risk can be mitigated through the involvement of other stakeholders who might have *super partes* interest and could avoid opportunistic behaviors at the expenses of beneficiaries. This might be the case, for example, of volunteers and judicial persons willing to support the social cooperative in its activities (Fici, 2021). The legislator foresees the possibility to integrate into the decision-making process also the beneficiaries in cooperatives of type B, however, their involvement is dependent on their subjective status (Fici, 2021). Over time, the number of volunteers involved in cooperative governance diminished, while the number of workers has risen (Depedri, 2007). However, the study of Depedri (2007) shows that volunteers contribute to the governance of younger cooperatives and that the stakeholder category excluded from the cooperative control is the one of the beneficiaries of the organizational activity. The inclusion of different stakeholder types in the decision-making process of social cooperatives is voluntary and few social cooperatives implemented it. Also, the later 2006 reform does not make it a mandatory requirement for social cooperatives (Fici, 2021).

By law, social cooperatives are recognized as cooperatives (Marvulli, 2021) and follow the legislative prescriptions of the national Civil Code.

Relatively to fiscal rules, the law categorizes social cooperatives as cooperatives with prevailing mutual purpose, thus the tax benefits that apply to cooperatives are transferred also to social cooperatives. Moreover, the law also entails limits to the distribution of dividends and the prohibition of the distribution of the reserves. Soon after the law passed, some critics emerged related to the adequacy of the proposed framework in terms of stakeholders' involvement. Preite (1991) argues that conflict may arise due to a potential misalignment of interests between workers and beneficiaries. More specifically, members are entitled to dividends that result from the services provision. Subsequently, the limits to dividend distribution safeguard beneficiaries only when the organization is able to ensure a profit reinvestment considerable enough to improve the quality of the service provided (Preite, 1991). Ten years after introducing the law 381/1991, Italy adopted a constitutional law that introduced the principle of subsidiarity. In general, subsidiarity foresees that the hierarchical superior administrative level does not intervene if the hierarchically lower level is able to perform its duty alone. For example, Regions or local governments are autonomous in performing tasks without requiring the intervention of the local government.

The last comma of the article states that:

“State, Regions, Metropolitan Cities, Provinces and City governments favour the autonomous initiatives of single or associated citizens for the development of activities of general interest on the basis of the subsidiarity principle (art. 118 of the Italian Constitution)”

This principle will cover a pivotal role in the reform of the Third sector described in the next paragraph. However, Borzaga (2021) sustains that if the Italian constitution and Third Sector code foresee the implementation of the principle of subsidiarity it is through the grassroot volunteering and social cooperation movements. Moreover, it induced a paradigm change in the conception of the welfare state, since the public institutions were not led to privatize the services that they did not provide, but rather

to foster the strengthening and consolidation of the volunteering and social cooperation sector through the contracting out of services to social cooperatives (Borzaga & Santuari, 2001).

12.4.2 The Impact of Law 381/1991

The law 381/1991 catalyzed the foundation of new social cooperatives: in 1991, Italy counted around 2000 social cooperatives, while in 1997 this number increased by 125% with 4500 social cooperatives. The diffusion of social cooperatives was possible because local authorities started to contract-out social services to cooperatives (Borzaga & Santuari, 2001). The rising contracting out of services through public tenders increased the demand for workers inside cooperatives, since the involvement of volunteers represents a long-term commitment (Borzaga & Santuari, 2001). Consequently, the number of workers increased after 1991, while the number of volunteers diminished. This also has consequences on the governance of the cooperatives, since the lack of volunteers limits the participation of multiple and diverse stakeholders in the cooperative decision-making process. One incentive foreseen by the law 381/1991 is the contribution rate that for cooperatives of type B is zero, thus representing a fiscal incentive for employing marginalized individuals. One disadvantage of the law has been that the public administration contracted out services to social cooperatives or volunteers-based organizations launching tenders based on the lowest economic offer.

12.5 The 2006 Reform on Social Enterprises

With the law 381 of 1991, the Italian legislator attributed mainly to the cooperative form of the private social entrepreneurial efforts that had been developing throughout the territory. The cooperative form has been chosen also because, as we have seen in the previous paragraph, the Italian Constitution foresees a social function to cooperatives (Borzaga, 2002). Similarly to Italy, also other countries were assisting to a rise of private social activities that were not operating under a cooperative form (Defourny & Nyssens, 2008). Thus, there was a cross-country need to establish a broad definition of social enterprises independently of the cultural and legislative context in which they were embedded (Borzaga, 2002). This led to the EMES⁴ definition of social enterprise that backs on three different criteria, namely economic, social, and governance criteria. Each one of them encompasses several different dimensions.

⁴EMES is a “research network of university research centers and individual researchers on social enterprise”. <https://emes.net/who-we-are/>. Accessed on February 28th, 2023.

Table 12.2 The multidimensional definition of social enterprises of EMES. Personal elaboration from Defourny and Nyssens (2012)

Economic dimensions	Social dimensions	Governance dimensions
Continuous activity producing goods and/or selling services	Explicit aim to benefit the community	High degree of autonomy
Significant level of economic risk	Initiative launched by a group of citizens or civil society organizations	Decision-making power not based on capital ownership
Minimum amount of paid work	Limited profit distribution	Participatory nature, which involves various parties affected by the activity

Table 12.2 reported below provides an overview and characterization of the different dimensions composing the criteria (Defourny & Nyssens, 2012; Defourny & Nyssens, 2008)

The criteria developed by EMES do not require social enterprises to adopt a specific organizational form but provide a characterization of the attributes of social enterprises. Several countries, such as UK, Belgium, and Italy took inspiration from the EMES definition in order to legislate and regulate the organizational form of social enterprises in each country.

The success of law 381/1991 and the rising role of private actor as “substitutes” of the State in providing social services called for a need of the state to regulate and define these private social entrepreneurial initiatives (Bolognino, 2007; Venturi, 2008). After the law 381 had passed, Italy implemented in the subsequent years laws that regulated various areas of the Third Sector, such as the law on nonprofit organizations in 1997 and the law focused on social associations in 2000 (Venturi, 2008). The 2006 law on social enterprises (law 155) represented part of the attempt of the Italian legislator to reorganize the Third Sector (Bolognino, 2007). However, the development of the law on social enterprises can be regarded as an acknowledgment of the limits of existing judicial forms to support the development and growth of voluntary organizations that were increasingly adopting an entrepreneurial orientation in the delivery of social services (Venturi, 2008). For example, foundations, associations, and social cooperatives have difficulties in diversifying their sectors of activity and face obstacles to growth, since they are partnership-based and not commercial companies (Venturi, 2008).

12.5.1 *Characteristics of the Law*

The first article of the law defines social enterprises as:

All private organizations that continuously and predominantly exercise an economic activity aimed at producing or exchanging goods or services of social utility (...) can be qualified as social enterprises. (Gazzetta Ufficiale della Repubblica Italiana, 2006)

The term “economic activity” left experts puzzled, since it is not clear whether it implies generating profit or conducting the activity following the principle of economy, thus developing an activity that covers at least the costs (Bolognino, 2007).

Departing from the assumption that the generation of a profit is not the founding trait of businesses, then it emerges that this law represents an attempt to reconcile the juxtaposition between for-profit and nonprofit organizations (Bolognino, 2007; Venturi, 2008) not through the definition of a new judicial form, but through the characterization of the mission that social enterprises pursue and structural characteristics (Borzaga, 2002). Thus, the law “crosses the boundaries of legal and organizational forms” (Defourny & Nyssens, 2008, p. 218) and allows organizations (so, not only companies) to be eligible for being categorized as social enterprise. A further innovative trait of the Italian law on social enterprises is the definition of the sectors of activity of social enterprises, such as welfare, health, welfare-health, education, instruction and professional training, development and cultural heritage, social tourism, academic and post-academic education, research activities and delivery of cultural services, extra-curricular training and support to social enterprises (Defourny & Nyssens, 2008). Moreover, building on law 381/1991, also social enterprises that integrate at least 30% of marginalized individuals independent from the field of activity can also be categorized as social enterprises. Thus, this law makes social cooperatives social enterprises by law.

The other three elements that characterize the law are the profit non-distribution constraint, the requirement of stakeholders’ involvement (Defourny & Nyssens, 2008) and of social reporting (Verde, 2008).

First, the profit non-distribution constraint implies the internal reinvestment of surplus and the constraint of not providing higher than average salaries to Board members of the social enterprise. The absence of profit distribution has been identified as one obstacle for the diffusion and increase in social enterprises in Italy (Colombo, 2021). This is particularly relevant also because the law does not compensate this requirement with fiscal incentives or with ad hoc financial measures. Relatively to the stakeholders’ involvement, it leaves the degree and type of involvement open to organizational autonomous decisions. More specifically, the law defines involvement as “each mechanism, including information, consultation or participation through which workers and beneficiaries of the enterprise activities can exercise an influence on the issues that directly impact the working conditions, or the quality of the goods and services produced or exchanged” (Art. 12). Thus, the crucial governance issue already identified as weakness of law 381/1991 is not solved with this law. The risk consists in the fact that without clear guidelines relatively to the involvement degree and type of stakeholders, members might limit the participation of beneficiaries and workers to the decision-making process (Matacena, 2007). Third, the requirement of developing an annual social report that shows the social outcomes of the social enterprise, the law limits to establish this requisite leaving to another public body (the Ministry of Labour and Social Policies), the task of developing the guidelines that social enterprises have to follow when drafting the social report (Matacena, 2007).

12.5.2 Critics of the Law 155 of 2006 on Social Enterprises

Notwithstanding the good intentions that have driven the development of the law on social enterprises, experts have been skeptical about the effectiveness of this law (Venturi & Zandonai, 2012). The difference between the success of law 381/1991 and the limited impact of law 55/2006 can be attributed to the fact that social cooperation was well established and institutionalized before being regulated with a dedicated law, whereas with the law 55/2006, the legislator tried to foster the growth of social enterprises (Ianes & Borzaga, 2021). The limited impact of the law is also numerically visible: in 2011, the number of newly founded social enterprises registered in the Chamber of Commerce was 365 and social cooperatives represent the vast category of social enterprises (11,808 organizations) constituted from law 381 of 1991: this is due to the fact that social cooperative is the judicial form that encompasses the characteristics of the social enterprise comprised in law 55 (Venturi & Zandonai, 2012). Furthermore, the ban on profit distribution has limited the dissemination of social enterprises: consequently, a limited profit distribution, as possible for social cooperatives, may have increased the spread of social enterprises across the country (Giustolisi, 2018). This limit makes the social enterprise not attractive to entrepreneurs willing to found a new social venture not in the form of social cooperative (Bonfante, 2013). In fact, the partial profit distribution represents an incentive for the investment in cooperatives and social cooperatives (Fici, 2015). Moreover, the lack of fiscal incentives dedicated to social enterprises hinders their dissemination (Bolognino, 2007).

Bonfante (2013) regards the choice of the legislator of being agnostic relatively to the organizational form that social enterprises can adopt as a misstep.

I think that the big mistake is to think that it is possible to manage an entrepreneurial activity with an associative organizational form (Bonfante, 2013, p. 57)

Thus, he proposes that the limited liability company represents the best organizational form, since it can attract investors and generate profit that would allow the capitalization of the social enterprise. Furthermore, Bonfante (2013) recommends to attract external investments through equity and reward-based crowdfunding in order to increase the social enterprise capitalization and allow the organization to pursue its social mission.

12.6 The Third Sector Reform

In 2016, several factors contributed to the development of a comprehensive reform that backed the development of a legislative framework, which defines and regulates the Third sector. First, in 2016, before the law's passing, the Italian Third Sector registered more than 340,000 nonprofit institutions and employed more than 810,000 individuals (ISTAT, 2016). Thus, the relevant dimensions of the sector made it pivotal for the State to develop a comprehensive legal framework that

provides the formal acknowledgment and regulation of the entire Third sector. Second, the Third sector had been regulated with fragmented and specific legislative frameworks that had a partial outreach. For example, the Italian Parliament had passed a law related to volunteering. Third and connected with the other two factors, the Third Sector had been waiting for years to have a judicial recognition of its work and impact. I will very briefly provide an overview of the most relevant changes introduced with the reform of the Third Sector:

1. The law clearly defines the organizations that are part of the Third Sector, namely associations, foundations, social enterprises (including social cooperatives), voluntary organizations, associative networks, mutual aid societies, and the other private organizations which do not have a corporate form and pursue solidaristic and social objectives. These organizations do so through the implementation of one or more activities of greater interest, such as voluntary action, donation of money, goods or services, mutuality or production, and exchange of goods and services
2. These organizations pursue the common good and follow general principles acknowledged by the Constitution, such as solidarity (art. 2) and subsidiarity (art. 118)
3. These organizations pursue social goals without the objective of generating profit and are registered in the National Register of the Third Sector
4. The introduction of fiscal incentives (flat-rate tax regimes) and financial incentives. For example, the law introduces social bonuses, which entails a tax credit of 65% for individuals and 50% for organizations which donate economic resources to organizations of the Third Sector which seek to regenerate either a public space or mafia-seized assets.

It emerges that with the Third Sector reform, the legislator seeks to clearly define the perimeter of the Third Sector (Cantiere Terzo Settore, 2021).

In the realm of the Third Sector reform, the legislator develops an ad hoc law for the institute of social enterprises to promote its dissemination. The two relevant areas of intervention of the legislator are the following: the characterization of the social enterprise and the incentives dedicated to social enterprises.

Similarly to law 155 of 2006, the legislator does not identify the social enterprise as a new type of enterprise, but as a category and a status that can be acquired by different kind of organizations (Fici, 2020). The law defines a social enterprise as a “private organization that carries out business activities for solidaristic or social objectives and allocates the profits mainly to the pursuit of its purpose. Furthermore, the law states that the social enterprise “has to adopt responsible and transparent managerial practices, promote the involvement of the workers, beneficiaries and all subjects interested in its activities” (art. 1). Related to this, the law requires social enterprises to develop a consulting or involvement mechanisms through which the interested stakeholders can participate directly to the decision-making process (art. 11). The specific type of mechanisms has to be autonomously defined by the social enterprise. Compared to the law of 2006, the reform extends the number of sectors in which social enterprises can operate, including social agriculture and sustainable tourism.

With reference to social cooperatives, the most relevant innovation with the law consists in the equalization of social cooperatives and social enterprise, thus social cooperatives are by law recognized as social enterprises.

Building on the limited impact of law 155 of 2006 due to the lack of financial incentives and the prohibition of distributing profit (Giustolisi, 2018; Colombo, 2021). The legislator introduced a detaxation of profits if the latter flows into a reserve which either serves the statutory activity of the organization or is used as equity increase. Furthermore, the detaxation regime also applies if the reserves are used to cover profit losses. Moreover, the law aims to attract financial resources from individual and organizational investments through a detaxation of the personal or corporate income tax. Being social cooperatives recognized as social enterprises, these incentives apply also to social cooperatives (Commissione Terzo Settore e No Profit, 2019).

Furthermore, the law establishes the creation of a fund fostered by the profits of social enterprises and dedicated to the support and growth of social enterprises (Musella, 2017).

12.7 How “Social” Is the Social Function of Cooperatives Today?

It emerged from the chapter that the Italian Constitution acknowledged the social function of cooperatives, since the latter follow the principle of mutuality and follow collective objectives that apply to all members. As stated in the beginning of the chapter, the Italian legislator identifies the prevailing mutual purpose in cooperatives, which:

- (a) Develop their activities mainly in favor of their members, consumers, or users of goods and services
- (b) Leverage mainly on the work of their members during their activities
- (c) Leverage mainly on the provision of goods and services from their members during their activities

Over time, cooperatives have grown and, as emerged in the first part of the chapter, they perform well by competing on the market against “regular” corporates.

Over time, the longer standing history of cooperatives allowed them to develop different growth strategies, which supported the cooperatives’ sustainability during periods of economic crises (Euricse, 2015).

One example of growth strategy consists in the creation of a network among multiple cooperatives in order to better compete on the market. Conserve Italia, a major player in the European canned food market, represents a case study of this growth strategy. This case study has been developed using information of the cooperative website⁵ and of its Sustainability Report of 2021.⁶

⁵<https://www.conserveitalia.it/en/il-gruppo/la-storia> Accessed on February 28th, 2023.

⁶<https://www.conserveitalia.it/en/the-group/sustainability-report> last accessed on February 28th, 2023.

12.7.1 *Conserve Italia*

Conserve Italia is an agricultural cooperative and is a top European player in the preserved food sector. Currently, Conserve Italia entails 40 cooperatives to whom are associated 14,000 agricultural producers and, as a group, it registered a turnover of 870 million Euro in 2021 and more than 2700 employees. Around half of its turnover derives from the national market and the other half from other EU (e.g., France, Spain) and non-EU countries (e.g., USA, Australia).

The history of Conserve Italia starts in 1966 when three fresh produce cooperatives found an agricultural consortium (CALPO) and acquire six years later a stock company, Valfrutta, in order to transform their produce in final products (e.g., canned fruits, jams). The possibility to market both fresh and transformed products enables CALPO to value the fruit that could not enter the fresh market and economically gain from the transformation process. This enabled the vertical integration from the entire production, transformation, and commercialization process and in 1976 other 14 transformation cooperatives join CALPO and give rise to the foundation of Conserve Italia. Conserve Italia aims to enhance the value of cooperatives' production through successful brands (mainly acquired through targeted acquisitions) and provide an extensive product offer that could satisfy the needs of the large organized distribution. Over time, Conserve Italia has grown through several acquisitions, which enabled both the offer of other products (e.g., juices), the increase in productive capacity and the internationalization process. Today, the products of Conserve Italia are distributed across Europe, in the USA, and in Australia.

In his letter to the stakeholders, the President of Conserve Italia states the following:

In 45 years of history, our mission has never changed: “be a leading European company in the food conserve sector to realize both the best valorization of the agricultural products of our member cooperatives and to provide to consumers quality and food security guarantees. (Sustainability Report, 2021)

It emerges how the cooperative organizational form represents a means to an end, which ultimately encompasses gaining a better market positioning and, subsequently, profit generation. The current governance is represented by a holding structure in which Conserve Italia, an agricultural cooperative, controls seven subsidiaries which are both the results of acquisition operations and ad hoc creations to, for example, manage sales in specific markets. Hence, cooperatives can behave like “regular” for profit companies over time and implement growth strategies as well as governance structures typical of corporates.

From an analysis of the social report and the website, it seems that the social function of Conserve Italia is rather in the realm of CSR strategies and reporting. Conserve Italia takes inspiration from the UN Sustainable Development Goals and adopts sustainable practices along its value chain (e.g., sustainable packaging). Moreover, Conserve Italia creates social impact through partnerships with Third Sector organizations. For example, Conserve Italia collaborates with Banco Alimentare, a nonprofit organization that collects production surpluses from

organizations and redistributes them to poor individuals. Furthermore, Conserve Italia sponsors local sports team.

Thus, it seems that the social function and mission that the Italian Constitution entrusts to cooperatives has changed over time especially if cooperatives have undergone significant growth paths.

12.8 Italian Social Cooperatives and Grand Societal Challenges

Grand societal challenges, such as climate change and poverty, require the involvement of multiple and different actors, such as governmental authorities or organizations, to be addressed (Ferraro et al., 2015). These challenges occur at a global scale meaning that they transcend economic and geographical boundaries; however, they are evident also at a local level. For instance, poverty represents a global challenge, manifesting locally in most suburban areas, schools, and emarginated contexts. More specifically, almost half of the world's population lived with less than 6.85 dollars per day in 2019 (Schoch et al., 2022), demonstrating the severity of this phenomenon.

Grand societal challenges cannot be addressed through a standardized approach at a global level, but through the development and implementation of local (potentially scalable) resolutions. Socially-oriented organizations, such as social enterprises and (social) cooperatives, play a pivotal role in creating these solutions. It emerged from this chapter that Italian social cooperatives have shown a strong ability in acknowledging the presence of social needs (long before the public authorities did) and in providing concrete solutions to them. Being locally rooted, social cooperatives and social enterprises own deep knowledge of the needs of a given territory. This puts them in the position to concretely develop local solutions to these issues. For instance, Quid Impresa Sociale (Quid Social Enterprise) creates fashion products through left-over fabric of fashion companies and provides training and job opportunities to individuals (mainly women) coming from vulnerable contexts (Company profile, 2023). Further, in 2023, Quid has managed to employ 144 individuals of which 61% is at risk of social exclusion (Company profile, 2023). By doing so, Quid simultaneously addresses two grand challenges: waste reduction and fair access to the job market for vulnerable subjects. This business model could potentially be replicated on a larger scale, even though its aim is to focus on resolving social issues in a bounded territory. In other words, the activity of Quid cannot solve waste management or provide fair accesses to the job market on a global scale; however, its approach can provide a concrete and replicable solution in other contexts. Or further, the fabric used in creating Quid products derive from businesses within a radius of 250 km from the headquarter of Quid (Company profile, 2023) once more demonstrating its strong connection and embeddedness in the local territory.

Hence, Italian social cooperatives are at the frontline in providing concrete responses to grand societal challenges. Thereby, they accomplish the social function of cooperatives as foreseen in the Italian Constitution. The development of

answers to grand societal challenges emphasizes the division and distinction between social cooperatives and cooperatives. As emerged from the case study of Conserve Italia, cooperatives might be more centered on growth and performance distancing them from the local territory and the social nature of cooperation. Conversely, social cooperatives remain, on average, smaller in size and more connected to local needs.

12.9 Conclusions

This chapter has portrayed the legislative evolution of Italian social cooperatives and social enterprises and has provided an evaluation of the different frameworks which regulated either social cooperatives or social enterprises. The chapter sheds light on the evolution from the grassroots movement of voluntary organizations that “substitute” the State in providing welfare services to the definition of Third Sector. The legislative frameworks have had different outcomes on the diffusion on both social cooperatives and social enterprises. The law 381 of 1991 acknowledged the existence of social cooperatives and catalyzed the dissemination of this organizational type across Italy. Conversely, the law 155 on social enterprises did not provide any fiscal nor financial incentives for the creation and diffusion of social enterprises. Notwithstanding that the Italian Constitution recognized the social function of cooperatives, the latter might have progressively adopted “for profit” strategies in order to grow. The social function of cooperatives has been progressively taken over by social cooperatives, which are smaller in size and more embedded in the local community and whose mission impacts also other stakeholder categories apart from members. Due to their strong connection and embeddedness in the local territory, social cooperatives are able to develop concrete solution to grand challenges.

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Chapter 13

Opportunity Recognition and Innovative Solutions to Societal Challenges: The Case of Community Cooperatives in Italy



Riccardo Maiolini and Tommaso Ramus

Abstract In this chapter, we present some preliminary, exploratory evidence concerning the peculiarities surrounding the recognition of entrepreneurial opportunities as encountered by community cooperatives, that is, entities established with the mission to create value for the community in which they operate and not for their members exclusively. Drawing from the experience of eight Italian community cooperatives, we offer initial empirical support to the argument that community embeddedness complicates the process of entrepreneurial opportunity recognition. Community cooperatives confront the challenge of accommodating the disparate needs of community members, while operating within a context of resource constraints. However, community embeddedness also favors the engagement of community members in more creative processes to identify more innovative solutions to empower communities. Our preliminary findings speak to the emergent research on community-based enterprises and to the broader stream investigating entrepreneurship. They also show how cooperatives can be a source of social innovation while anchoring themselves to their imprinting of human-centered organizations, established to ameliorate the conditions of marginalized people.

Keywords Community cooperatives · Community empowerment · Entrepreneurial opportunity recognition · Community-based enterprises · Cooperatives in Italy

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13.1 Introduction

Community cooperatives are a novel form of community enterprises that have emerged mainly over the last decade, with the aim to tackle the diverse and interconnected societal challenges that are experienced by people living in marginalized and underdeveloped communities in dispersed rural areas or suburban regions of metropolitan cities (Hertel et al., 2019; Peredo & Chrisman, 2006). These challenges encompass reduced business opportunities, social isolation, deterioration of the local cultural and historical heritage, and lack of access to quality education, welfare, and healthcare, among others (Haugh, 2007; Hertel et al., 2021).

Different from traditional cooperatives that compete in the market to address the specific, homogeneous needs of a single category of stakeholders, mainly cooperative members (Hertel et al., 2019), community cooperatives adopt market-oriented strategies to cater to the varied needs of multiple stakeholders residing within the same marginalized community. For instance, the cooperative “Biccari” has united over 200 citizens from the village of Biccari, placed in a picturesque yet remote rural area of the Puglia region, in the South of Italy. Their collective endeavor aims to revitalize the village’s entrepreneurial and cultural ecosystem to address the needs of business opportunities exerted by local farmers and entrepreneurs, as well as to foster social inclusion for both the elderly and the youth in the community. Recognizing the financial challenges of addressing each of these needs separately, the cooperative members embarked on an innovative approach. They engaged in dialogue to identify services that could simultaneously address the disparate needs of different stakeholders of the local community, capitalizing on the tangible and intangible resources pooled together by local actors. This interaction resulted in the launch of a “slow tourism” initiative that attracted tourists interested in discovering the local cultural, historical, and gastronomical heritage. The profit generated by these initiatives is reinvested to support social inclusion initiatives, thus making the village more culturally vibrant and ultimately more appealing to tourists.

The case of the community cooperative Biccari is interesting for different reasons. It shows how the cooperative model can be reinvigorated and adapted to address multiple, emerging societal challenges that hinder the economic and social development of a community. It also shows how communities can be beneficiaries and, at the same time, agents of entrepreneurial efforts (Bacq et al., 2022). This trend has been captured by research on community enterprises (Peredo & Chrisman, 2006; Haugh, 2007; Murphy et al., 2020), which has defined them as market-oriented organizations that are established, owned, and governed to generate economic, social, and/or ecological value primarily for the members of the community in which they are embedded (Hertel et al., 2021). Finally, when analyzed from an entrepreneurship perspective, community cooperatives face peculiar challenges in terms of identification of entrepreneurial opportunities (Zahra, 2021; Wood & McKinley, 2010), that is, in terms of identification of the business opportunities that lie behind the problems that they are addressing. In traditional business enterprises, the identification of an entrepreneurial opportunity is relatively straightforward: it

encompasses the identification of a problem in relation to a specific customer group (Shepherd & DeTienne, 2001), which can be successfully resolved through new services, products, processes that the enterprise can put on the market (York & Danes, 2014; Smith & Cao, 2007). This process becomes more complex in the case of traditional cooperatives and social enterprises. In the first case of cooperatives, their members need to align their (mainly economic) needs (Hertel et al., 2019) with the potentially divergent demands of business partners and customers. In the case of social enterprises, the complexity arises from the need to identify solutions that not only satisfy potential customers, as in traditional entrepreneurship, but also address the requirements of the target stakeholders who are affected by the societal challenge the enterprise aims to tackle (Santos, 2012; Hertel et al., 2019). We argue that community cooperatives encounter a heightened level of complexity compared to business enterprises, or even social enterprises and traditional cooperatives. As these cooperatives serve the entire community and recombine the demands of disparate stakeholders within that community, the range of needs they address is multifaceted, as are the customers and beneficiaries involved. Consequently, the process of entrepreneurial identification in the context of a community cooperative becomes more open, interactive, and multifaceted. In this chapter, we investigate how community cooperatives address this challenge and we ask:

How do community cooperatives recognize entrepreneurial opportunities?

To address this question, we first explain the difference between traditional cooperatives and community cooperatives, focusing in particular on the Italian context; then we describe the challenge of recognizing entrepreneurial opportunities in general and in the specific context of community cooperatives. Based on the theoretical framework and interviews performed with a sample of community cooperatives, we then show empirical evidence that provides some preliminary and explorative insights about the specific process followed by community cooperatives to recognize entrepreneurial opportunities. Based on this evidence and existing literature, we then elaborate on some contributions and managerial implications.

13.2 The Cooperative Movement and the Emergence of Community Cooperatives in Italy

The first cooperatives emerged in Italy at the beginning of the last century as individuals living in marginalized, underserved areas decided to put their efforts together to address their needs, in terms of either access to employment, credit, or business opportunities (Cole, 1944) (on the broader history of cooperatives, see Chap. 5). These cooperatives were founded on the principles of mutuality and business orientation, whereby capital and labor could converge into a unified model capable of providing an entrepreneurial response to the social and economic needs faced by organizational members (Birchall, 2011; Chaddad & Cook, 2004).

Cooperatives have been formally recognized by the Italian Constitution since 1947, which has emphasized their social role. It declares that “the Republic recognizes the social function of co-operatives for mutual benefit and without the purpose of private speculation” (Italian constitution, art 45, 1947). Given their constitutionally recognized role in addressing social issues, cooperatives are categorized as members of the Italian social economy, which comprises all entities—associations, cooperatives, social enterprises, and foundations and mutual—that compete in the market to achieve an explicit social purpose (Carini et al., 2018).

Italian cooperatives can be classified considering two variables: type of activity (that is, the sector in which they compete) and type of membership (single or multiple stakeholders). For the classification by activities, cooperatives operate in disparate sectors, encompassing agri-food, retail, finance, health and social care, education, construction, and transport. Concerning the type of members, it is possible to distinguish between traditional cooperative enterprises that support their members only (either workers, consumers or beneficiaries of the services) and social cooperatives. As described more extensively by Velmer in Chap. 12, social cooperatives emerged in Italy in 1991 to address the lack of quality and efficient welfare and social services provided by public bodies. The peculiarity of social cooperative is twofold: first, they do not only support their members but also other beneficiaries who might not be organizational members (Lorenzo-Afable et al., 2020; Hlady-Rispol & Servantie, 2018); second, they aim at addressing societal needs rather than economic needs and can therefore be categorized as social enterprises (Borzaga & Defourny, 2004). Indeed, the Italian legislation grants to social cooperatives the status of social enterprises.

The recognition of cooperatives as key actors to support Italian economic development (Costa & Delbono, 2023) and foster social innovation, inclusion, and sustainability (Cottino & Zandonai, 2012) has favored their widespread diffusion. According to the Italian Institute of Statistics (ISTAT, 2020), as of December 2022, Italy boasted 80,999 active cooperatives and generated a turnover of approximately 120 billion euros, signifying their substantial economic presence. Despite the widespread diffusion of traditional cooperatives in Italy and their central role in addressing the economic and social needs of their members—in the case of traditional cooperatives—and of marginalized individuals—in the case of social cooperatives—a new model has emerged in recent years to address issues that traditional cooperatives are not well positioned to deal with: The model is known as “community cooperative.”

This new cooperative model has been backed by Legacoop (one of the two main category associations of Italian cooperatives) since 2010, when this category association launched a new strategic program aimed at supporting the emergence of community cooperatives. This effort was motivated by the recognition that marginalized communities often confront numerous interrelated challenges that hinder their development. These complex issues demand a comprehensive, multistakeholder approach rather than relying on a traditional model that primarily focuses on the needs of one single category of stakeholders. Indeed, traditional cooperatives typically target one specific category of beneficiaries—either their own members or

non-members, in the case of social cooperatives—and adopt an entrepreneurial, market-oriented strategy to meet the needs of this specific stakeholder category. This specialized approach has demonstrated success in tackling specific challenges faced by particular stakeholder groups, such as unemployment, limited access to business opportunities, consumption barriers, and marginalization. As a consequence, Italian cooperatives, and in particular social cooperatives, have become a central and leading actor of the Italian welfare system. This role has been recognized and institutionalized by several laws that have recognized social enterprises as key partners of public bodies for the delivery of welfare services and addressing specific challenges faced by marginalized individuals (see Chap. 12).

However, traditional cooperatives may be less equipped to handle the complex array of intertwined obstacles that impede the economic and social development of marginalized communities. These challenges are interconnected and cannot be effectively resolved by addressing the needs of a single group in isolation and instead require a comprehensive and multistakeholder approach (Hertel et al., 2019). Community cooperatives serve as a means to address collective needs that cannot be adequately met by individuals or private firms (Area Studi Legacoop, 2019):

The Community Cooperative is a tool through which individuals, businesses, associations, and local entities can address their needs and develop new projects aimed at improving the living conditions of individuals living in a community and of that community as a whole. (Archival Data – Interview President Valle dei Valarieri <http://www.nelcuoredelpaese.it/storie/leconomia-che-guarda-lontano/>. Our translation.)

The peculiarity of the community cooperative model compared to traditional cooperation is that it does not solely aim at creating value for its members or a specific, homogeneous category of beneficiaries (Tricarico, 2014). Community cooperatives work to address the needs of multiple stakeholders who live within the same community, with the primary purpose of fostering both economic and social development for the community itself. For an organization to be identified as a community cooperative, it must be established by members of the community, exploit the resources available within the community itself, and address the needs of the members of that community. As Bianchi (2021) suggests, community cooperatives use local resources, such as abandoned public spaces, natural resources, and cultural heritage, and collaborate with local citizens, public bodies, and private entities. Their objective is to develop innovative solutions tailored to address specific local needs and challenges, with the ultimate aim of reinvigorating and revitalizing the communities they serve (Bianchi, 2021).

Over the years, Legacoop has supported the start-up of community cooperatives in more than 500 different communities through the training of cooperatives' members, providing favored access to credit and subsidized financing, the promotion of the cooperative culture, and the establishment of networks among cooperatives. As a result, over the last ten years, 188 community cooperatives have been established (Venturi & Miccolis, 2021). Most of them have been launched after 2018, thus being still in the start-up phase and operate in rural areas. They operate in different

sectors: tourism (60%), environmental conservation and protection (47%), and agriculture (38%).

13.3 Community Cooperatives as Community Enterprises

Community cooperatives represent an innovative model within the cooperative system and also fit the broader category of “community-based enterprises—enterprises that are collectively established, owned, and controlled by the members of a local community, for which they aim to generate economic, social, and/or ecological benefits” (Hertel et al., 2019: 438). Community-based enterprises can take a variety of legal forms but their key feature is that they are created by communities, for communities. Therefore, communities are both beneficiaries and agents of the entrepreneurial efforts (Haugh, 2007; Peredo & Chrisman, 2006; Bacq et al., 2022). Community enterprises share five elements, as defined by Hertel and Belz (2017): (i) they are embedded in a specific, geographically located community; (ii) they are financially self-sustainable; (iii) they pursue multiple goals; (iv) the value created should accrue to the local community; and (v) they are established, owned, and controlled by the community itself.

A small but growing body of research in the entrepreneurship domain has described the characteristics of community enterprises (Peredo & Chrisman, 2006) and studied drivers leading to their emergence (Johnstone & Lionais, 2004) and the conditions and processes favoring their establishment (Hertel et al., 2021). This scholarly work has shed light on the work required to create a community enterprise, emphasizing the importance of creating a common organizational identity shared by community members (Hertel et al., 2019), to legitimize the ventures within the community (Vestrum et al., 2017) and acquire resources (Vestrum, 2016) through stakeholder mobilization. In particular, recently Murphy et al. (2020) have emphasized how a community’s historical values, culture, and knowledge shape community-based entrepreneurial opportunity recognition (Read et al., 2016; Sarasvathy, 2009). They emphasize that at community level opportunity recognition is often an effectual rather than rational, causal process, significantly influenced by the cultural and historical resources available at community level. They also suggest that opportunity recognition depends on the alignment between organizational efforts and the values and needs exerted by community members.

Despite the merits of previous scholarly work, however, we still know little about how the alignment between organizational entrepreneurial efforts and local values and interests is achieved throughout the entrepreneurial opportunity recognition process. Therefore, we need more research to disentangle how community enterprises deal with the challenges that they face as they try to recombine multiple goals and transform communities’ multiple and intertwined needs in entrepreneurial opportunities.

13.4 The Opportunity Recognition Process

The concept of entrepreneurial opportunity recognition is well institutionalized in the entrepreneurship literature. According to Casson (1982), Shane and Venkataraman (2000), and Eckhardt and Shane (2003), entrepreneurial opportunities refer to the identification of opportunities for putting on the market new products, services, resources, and methods of organization. It requires the identification of customer needs and of the possibility to address them through innovative services, products, or modes of organizing. Research on entrepreneurial opportunities has focused on defining this concept (Gartner et al., 2008) and to explain its difference and connection with the concepts of opportunity generation (Shepherd & DeTienne, 2001; Corbett, 2002; Linton & Walsh, 2008), opportunity exploitation, and the importance of studying opportunities in entrepreneurship (Eckhardt & Shane, 2003).

Combining this body of research, it is possible to identify four distinct phases leading to opportunity recognition: *pre-vision*, *discovery*, *elaboration*, and *formation*. These phases collectively form a systematic framework for understanding and operationalizing the process by which entrepreneurial opportunities are identified and exploited.

The *pre-vision phase* represents the initial stage and requires the active assessment of the environment in search of signals and cues that may indicate the existence of unmet needs or untapped markets in order to develop entrepreneurial ideas. In the *discovery phase* entrepreneurial efforts involve a deliberate and proactive exercise of exploration of specific opportunities to address unmet needs. Once a potential opportunity is recognized, the *elaboration phase* begins to eventually operationalize the entrepreneurial idea and identify a feasible solution for the problem identified in the discovery phase. Finally, the *formation phase* involves the creation of a concrete business venture to commercialize the solution to the problem identified in the previous phases.

Entrepreneurship literature typically assumes that opportunity recognition is carried out by single or groups of entrepreneurs (Shane, 2003; Shaver & Scott, 1992), and that this process generally produces solutions that are focused on the opportunity selected (Gartner et al., 2008). Entrepreneurs initiate a new business with a focused problem-solving (Naratama & Windasari, 2019), also known as the directional search for opportunities (Gavetti & Levinthal, 2000). Focusing on a single issue enables entrepreneurs to direct all their resources toward devising swift and efficient solutions. This specialization strategy emerges as a necessity primarily due to resource scarcity, a common challenge in the entrepreneurial landscape (Vinogradov et al., 2013). Resource constraints, encompassing financial, human, and time resources, compel entrepreneurs to maximize their limited assets by addressing one problem at a time.

In contrast to traditional entrepreneurship, social enterprises and traditional cooperatives address the needs of both customers and beneficiaries (in the case of social enterprises) or members (in the case of traditional cooperatives) and therefore

face peculiar challenges, not addressed by traditional entrepreneurial initiatives (Roundy & Bonnal, 2017). We argue that this focus on both customers and beneficiaries/members implies that each of the four stages constituting the opportunity recognition process is more challenging for social entrepreneurial and cooperative initiatives. Each phase requires devoting attention to both beneficiaries/members and customer needs and to the potential for those needs to be realigned (Mair & Marti, 2006; Trivedi & Stokols, 2011). Focusing specifically on social entrepreneurship, numerous studies have investigated the notion of opportunity recognition. For instance, Mair and Marti (2006) define entrepreneurial identification opportunities as those that allow for the creation of new, profitable outputs, distinguishing traditional and social entrepreneurship by how opportunities are identified. In social entrepreneurship, the focus is on sustainably meeting social needs, even though these opportunities arise from the same unmet needs as in business (Mair and Marti, 2006: 3). Hockerts (2006) states that the exploitation of social entrepreneurial opportunities depends on the ability to concurrently generate economic profits and social benefits. This approach allows social enterprises to combine social impact and profitability (Hockerts, 2006). Guclu et al. (2002) argue that opportunity recognition arises from both an entrepreneur's personal experience and societal needs. Alvord and colleagues (2002) focus on the capacity of social entrepreneurial innovation to reconfigure resources for better delivery, citing three types of social innovation: enhancing local capacities, disseminating reconfigured products and resources, and empowering marginalized groups.

As detailed, traditional and social entrepreneurship and traditional cooperation all face peculiar and increasingly complex challenges when it comes to recognizing entrepreneurial opportunities. However, the challenges faced by community cooperatives in the phase of opportunity recognition are potentially more pressing. Their multistakeholder and inclusive nature expose them to the need to consider the expectations of disparate actors and their fit with the organizational goal of boosting community development (Murphy et al., 2020). This is not easy and could create obstacles in each of the four phases of the process of entrepreneurial opportunity recognition. However, the very nature of community enterprises can also favor the resolution of those challenges because dialogue and engagement with multiple actors can favor the emergence of innovative and creative solutions (Hertel et al., 2019).

13.5 Research Design and Sampling

We began our research without formulating any hypothesis about the processes followed by community cooperatives to recognize entrepreneurial opportunities. Therefore, we initially gathered publicly available and archival data on community cooperatives in Italy, to understand their characteristics and evolution. We then interviewed an expert in the sector and one manager of Legacoop involved in the community cooperative project to gain a better understanding of the aims and

characteristics of community cooperatives. These experts suggested several community cooperatives, of which we identified seven for further study. When selecting the cooperatives as the object of this study, our goal was to collect a diverse and comprehensive perspective of the challenges faced by community cooperatives in the start-up phase. Our selection was based on two variables. First, we decided to investigate both enterprises founded as community cooperatives and cooperatives that changed their status and transformed from traditional cooperatives to community cooperatives. The goal was to assess whether the background of the cooperatives would influence their approach to opportunity recognition, with cooperatives transforming to a community model being more reluctant to adopt a multistakeholder approach compared to cooperatives established adopting the community model. Second, we identified both mature and recently established cooperatives, to assess whether this variable would influence how they worked to recognize opportunities, in view of the assumption that more mature organizations could have a more established network of contacts in the community, thus being more ready to engage multiple stakeholder in dialogue compared to start-ups. In total, we performed 8 interviews and collected 69 archival data. The community cooperative object of this study are listed below, in Table 13.1.

13.6 Data Analysis

We divided our data analysis into two steps. In the first step, we developed a comprehensive mapping of the processes and actions undertaken by community cooperatives to recognize entrepreneurial opportunities. In a second phase of the analysis, we assessed the empirical evidence collected in view of the four phases of the entrepreneurial opportunity recognition process: We analyzed the data by asking ourselves whether the different actions we identified were instrumental to (i) scan the environment, looking for needs of different stakeholders in the community thus fitting the pre-vision phase; (ii) analyze whether identified unmet needs could be addressed through entrepreneurial initiatives (discovery phase); (iii) elaborate some possible models to match societal needs and business opportunities (elaboration phase); (iv) put in place entrepreneurial initiative (*formation phase*). In this way, we discovered that the entrepreneurial opportunity recognition process performed by community cooperatives involved a deep dialogue with disparate stakeholders and that this dialogue shaped both the identification of stakeholder needs and of the solutions to address them. Below we provide more empirical evidence to detail how community cooperatives recognize entrepreneurial opportunities.

Table 13.1 List of community cooperatives studied

Name	Year of foundation	Area	Main activity
Biccari	2017	Biccari, Foggia (South of Italy)	The cooperative has created a range of services for its community in addition to providing hospitality and restaurant services, such as a school, events for senior citizens, support services, areas designated for street artists, and an economic agreement with discount coupons and vouchers to be used within the community's businesses.
Giardini Luzzati Spazio Comune	1987	Genova (North of Italy)	The cooperative was launched to regenerate underdeveloped neighborhood in the city of Genova: the cooperative created cultural and recreational activities and new business in the area.
Ilex	2019	Pietrelcina Benevento (South of Italy)	The cooperative aims to manage and provide tourist-recreational and hospitality services, both through promoting tourist packages and managing-related facilities. It seeks to enhance the municipality's resources by developing eco-sustainable economic activities, focusing on goods, services, and the restoration of environmental and monumental assets.
Il Passo Della Barca	2021	Bologna (Center of Italy)	The Passo delle Barca Soc. coop promotes socio-economic urban renewal in Bologna's Barca district and neighboring areas. Community integration, quality of life, and environmental respect are promoted. Members manage public utility venues as social hubs and multifunctional centers to create an innovative, welcoming, and sustainable urban landscape.
Melpignano	2011	Meplignano Lecce (South of Italy)	The cooperative was established with the goal of producing and distributing green energy to local citizens by investing in the photovoltaic sector. The cooperative also engaged in charitable endeavors like the purchase of textbooks for neighborhood kids. It also installed potable water dispensers with the goal to promote public water and lessen the impact of plastic bottles.
Valle Dei Cavalieri	1991	Succiso Reggio Emilia (Center of Italy)	The cooperative was founded in 1991 following the closure of the last commercial activity (the village bar). A group of young residents, together with the local tourist promotion association initiated the community cooperative that focuses on food and wine activities (with a restaurant), agritourism (hospitality services), farming, and a range of educational and sport activities.
Vara	2016	Borghetto di Vara La Spezia (North of Italy)	The cooperative was created to distribute clean energy to community members. Over time it also launched initiatives in the responsible tourism.

13.6.1 Findings

The management of the four phases of opportunity recognition—pre-vision, discovery, elaboration, and formation—takes on peculiar characteristics within the context of community cooperatives, as outlined below.

13.6.1.1 Pre-Vision Phase

In the pre-vision phase, opportunity recognition stems from the identification of customer needs (in traditional entrepreneurial efforts) or beneficiaries' needs (in the case of social entrepreneurial efforts) that are either inefficiently addressed or unmet (Holcombe, 2003; Yu, 2001). In the case of inefficient solutions, the pre-vision phase involves the exploration of areas of improvement of existing solutions, in terms of services, products, or combinations of the two (Mason & Harvey, 2013). In the case of unmet needs, the pre-vision phase requires a more extensive and radical search for new services or products (Siegel & Renko, 2012). Since entrepreneurial initiatives usually target homogenous customer groups, in traditional entrepreneurship the two sources of opportunity recognition are typically an alternative: either customers' needs are unaddressed, or they are addressed inefficiently. Therefore, in the pre-vision phase, entrepreneurial ideational efforts are either focused on identifying areas of improvement for existing solutions or on identifying new solutions to unmet needs. In the case of social entrepreneurship, the pre-vision phase could potentially involve more complexity. The beneficiary and the customer group addressed by social entrepreneurial ventures present different, either unsolved or inefficiently solved, needs and social entrepreneurs have to figure out how to recombine the two (Santos et al., 2015). In the case of community cooperatives, the pre-vision phase presents even more challenges because different stakeholder groups populating a community can present a vast variety of different needs, either unsolved or inefficiently solved, and this increases exponentially the complexity that community entrepreneurs have to deal with. The founder of the community cooperative Melpignano explained well how their community, in the Puglia region, faced both unmet and inefficiently met needs:

When we started, we tried to bring together very different needs and shortages affecting our community. Most local entrepreneurs struggled to have access to financial resources and debt capital. There was also a lack of basic public services such as the provision of electricity and water. We tried to figure out how to address both these problems—inefficient access to financial resources and lack of public services—at the same time. It has been challenging because nobody has ever done anything like this before (Interview, Melpignano).

In the case of community cooperatives, the pre-vision phase requires mapping all the diverse stakeholders populating a community and their needs, and understanding whether they are unaddressed or inefficiently addressed. Given the collective nature of a community cooperative, it can happen that multiple actors bring forth their own perspectives, each representing an inefficient solution or an unsolved

need: Prioritizing them cannot be based neither on the resources available as in the case of traditional entrepreneurship nor on the prioritization of one specific stakeholder group—beneficiaries as in the case of social entrepreneurship. The representative of the cooperative Melpignano further explained:

The first thing we need to understand, as a community, is what works and what does not work within the community. They are not detached but they are, in fact, two sides of the same coin... . If we do not find a common solution to what is missing and what is inefficient, the community won't last (Interview, Melpignano).

Therefore, in the case of community cooperatives, the pre-vision phase of the entrepreneurial opportunity recognition process consists of mapping all stakeholder needs and envisioning how to realign them. Our evidence suggests that community cooperatives achieve this mapping and realignment by engaging different stakeholders in a dialogue aimed at developing a common definition of community development and at understanding together how to combine needs that are unmet or inefficiently met, in view of the strengths of the community itself. For instance, the cooperative Vara, situated in a secluded valley in the province of La Spezia, came into being in 2016 following a one-year process during which the founders of the cooperative engaged the entire community through forums, focus groups, and meetings to comprehend their needs and expectations. Through these endeavors, the founders realized that some members of the community—in particular those operating in the tourism and agricultural sectors—were seeking enhanced business opportunities. Other members struggled to get access to affordable and environmentally friendly products and energy. This ongoing dialogue with the community enabled Vara's founders to recognize that the varied needs of the community members were united by a shared aspiration for heightened environmental sustainability. This overarching need served as the starting point to identify and implement varied environmentally friendly services and products that could address different stakeholder needs while fostering the sustainable development of the community.

13.6.1.2 Discovery Phase

The identification of a community's different needs and of their interconnections is the starting point of the opportunity recognition process and it is followed by the discovery phase, in which different possible solutions to the identified needs are assessed. In general, this phase of opportunity discovery involves the identification of a market that could provide financial viability to the solutions identified, and the evaluation of the tangible and intangible resources that could be used or acquired to sustain the solutions identified. Therefore, in traditional entrepreneurial initiatives, this phase requires the assessment of the available resources and a detailed market analysis to match resources to needs. In the case of social entrepreneurship and traditional cooperatives, the discovery phase is more complex for two reasons: these organizations often address market failures (Santos, 2012; Borzaga & Tortia, 2004) and operate in environments characterized by resources scarcity (André & Pache,

2016; Seelos & Mair, 2005, 2007). Therefore, the discovery phase involves dialogue with stakeholders to build a network of supporting actors, who could provide the tangible and intangible resources needed to match beneficiaries and customer needs (André & Pache, 2016) and create a market (Santos, 2012). Community cooperatives share the same challenges of traditional cooperatives and social enterprises in terms of market creation and struggle for resource acquisition. However, they are more constrained in terms of stakeholders they can engage to mobilize resources. Resources should come from the community itself and markets should create value for the community. A representative of Legacoop explained to us:

A community cooperative emerges where there is a lack of market. Communities die precisely because there are no entrepreneurial opportunities, and businesses cannot stand by themselves, they are unsustainable because of a lack of market opportunities. Community cooperatives try to create the conditions for overcoming market inefficiencies, by putting together the needs and resources of all community members. The purpose is to harness available resources so that the community can have enough products and services to thrive. (Interview_Legacoop Manager)

Therefore, different from other entrepreneurial models, in community cooperatives the emphasis of stakeholder engagement is not on identifying opportunities to maximize the value created for a specific category of stakeholders or to balance their needs. Instead, it is paramount to identify how to exploit the few resources the community can generate to create new markets and sustain entrepreneurial efforts. In particular, engagement and dialogue with community help identify more motivated community members, who, given their sense of belonging and identification with the community, are willing to work to empower it. These actors are fundamental to explain the success of community cooperatives. Cooperative Vara was launched not only because stakeholder engagement enabled its founders to recognize the points of contact unifying the needs' of community members, but also because it showed the willingness of the community to participate in the entrepreneurial initiative to protect the environmental heritage of the Vara valley. Similarly, the cooperative Valle dei Cavalieri, located in Succiso, a village on the Apennines, was established and survived the first challenging years because of the commitment of some community members who wanted to protect the village and keep it alive. This commitment motivated these actors to invest in the new initiative their time, money, and efforts. In an interview to a local newspaper in 2016, one of the founders explained:

In 1991, the only bar in the village closed down. Shortly before, the last shop had also shuttered. Succiso was destined to depopulate and become a ghost town. So, a group of nine long-time friends ... created the cooperative. We all had our own professions, but we always worked as volunteers. At first, we risked our own money, then we invested regional, provincial, and European funds." Thus, in that distant January of 1991, the bar reopened first, followed by a small mini market ... We did it because we loved our land; we didn't want to see it abandoned" (Interview to a local newspaper)

Together with this sense of belonging and commitment, engagement of community members also enables assess whether the community has enough tangible and intangible assets to invest in new entrepreneurial efforts. In this sense, two kinds of

resources seem to be paramount. First, the presence of a strong community identity, based on its cultural, historical, or environmental heritage.

This is the last chance to save and empower our territories: our project is based on the historical values characterizing our community: solidarity, trust and cooperation. Building on these values we are developing a model that could enhance the sustainable development of the territory at the intersection of market performance and social impact. To achieve our goal we need to be able to rely on all the resources that are available (Archival Data_presentation of the community cooperative Vara)

Second, key assets for the success of community cooperatives seem to be common goods such as parks, schools, churches, museums, and natural resources. For instance, cooperative Giardini Luzzati, located in city of Genova, was established when community members realized that a neighborhood in downtown Genova that was completely abandoned could be regenerated starting from the beauty of its squares, churches, streets that could be used as assets to establish business and cultural activities.

13.6.1.3 Elaboration Phase

After the evaluation of current resources and market prospects, conducted through dialogue with community members performed in the discovery phase, the entrepreneurial opportunity process advances to the elaboration phase. In conventional entrepreneurship, in this phase the focus is on tackling obstacles centered around evaluating the viability of the entrepreneurial idea in financially viable undertakings (Ardichvili et al., 2003). In social entrepreneurship this phase involves defining services and products that could be consistent with the mission pursued by the social enterprise (Perrini et al., 2010) while being also aligned with customers' expectations (Austin et al., 2006). In the case of community cooperatives, the elaboration phase mainly focuses on two interrelated activities: the identification of a synthesis of stakeholder needs and of services that could address them. First, through dialogue with community members, the cooperative finds a synthesis of the different needs exerted by community members and of the various entrepreneurial opportunities that they may generate. This synthesis is achieved through the formalization of the community cooperative's mission and vision that capture and formalize its identity. The vision and mission are focused neither on any single stakeholder need nor on addressing all of them, but on favoring the overall development of the community. This is well shown by the following quote:

The aim of our project is to enhance social cohesion through engagement of different categories of stakeholders, irrespectively from their social status, physical conditions, origins. The end-goal is to reinvigorate an unused asset to foster a more sustainable economic development (Archival data_Ilex la cooperativa di comunità di Pietrelcina_Legacoop_Website)

Building upon the establishment of a shared identity, during the elaboration phase, community cooperatives identify the particular services and products capable of giving life to their mission and generating value that benefits the entire community.

This process necessitates the active involvement of community members to pool the resources available and discover potential synergies among them. A key element favoring the discovery of synergies and the identification of financially viable entrepreneurial initiatives is the engagement of all community members in the co-design and co-development of the entrepreneurial project because this engagement fosters long-term commitment and identification. For instance, one of the members of cooperative Biccari explained that the idea of linking tourist, cultural, and agricultural activities emerged through dialogue with local stakeholders, as detailed below:

Our cooperative has emerged as a result of a socially innovative process based on stakeholder engagement: all citizens and cooperative's members have identified common needs, and possible solutions. They have then tried to operationalize this idea in actual services, in view of the resources that were available at community level. (Interview_Cooperativa Biccari)

The participative process of co-designing solutions to community needs results in the elaboration and test of specific services and/or products. For instance, the cooperative “Il Passo della Barca” emerged from the collective efforts of the citizens of a peripheral and underserved neighborhood of the city of Bologna, in Italy. Their mission revolves around the “*neighborhood revitalization, cultivating citizens' collaboration, and enhancing the living standards of the local community*” (Mission, Il Passo della Barca). Based on this identity, the members of the cooperative engaged the local community in dialogue to identify synergies among the resources that were available at community level. In this way they realized that they could exploit some common spaces and places that could be used to create cultural, recreational educational events for citizens. Members of the community cooperative then transformed a recently dismissed shop in a place where local citizens could meet and organize recreational and educational initiatives, and then expanded the activities in other spaces, that they used as valuable assets to enhance community cohesion. On their website they wrote:

Our activities take place in various places: squares, parks, gardens. These are spaces we aim to enhance for improved environmental and social quality, transforming them into increasingly distinctive places hosting cultural offerings that act as catalysts for the growth of local well-being (Archival data_website_ilpassodellabarca)

13.6.1.4 Formation Phase

In the opportunity formation phase, what was planned in the previous phases is operationalized. This phase involves the collective task of recombining various types of resources to eventually commercialize the products and services required to provide a financially viable solution to the needs previously identified. In traditional entrepreneurship, this phase involves efforts to develop a value proposition that satisfies the specific needs of the customer segment previously identified. In social entrepreneurship, the goal is the recombination of the potentially divergent needs of two categories of stakeholders: customers and beneficiaries through different value propositions (Pache et al., 2018). Community cooperatives should develop

different services and products to create value for multiple stakeholders in view of the organizational overarching mission and vision. Therefore, this phase requires engagement with community members to leverage its strengths to co-design and implement a complex system of services and products. For instance, the cooperative Vara built on the strong ties connecting members of the community and their common aim to protect the environmental and ecological diversity of the valley to develop a number of services, as detailed below:

The idea is to develop an integrated business model that recombines different businesses as a way to boost the development of the Vara Valley: tourism, agriculture, forest management, and welfare services. This can be achieved by creating a network among community members and putting together the competencies of citizens, local enterprises, and families (Archival data_presentazione cooperativa di comunità Vara)

This phase also involves a thorough analysis of potential synergies and complementarities among various activities and services. The goal is to identify ways to reduce production and coordination costs by capitalizing on economies of scale and scope, wherever feasible. For example, the cooperative “Biccari” offers a range of services including tourism, agriculture, and education to uplift the remote Biccari village nestled in the Puglia Region. The members of the cooperatives organize tours to bring tourists to visit local farms and engage them in the cultural activities of the village as a way to support and foster cultural initiatives and agricultural endeavors, while also making the touristic experience more appealing, thus adding value to it.

13.6.2 Discussion and Contributions

Our findings present initial, provisional, and exploratory evidence of the unique features of the entrepreneurial opportunity recognition process as experienced by community cooperatives (Murphy et al., 2020). This process is inherent in various entrepreneurial endeavors, and extensive research has studied its peculiarities in the context of both traditional (Shepherd & DeTienne, 2001) and social entrepreneurship. Despite the recognition that communities extensively shape entrepreneurial efforts (Bacq et al., 2022), however, only scant research has studied how the process of opportunity recognition is shaped by embeddedness in a specific community (Murphy et al., 2020). We address this gap by shedding light on the impact of community engagement on each stage of the opportunity recognition process. In this way, we contribute to a more comprehensive and fine-tuned understanding of opportunity recognition as faced by different types of entrepreneurs (see Table 13.2) and contribute to research on entrepreneurial effectuation (Sarasvathy, 2009; Murphy et al., 2020), community-based entrepreneurship (Bacq et al., 2022), and cooperatives (Borzaga et al., 2011).

Previous research on community-based enterprises (Haugh, 2007) has suggested that local communities can be both beneficiaries and agents of entrepreneurial efforts (Bacq et al., 2022) and has pinpointed the challenges and benefits arising

Table 13.2 The opportunity recognition process

Opportunity recognition phase	Traditional entrepreneurship	Social entrepreneurship	Traditional cooperatives	Community cooperatives
Pre-vision phase	Customers exert either unmet or inefficiently met needs. Entrepreneurs need to recognize the needs.	Different needs from beneficiaries and customers can be unaddressed or inefficiently addressed. When inconsistent, beneficiaries' needs should be prioritized, conditional on satisfying customers.	Different needs from members and customers can be unaddressed or inefficiently addressed. When inconsistent, members' needs should be prioritized, conditional on satisfying customers.	Multiple stakeholders might exert divergent and incompatible needs. Dialogue with stakeholders is instrumental to find a common ground.
Discovery phase	Entrepreneurial efforts to find solutions to needs that match available resources to needs.	Resources acquisition and market creation requires the engagement of multiple stakeholders who identify around the mission.	Resource acquisition requires the engagement of multiple members, while creation of markets necessitates interaction with other cooperatives.	Stakeholder and members engagement is constrained by communities' boundaries, and it is needed to exploit tangible and intangible resources available at community level.
Elaboration phase	Developing and testing products and services that could address customer needs.	Developing and testing products and services that are aligned with the organizational mission and beneficiaries' social needs while also satisfying customer needs.	Developing and testing products and services that satisfy customer needs and while satisfying the (mainly economic) needs of the cooperative's members.	Co-design and co-developing of products and services that unify and satisfy multiple stakeholder needs.

(continued)

Table 13.2 (continued)

Opportunity recognition phase	Traditional entrepreneurship	Social entrepreneurship	Traditional cooperatives	Community cooperatives
Formation phase	Development of a value proposition to address the needs of a specific customer segment.	Development of two, complementary value propositions to address both customers and beneficiaries' needs.	Development of a value proposition to address customer needs in line with members' own needs.	Development of different services and products to meet the needs of multiple stakeholders, as well as the identification of economies of scale and scope that align with the organization's overall goal and vision.

from this dual role, particularly in terms of resource mobilization (Hertel et al., 2021), legitimation (Vestrum, 2014), and opportunities recognition (Murphy et al., 2020). Our evidence complements this stream of work by providing a granulated understanding of how these challenges and benefits unfold in each stage of the opportunity recognition process.

As suggested by previous literature, members of a community might be well motivated to engage in a common entrepreneurial endeavor by their shared identity (Hertel et al., 2019) as well as by some overarching values (Murphy et al., 2020) holding them together. However, our findings suggest, when considering how entrepreneurial initiatives can yield value for diverse community members, distinct stakeholder groups are likely to emerge, each of them motivated by different pragmatic and contingent needs. Communities as beneficiaries of entrepreneurial efforts are not homogeneous entities, because their members harbor heterogeneous needs that could prove difficult to recombine, despite the common identity and values unifying community members. Community development, therefore, hinges on the capacity of a community enterprise to identify the diverse needs propelling stakeholders within a community and to pinpoint where these needs intersect. This understanding serves as a fundamental requirement for harnessing the tangible and intangible resources available at the community level to craft new products and services that have the potential to complement one another while addressing the wide array of stakeholder needs.

While community embeddedness complicates the entrepreneurial opportunity process, it also provides, paradoxically, a remedy to this complexity. Our findings suggest that the common values and identity motivating community members not only trigger their engagement (Hertel et al., 2019), but also facilitate purposeful and creative dialogue to identify common goals and co-design shared solutions to those needs for the well-being of both stakeholder groups and the community. Further research is needed, however, to shed light on the mechanisms and processes enabling

this dialogue and on how agreement is reached in the context of community enterprises, in general, and community cooperatives in particular, in view of their peculiar goals and governance models.

Our evidence confirms and extends previous research advancing an effectual-based strategy (Sarasvathy, 2009) to entrepreneurial opportunity recognition at the community level. Indeed, opportunities do not emerge following a logic of causation (Read et al., 2016), in which needs are clearly identified and then addressed by drawing causal links with available resources and solutions (Sarasvathy, 2009). Instead, in community enterprises, needs and solutions are identified based on interaction with the different stakeholders of the community. Therefore, our evidence suggests both needs and solutions are prone to adaptation depending on the feedback received by diverse stakeholders and on the negotiation occurring among them on the basis of their needs and resources. In this sense, further research is needed to shed a deeper light on how this process of adaptation and negotiation unfolds, under which conditions it might lead to goal displacement (Grodal & O'Mahony, 2017) and on how it is shaped by the economic and cultural characteristics of each community (Vestrum et al., 2017; Peredo & Chrisman, 2006).

Finally, our work also provides evidence regarding the innovative role that cooperatives can play in tackling societal grand challenges (Bacq et al., 2022) and ameliorating the conditions of individuals living in underserved areas. Grand challenges have an impact on a global scale but become visible at community and field level (Berrone et al., 2016) and require collective endeavor to be tackled (Ferraro et al., 2015). While most cooperatives nowadays are focused on addressing the (mainly economic) needs of their members (Hertel et al., 2019), their collective and participative governance and mutual orientation make them more attuned than traditional businesses to engage in socially responsible behaviors and to address societal challenges at community level (Borzaga & Defourny, 2004; Hertel et al., 2019). The example of community cooperatives in Italy provides some evidence about the social impact that cooperatives, by virtue of their governance and intrinsic community orientation, can have on communities. This example also provides evidence of possible innovative avenues that the cooperative movement can undertake to innovate and rejuvenate this organizational model while anchoring it to its historical heritage and imprinting. Despite many cooperatives now operate in competitive markets and have mutated strategies and business models from traditional corporations, accordingly, originally cooperatives emerged to foster the development of marginalized communities and of their members. Fulfilling this social mission in the face of globalization and compelling societal challenges require the adoption of innovative strategies and business models (Tracey & Stott, 2017). Community cooperatives can represent an innovation in the cooperative domain, by virtue of their capacity to recombine multiple stakeholders needs and adapt to the specific challenges faced by the territories in which they operate. The sustainability and impact of community cooperatives, however, is often hindered by their inherent limits to growth. Further research is therefore needed to understand how community

cooperatives can be integrated in the broader cooperative system to benefit from its support to scale their impact. More research is also needed to understand how the scaling strategies adopted by traditional and social (Kim & Kim, 2022) entrepreneurial efforts can be adapted to the community cooperative model, in view of their peculiarities.

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Chapter 14

Is SwissCovid a Responsible Innovation for a Grand Societal Challenge? The Case for Better Deliberative Capacities in Innovation Governance



Andreas Georg Scherer, Christian Voegtlin, and Dana Entenza

Abstract Addressing Grand Societal Challenges (GSC) requires that public, private, and non-profit actors join forces for analyzing problems and developing innovative solutions in multi-actor, multi-level collaborations. Responsible Innovation (RI) is a framework that aims to develop innovations that (1) do not harm and (2) do good to people and planet through (3) structures and processes of responsible governance. Responsible governance helps in facilitating avoiding harm and doing good innovations and managing the tensions that are likely to emerge from participants' diverse rationales, heterogeneous worldviews, and conflicting objectives. While deliberation has been suggested as a core element in innovation governance and has been regarded as a panacea to help balance these tensions, it appears fair to say that it only does so when it meets certain qualifications. In this chapter, we therefore build on the literature of deliberative democracy and argue that addressing tensions that arise in innovation governance requires that deliberation is *authentic*, *inclusive*, and *consequential*. As an illustration, we apply these criteria to assess the development of the SwissCovid contact tracing app, an innovation which aimed at containing the spread of the COVID-19 pandemic. Further building on this case, we identify that the behavior of participants in the innovation process as well as the complexity and urgency of the issue it aims to address can challenge the quality of deliberation and through this the responsible character of the innovation. Finally, we suggest the establishment and enforcement of robust institutional safeguards and principles to enhance the quality of deliberative capacities in innovation governance. This chapter contributes to the literature by addressing the issue of deliberation quality in innovation governance.

Keywords Deliberation · Governance · Grand societal challenges · Innovation · SwissCovid

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14.1 Introduction

In the last decades, societies around the world have been confronted with global phenomena such as inequality, climate change or pandemics and their negative consequences for people and the planet. These and other related issues are commonly known as Grand Societal Challenges (GSCs), which are complex, uncertain, and evaluative (or value-laden) problems (Ferraro et al., 2015) which, to be addressed, require that public, private, and non-profit actors join efforts and pool resources in collective action (George et al., 2016; Gümüşay et al., 2022; Voegtlin et al., 2022). Specifically, addressing GSCs often calls for the collaborative development of innovative solutions, as maintaining or improving the population's living standards challenges societies to "create, implement and diffuse new products, processes, and services" that do not (further) damage the Earth's life-support system (Voegtlin & Scherer, 2017, p. 227). Innovation becomes particularly critical when GSCs emerge abruptly and unexpectedly: the COVID-19 pandemic and the challenge of developing, producing, and distributing reliable tests and vaccines are a case in point (Howard-Grenville, 2021; Scherer & Voegtlin, 2020).

In this context, *Responsible Innovation (RI)* represents a promising avenue for multi-actor, multi-level collaboration aimed at addressing GSCs (Blok, 2019; Owen et al., 2013; Stilgoe et al., 2013; Voegtlin & Scherer, 2017). The concept of RI was originally used in risk-assessments of scientific innovations but evolved to be applied to the general assessment of the ethical and social implications of innovations (Owen et al., 2013). Seen from this perspective, it describes the "transparent, interactive process by which societal actors and innovators become mutually responsive to each other with a view on the (ethical) acceptability, sustainability and societal desirability of the innovation process and its marketable products" (von Schomberg, 2012, p. 50). As an outcome of this process, innovations should be developed that (1) do no harm and (2) do good to people and planet. Further (3), and as a necessary condition for both (1) and (2), their development should also be responsibly governed (Scherer & Voegtlin, 2020; Voegtlin & Scherer, 2017). In particular, acknowledging the tensions that can arise when multiple actors from various domains with different interests and competences collaborate in addressing GSCs, and how these tensions could and should be managed in the innovation process, represents a critical issue for responsible governance.

Recent research on RI and GSCs has highlighted that deliberation, defined as "debate and discussion aimed at producing reasonable, well-informed opinions in which participants are willing to revise preferences in light of discussion, new information, and claims made by fellow participants" (Chambers, 2003, p. 309), can help "balance governance tensions between seemingly opposing governance directives in the effort of integrating stakeholders and allowing for reflexivity" (Voegtlin et al., 2022, p. 11; see also Dryzek & Pickering, 2017). Consequently, fostering deliberation in the governance of innovation can facilitate the development of responsible innovations that legitimately and effectively address GSCs (Scherer & Voegtlin,

2020; Voegtlin et al., 2022). To this purpose, deliberation itself should be fostered through the establishment of *deliberative capacities*.

Building on Chambers (2003) and Dryzek (2009), Voegtlin et al. (2022, p. 12) define deliberative capacities as the “structures and processes” that support deliberation by allowing to “draw[] on the exchange with those having a stake in the innovation process and outcome with the aim of producing reasonable and well-informed opinions.” Deliberative capacities that are embedded in the formal and informal structures of the innovation process, for instance, provide various arenas for communication and allow for stakeholder participation in networks of complex innovation governance (Fung, 2006, 2015). By fostering deliberation, deliberative capacities help balance the tensions that can arise from the inclusion of multiple actors and perspectives in innovation governance: tensions between the needs (1) to include both expert knowledge and public participation as sources of knowledge in the innovation process, (2) to moderate public discourse between opening up for diversity and closing down for consensus on innovative solutions, (3) to find a balance in the institutional design between centralized, poly-centralized, and decentralized decision-making, and (4) to address both flexibility and stability in the institutional dynamics and their innovative outcomes (Dryzek & Pickering, 2017).

Yet, while existing research makes the case for the usefulness of establishing deliberative capacities to govern innovation in a responsible way (Scherer & Voegtlin, 2020; Voegtlin et al., 2022), this represents a necessary, but not yet sufficient condition to develop innovations that meet the three criteria of RI listed above. The reason for this is that deliberation is not inherently sufficient for making better collective decisions. While the reasonable nature of a debate and its participants, as envisioned by Chambers (2003), is a necessary component of good deliberation, a debate along these lines could still exclude relevant stakeholders. Acknowledging this, we believe that the concept of communicative reason developed by Habermas (1990, 1995, 2022), which posits that both inclusion *and* argumentation are normative conditions for the discursive justification of social and moral norms, more closely reflects what can be considered good deliberation. Even more so, inclusion and argumentation are still not sufficient for making good collective decisions until they have real impact on and consequences for public policy. Building on Habermas again, we argue that inclusion and argumentation have “use-value” for stakeholders only insofar as they result in concrete and binding collective decisions that benefit the people in protecting their social, ecological, and cultural rights (see Habermas, 2001, p. 77, on the role of citizens in democratic governance). Therefore, as we argue in this chapter, we need to unpack the concept of responsible governance and suggest that deliberative capacities should meet a number of qualifications to foster deliberation that can be deemed good and helpful in governing innovation that is responsible. Yet, bringing the quality of deliberative capacities to the foreground also implies acknowledging that several challenges may complicate these capacities’ adequate functioning and hence alter their usefulness in supporting responsible innovation governance. In this chapter, we therefore address the questions of *how should the quality of deliberative capacities be assessed, what are the challenges to*

responsible governance in the context of GSC, and how can and should deliberative capacities be improved?

To address these questions, we draw on the literature on deliberative democracy (e.g., Dryzek, 2009; Dryzek et al., 2019; Habermas, 1998) which originally developed in political science and is to date the most influential approach in conceptual and empirical work on collective decision-making (Dryzek et al., 2019; Fishkin, 2018; Fung, 2006) and has also been applied to management studies (Moon et al., 2005; Palazzo & Scherer, 2006; Sabadoz & Singer, 2017; Scherer & Palazzo, 2007). In the literature, a system's *deliberative capacity* is defined as "the extent to which a [...] system possesses structures to host deliberation that is *authentic, inclusive and consequential*" (Dryzek, 2009, p. 1382). This means that deliberative capacities, understood as structures (and processes) for collective decision-making, should support a system's deliberative capacity by ensuring that deliberation (1) "induce[s] reflection noncoercively, connect[s] claims to more general principles, and exhibit[s] reciprocity" (ibid.), (2) allows for including stakeholders (i.e., all who can affect or are affected by the outcomes of decision-making) in deliberations such that their voices are heard and their interests, knowledge, and arguments are taken account of, and (3) consequently leads to public policies, actions, and outcomes that (for the time being) avoid harm and do good to the respective collective, or in the case of GSC, to people and planet more broadly.

Using the development of the *SwissCovid* exposure notification application during the COVID-19 pandemic as an illustrative case, we propose how each of these three criteria (*authenticity, inclusiveness, and consequentiality*) could be used to assess the quality of deliberative capacities established for the governance of responsible innovation. Further drawing on this illustrative case, we show how challenges to deliberation can arise in the governance of innovation processes. Finally, we suggest ideas as to what could be done to mitigate these challenges. In line with Frémeaux and Voegtlin (2023), we propose that in the context of democratic nation states, concerned actors should have the freedom to deliberate and devise solutions, yet higher-level authorities should be ready to intervene if the quality of deliberation is endangered, for instance by the behavior of some actor(s). However, this presupposes that strong regulatory and enforcement mechanisms are in place at the institutional level so that central authorities are willing *and* able to intervene legitimately and effectively. As our example shows, this was only partially the case in the development of the *SwissCovid* and other national exposure notification apps. Further, actors should make sure that the information available to support the deliberation is not only transparent, but adapted to the level of complexity of the issue at stake and the level of knowledge of affected stakeholders. Finally, actors should seek to establish trust between deliberation participants as a way to support open discussions, yet ensure that this trust arises mutually and voluntarily, and not because no other viable option is available (e.g., triggered by dependency on a powerful actor).

This chapter therefore makes three contributions to the literature on RI governance in the context of GSCs. First, it develops criteria to assess the quality of deliberative capacities in innovation governance. Deliberative capacities are embedded in the organizational governance and the governance structures of the

surrounding democratic institutions on local, national, regional, or global levels. Depending on their quality they facilitate (or impede) deliberations among multiple actors that are inclusive, authentic, and consequential. They help manage the various tensions in innovation governance and allow for reflexivity in collective decision-making, e.g. taking appropriate corrective measures depending on the performance (Dryzek & Pickering, 2017). Second, our chapter outlines boundary conditions which deliberative capacities should meet to be conducive to deliberation that is inclusive, authentic, and consequential. As literature on RI governance has so far focused on showing how deliberative capacities potentially contribute to solving governance tensions, we contribute with our chapter to the need to better understand the conditions under which such capacities effectively do so. Third, we illustrate our theoretical contribution with the help of a case study on the development of the SwissCovid App, thereby demonstrating not only the theoretical viability, but also practical usefulness of our assessment framework (see Chap. 11 for an Italian case of collaborative response to GSCs).

14.2 GSCs, Responsible Innovation, and Deliberative Capacities

GSCs are characterized by their complex, uncertain, and value-laden nature (Ferraro et al., 2015). They are complex, in that they affect multiple actors across multiple locations; yet, individual actors also comprehend them in multiple ways, as they are unable to develop a complete and true overview of their causes and consequences (Schneider et al., 2017; Sterman, 2001). This complexity is enhanced by GSCs' dynamic nature, and the interplay of multiple factors (Ferraro et al., 2015). Second, GSCs are uncertain, as they are mostly non-linear and their future states and linked probabilities cannot be assigned (Voegtlin et al., 2022). Finally, GSCs are also value-laden: individual actors not only are unable to develop a complete picture of the factors underlying GSCs and their interplay, but they also interpret and evaluate this information differently depending on their interests, worldviews, and value systems (Ferraro et al., 2015; Gümüşay et al., 2020).

These characteristics of GSCs impact how innovation aimed at addressing them should be governed. Specifically, as Voegtlin et al. (2022) argue, it is essential that the structures and processes underlying the development, production, and distribution of innovations are *reflexive*, that is, are able to “reflect on [their] performance” and “reconfigure [themselves] in response to such reflection” (Voegtlin et al., 2022, p. 11; see also Dryzek & Pickering, 2017).

As deliberation is central to achieving reflexivity (Dryzek & Pickering, 2017), building deliberative capacities has been proposed as an avenue to deal with the governance tensions inherent to innovation processes. These tensions concern, for instance, the balance between public participation and expertise, opening up for diversity or closing down for consensus, centralization, and decentralization in collective decision-making or flexibility and stability (Dryzek & Pickering, 2017;

Voegtlin et al., 2022), issues that typically arise when innovation necessitates the involvement and collaboration of actors from multiple backgrounds with fragmented knowledge bases and diverse interests and world views (as is often the case to address GSCs). In this context, establishing deliberative capacities at the organizational (Scherer & Voegtlin, 2020) or institutional (Scherer & Palazzo, 2011) levels can “create slack resources that can selectively either open up or close down the innovation process for stakeholders” (Voegtlin et al., 2022, p. 12).

Concretely, research proposes among others three specific avenues for building such deliberative capacities for RI: (1) establishing stakeholder networks, (2) providing arenas for regular exchange and rules-based discourse, and (3) accumulating trust (Blok, 2019; Voegtlin et al., 2022, p. 15). *Stakeholder networks* can and should be leveraged to provide either broad inputs or specific knowledge into the innovation process, therefore granting flexibility and agility to address the complex, uncertain, and value-laden nature of GSCs. Similarly, establishing *arenas for regular exchange* and *rules-based discourse* allows the initiators of an innovation process (for instance, managers in an organization or administrators in public authorities) to selectively draw on a variety of communication and deliberation channels along the innovation process. Stakeholder networks and arenas for exchange and discourse both allow initiators of innovation processes to engage in deliberation with stakeholders about, among others, the goals and legitimacy of the innovation process and its outcomes, as well as the means to effectively and efficiently reach these goals (Scherer & Voegtlin, 2020). The *accumulation of trust* can in turn be seen as a consequence of well-functioning stakeholder networks and discourse arenas, as both help build the trust that is necessary for the various actors to work together despite their diversity of values and worldviews (Gümüşay et al., 2020). Figure 14.1 below provides a simplified framework of how these factors theoretically interact to support deliberation.

Yet, the usefulness of such networks and arenas depends on the extent to which they are conducive to *good* deliberation, an issue that has so far not been considered sufficiently by studies on the governance of responsible innovation. Scholarship on deliberative democracy (Dryzek, 2009; Dryzek et al., 2019; Habermas, 1998) has addressed this question by stating that a (political) system should possess capacities which support deliberation that is “*authentic, inclusive, and consequential*” (Dryzek,

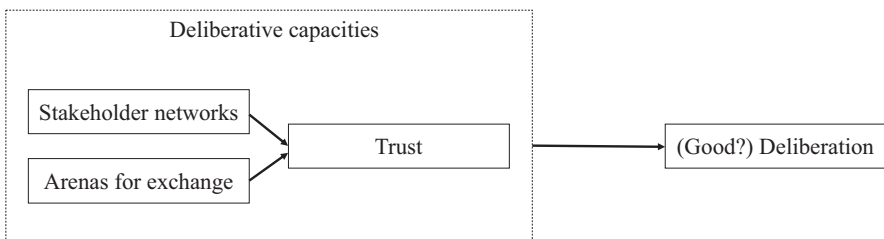


Fig. 14.1 Framework of relationship between deliberative capacities and deliberation as discussed in the RI literature

2009, p. 1382). Authenticity implies that “deliberation must induce reflection non-coercively, connect claims to more general principles and exhibit reciprocity” (Dryzek, 2009, p. 1382; see also Dryzek, 2000). Inclusiveness in turn refers to “the range of interests and discourses present in a political setting” (Dryzek, 2009, p. 1382). In particular, being inclusive means allowing for “the inclusion of diverse stakeholder voices and the possibility for public participation” (Voegtlin et al., 2022, p. 16). Finally, consequentiality means that “the deliberative processes must have an impact on collective decisions and social outcomes” (Dryzek, 2009, p. 1382).

In this chapter, we contend that deliberative capacities for innovation governance should likewise be built, assessed, and developed further with these three criteria in mind. For instance, inclusiveness could be fostered, among others, through the design of stakeholder networks. This means that, when establishing stakeholder networks, particular care should be granted to the diversity and balance of voices, interests and knowledge bases that are represented therein. Literature on RI governance sees the main benefit of stakeholder networks in the flexibility that they provide to draw on various forms of knowledge when necessary (Dryzek, 2009; Voegtlin et al., 2022) instead of engaging stakeholders at any cost. Yet, ideally, the innovation process should be as open as possible so that any potentially affected stakeholder can have a *chance* to voice ideas or concerns at *all* relevant stages throughout the process. No stakeholder or group of stakeholders should be excluded from a network on the grounds of different opinions or values, and actors should be open toward each other’s values and worldviews. This also means that stakeholders should be given access to communication channels as well as transparent and understandable information, which we discuss next.

Likewise, arenas for regular exchange could contribute to fostering *authentic* communication and deliberation. Typically, arenas should be built with a set of rules that govern discourse, making sure that claims are substantiated and formulated in terms others can understand (Dryzek, 2009) and that validity claims can be checked so that a collective decision based on reasons can be made (Habermas, 1995). Further, information that is relevant to decision-making within the innovation process should be made available in a transparent and understandable way, so that participants can form their opinions in a manner that is neither coerced by incomplete, non-understandable, nor false information. Arenas should be designed and based on rules that allow for communication between stakeholders and facilitate the formation of collective decisions in a rational way. Typical examples would be online forums or communities in which contributions are moderated either by a central and legitimate authority or debated de-centrally by other users. Here, the discourse rules as formulated by Habermas (1995) can provide a guideline for the structuring of deliberation; these rules concern “the freedom of access, equal rights to participate, truthfulness on the part of participants, absence of coercion in taking positions and so forth” (p. 56).

Finally, the levels of trust developed between deliberation participants could contribute to making the innovation process *consequential*, that is, having an “impact on collective decisions and social outcomes” (Dryzek, 2009, p. 1382). For

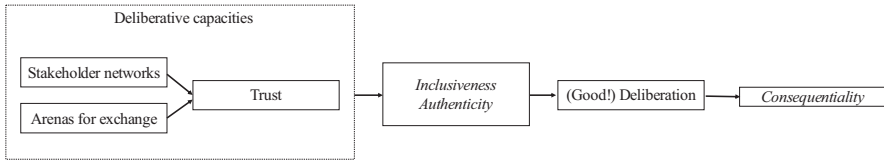


Fig. 14.2 Updated framework of the relationship between deliberative capacities and deliberation

instance, building trust across different stakeholder levels fosters open discussions in the innovation process, increasing the chances that the outcomes thereof are understood, considered legitimate and broadly adopted, also by the broader population which was not directly involved in the process but represented by others that share their views (Fung, 2006, 2015). This is especially relevant for innovations in contested or ethically sensitive areas, such as genetic engineering or artificial intelligence (Voegtlin et al., 2022). The societal adoption of an innovation therefore constitutes a relevant indicator of the *consequentiality* fostered by established deliberative capacities. Considering the criteria presented above and how they apply to the design and assessment of deliberative capacities, Fig. 14.2 provides an updated normative framework of the relationship between deliberative capacities and deliberation that we propose in this chapter.

As developed above, building deliberative capacities is a necessary, but not sufficient, condition for deliberation to take place that is *inclusive*, *authentic*, and *consequential*. Rather, such deliberative capacities should be designed in a specific way so that deliberation meets these criteria. In some cases, however, factors that are inherent to stakeholders involved in the innovation process (e.g., unwillingness to change positions) or to the issue toward which innovation is targeted (e.g., issue is complex and demands immediate action thus leaving too little or no time for deliberations) may challenge deliberation.

In the next section, we build on the case of the development of COVID-19 exposure notification apps to provide illustrations of such challenges and how they affect a system's deliberative capacity.

14.3 Challenges to Deliberation: The Case of the SwissCovid Exposure Notification App

The COVID-19 pandemic is generally considered in the literature as a GSC (see, e.g., Howard-Grenville, 2021; Schwoon et al., 2022; Voegtlin et al., 2022). Its complex, uncertain, and value-laden character is exemplarily illustrated by, for instance, the trade-offs between related issues such as the safeguarding of public health and the preservation of the economy, or the unpredictable mutations of the virus and the emergence of social movements trivializing the virus and criticizing or resisting government measures adopted to halt its spread.

Along with vaccines, exposure notification apps represent one of the most significant and ethically challenging innovations that emerged during this period (Morley et al., 2020; Parker et al., 2020). Initially conceived as a responsible innovation that would limit the spread of the virus and allow the mapping of transmission by health authorities, the debate around these apps quickly crystallized around the potential harms that such an innovation could pose to the privacy of individuals (Sharon, 2021; Zuboff, 2022). The core issue was that notifying individuals of their exposure to (potentially) infected people would require tracing (although in a theoretically anonymous way) whom they had been in contact with over a more or less long period (generally 2 weeks). Building on the case of the development of the SwissCovid exposure notification app in Switzerland, we illustrate the challenges that may arise at various levels in innovation processes despite the presence of (moderate) deliberative capacities.

14.3.1 Case Background

In Europe, the development of an exposure notification protocol was initiated in March 2020 by a multinational coalition of European scientists and technologists as the Pan-European Privacy-Preserving Proximity Tracing (PEPP-PT) (Abboud et al., 2020). Initially, the project aimed at supporting both centralized and de-centralized¹ approaches to Bluetooth-based exposure notification. In this context, “centralized” meant that IDs generated by users’ smartphones are “uploaded to a trusted server, such as one controlled by a health authority,” while “de-centralized” meant that “IDs are held locally on devices, where the infection risk is also calculated” (Lomas, 2020b, para. 11). However, due to concerns raised by members of the original group of scientists about the transparency of the PEPP-PT approach and conflicting views on the issue of privacy and the risk posed by state authorities centrally managing data, teams quickly ended up splitting, and a dissenting fraction started working on another project which would follow what they called as a “de-centralized” approach only, the De-centralized Privacy-Preserving Proximity Tracing (DP-3T) (Powers, 2020b).

The atmosphere between both teams became tense (Abboud et al., 2020; Powers, 2020b), with the DP-3T team, for instance, accusing the PEPP-PT team of trying to deceive the scientific community and the broader public about the harmlessness of their approach and its implications of privacy concerns. As one scientist involved in the DP-3T stated:

We published the DP-3T protocol in early April for discussion and feedback, but it soon became apparent that PEPP-PT was building a Trojan horse: using the privacy community’s wide approval of our public system to slip their own, unpublished centralized approach into deployment. (Veale, 2020b, p. 36)

¹The PEPP-PT team originally did not use the word “centralized” to describe its solution. The term “centralized” was introduced by the rival DP-3T team to highlight the contrast with its own solution which it labelled “de-centralized” (Troncoso et al., 2020; Zuboff, 2022).

Around the same time, on April 10, technology giants *Apple* and *Google* made the surprising announcement that they were collaborating to develop an Application Programming Interface (API) based on similar principles as the DP-3T protocol. This API would allow exposure notification apps developed by national health authorities to use Bluetooth in the background, an essential prerequisite for the app to function without draining too much smartphone battery (Veale, 2020b). It would, however, embed contact tracing technology in the operating system layer of smartphones running on Android and iOS, instead of at the app (or software) level. This raised concerns about the creation of a “dormant functionality for mass surveillance at the operating system layer” (Hoepman, 2021, p. 10) which would be under the control of the two technology firms rather than a public health authority. Despite these concerns, the European Parliament and the European Data Protection Board, as well as several European countries, including Switzerland and the United States, quickly expressed their preference for the “de-centralized” solution powered by Apple and Google (Sharon, 2021; Veale, 2020b; Zuboff, 2022). Apps based on the centralized solution, less efficient because they were not granted access to background Bluetooth by the Apple-Google API, were only pursued by a few countries (among which France, the UK, and Australia), while the original PEPP-PT consortium eventually collapsed (Veale, 2020b). The SwissCovid app was officially launched on June 25th, 2020. While it was downloaded over a million times, it, and other national apps, did not have the expected uptake, due mainly to a lack of trust from the public (Blasimme & Vayena, 2020; Zuboff, 2022).

In the following section, we assess the quality of the deliberative capacities involved in the development of the SwissCovid app and discuss challenges that possibly diminished the quality of deliberation during the innovation process. We argue that the main challenges to good deliberation arose from actors’ behavior, issue complexity and lack of mutual trust, leading in turn to low public willingness to endorse the innovation outcome.

14.3.2 Challenges to Deliberation

Challenges to Inclusiveness–Actor Behavior

As highlighted above, stakeholder networks should provide the grounds for deliberation that is *inclusive*. At the outset, the SwissCovid innovation project was conceived as a collaborative network of scientists, firms, and national authorities. While the public was not directly involved in the project, but only represented via their (democratically elected) government officials, documents such as the code underlying the app were stored on GitHub, an open internet platform which allowed to interact with the project developers (more on this in the next section). A first challenge to inclusiveness emerged when scientists from the PEPP-PT and DP-3T teams started arguing about whether a centralized or a de-centralized solution would be better to safeguard the privacy of the users. As the two endeavors finally split following disputes around privacy and the PEPP-PT removing any mention of the

de-centralized protocol from its website without telling the DP-3T team beforehand (Powers, 2020b), the DP-3T team initiated a communication and lobbying campaign against the PEPP-PT team working on what they called the “centralized” solution (Vaudenay, 2020). As an observer notes, the objective of this campaign was to influence policymakers to favor one option over the other, excluding the PEPP-PT team from the broader endeavor without engaging in any real academic discussion about centralized versus de-centralized systems (Vaudenay, 2020, p. 2).

The second and most salient challenge to the *inclusiveness* of deliberation was triggered by the behavior of the two most powerful actors in the network, namely Apple and Google. Thanks to their dominance over the market for smartphone operating systems, both actors also possessed an enormous amount of power over the innovation process as any resulting app would need to run on both Android and iOS. In April 2020 they announced “with little, if any, communication with local experts and EU policymakers” (Scott et al., 2020, sec. 2 para. 3) that they would launch their own solution, which not only would embed contact tracing directly in the operating system, but would also support de-centralized protocols exclusively (Hoepman, 2021). Consequently, both firms unilaterally refused to adapt their operating system to also make it work with centralized protocols such as the ones developed with support by the democratically elected governments in France and in the UK (Veale, 2020a).² Instead, the two technology firms publicly advocated for apps running on a de-centralized model, such as the SwissCovid app. This move allowed both Apple and Google to set the terms and conditions of what contact tracing should be and how it should work (Hoepman, 2021), yet, without sufficient democratic entitlement and control (Zuboff, 2022). By design, both actors excluded democratic countries whose health authorities favored a centralized solution to access the nature of contacts for epidemiological reasons (i.e., to build a model of contacts to map the spread of the virus) (Hoepman, 2021). The Australian Minister for Government Services, for instance, stated that the Australian Government, who pursued a centralized solution, was open “to improving [the] technology” if such technology maintained a key role for health officials in the process, adding that “the current structure of the Google-Apple API does not do that” (Bogle, 2020). Both firms even refused to engage in reflection with those teams (Zuboff, 2022). As a consequence, the teams of several countries exploring a centralized solution had to abandon their efforts and eventually adopt the de-centralized protocol (e.g., the UK), and those who continued (e.g., France, Australia) did so by sacrificing the operability, and hence the attractiveness and efficacy of their solution.

Challenges to Authenticity: Actor Behavior and Issue Complexity

The power and behavior of the actors involved in the innovation process also presented a challenge to the authenticity of deliberation, which presupposes that claims are substantiated and formulated in terms that others can understand and accept, and

²To function efficiently, contact tracing apps need to maintain Bluetooth in the background, as keeping Bluetooth permanently in the foreground would drain too much cell phone battery. This, however, required adapting smartphone operating systems, something Apple and Google accepted to do for de-centralized solutions only (Hoepman, 2021).

induce reflection noncoercively, so that collective decisions can be made based on reasons and shared insights (Dryzek, 2009). In the present case, although the innovation process was meant to be open source and the code underlying the DP-3T protocol and the SwissCovid app was developed in a co-construction process, Apple and Google refused to publish the source for their API code until it was fully developed. Following this move, actors involved in the innovation process, and those simply interested in it, were able neither to scrutinize the development of the API nor to run the codes of other apps based on the DP-3T protocol. This negatively impacted actors' ability to make informed decisions. The conditions both firms laid out for supporting national apps (requiring them to be built around a de-centralized design) further acted as a form of coercion, silencing potential discussions around alternative designs and other non-privacy-related issues (more on this in the next paragraphs). As critics noted, the attitude adopted by both firms led to "citizens hav[ing] no longer anything to say about it (*the app*), except taking it as a whole or refusing it" (Vaudenay & Vuagnoux, 2022, sec. 3, para. 5–6).

The negative impact of actors' behavior on the authenticity of deliberation was enhanced by the characteristics of the issue at stake, in particular its complexity and urgency. As introduced above, in the case of the SwissCovid app development, the main arena for exchange during the innovation process was the GitHub platform on which the source code was stored (Vaudenay, 2020). The platform is commonly used to host open source software development projects, as it allows registered users to follow the development of a software and interact with its developers (Finley, 2015). Yet, due to the complexity of the issue, the existence of this exchange arena was not sufficient to trigger authentic deliberation. As understanding the specificities of the centralized and de-centralized protocol designs required an understanding of coding language and technicalities, the majority of the lay population was unable to form their opinion in a fully informed way (although some scholars attempted to explain the risks inherent to all exposure notification solutions in a simplified way; see, e.g., Bonnetain et al., 2020). Most interested citizens therefore had no choice but to revert to the broader public sphere (the media, political debates, etc.) to find information on the application and its development.

However, the discourse in the public arena was mostly incomplete and imprecise. Historically, combatting epidemics had strongly relied on the work of "public health 'surveillance systems,'" which were supported by "individual case data in some combination with epidemiological statistical tracking" (Zuboff, 2022, p. 44). Yet, Apple and Google's involvement in the development of digital contact tracing quickly brought the need to protect individual privacy at the center of discussions, at the expense of "the public health imperative of tackling a virus" and other issues (Scott et al., 2020, sec. 1 para 4; see also Sharon, 2021; White & van Basshuysen, 2021). Surprisingly, political authorities also promptly adopted this privacy focus: as early as April 17, 2020, the European Parliament demanded in a resolution that apps follow a de-centralized protocol (Veale, 2020b) despite the proven effectiveness of centralized data storage for contact tracing (White & van Basshuysen, 2021). This incomplete debate was also plagued with imprecise information: Serge Vaudenay, a professor from the Security and Cryptography Laboratory of the Swiss

Federal Institute of Technology (EPFL), for instance, criticized that available information concealed critical issues such as the privacy concerns also emerging from the so-called de-centralized solution (e.g., Vaudenay, 2020; Vaudenay & Vuagnoux, 2022). Overall, the arguments against centralized solutions used in the information to the general public were criticized as “overly exaggerated and the ones in favor of de-centralized systems have been oversold” (Vaudenay & Vuagnoux, 2022, sec. 1, para. 3).

Finally, the public discourse was also criticized as being emotionally laden, as the rhetoric of “centralized” vs. “de-centralized” was used in a way that instilled fear of an untrustworthy state that would surveil citizens, while “the image of ‘decentralization’ immediately conjured associations with pro-social democratic ideals” (Zuboff, 2022, p. 46). As an illustrative example, a professor working on the DP-3T proposal once described a centralized solution as potentially “open[ing] the gates to privacy hell” and “becom[ing] a wet dream for security services” (Powers, 2020a, para. 12) as it could allow governments to find out who is in close proximity to whom. Altogether, the incomplete and imprecise nature of the public debate around contact tracing further coerced most stakeholders in the innovation process into adopting the de-centralized solution.

The urgency of the issue also led various stakeholders to abandon the ideal of deliberation and instead align with the requirements of Apple and Google without any further questioning or scrutiny. Pressured by the need to develop and rollout a solution that would reach the levels of adoption and interoperability necessary for it to be effective, many national governments acquiesced to the requirements of those who held the keys to this new public good: Apple and Google (Sharon, 2021; Zuboff, 2022). Scott (2020, sec. 2 para. 8), for instance, reported the words of a German government official, who stated that “we need to have a discussion on how Silicon Valley is increasingly taking over the job of a nation state [...]. But we don’t need to have it amid a pandemic.”

As this case shows, the complexity and urgency of the issue and the resulting incapacity of most citizens to understand its stakes paved the way for views on individual privacy and government trustworthiness to be expressed using highly emotional rhetoric, something the literature on deliberation regards critically (Dryzek, 2009). In other words, this example illustrates how issue complexity and urgency can act as further challenges to deliberation that is *authentic*. An overly complex issue and the lack of understandable information formulated in a language that everyone can understand impedes de facto that actors, in particular, the lay public, make an informed and noncoerced decision as to whether or not an innovation meets criteria of avoiding harm and doing good. These challenges had implications for the building of trust between stakeholders and deliberation consequentiality, as highlighted in the following section.

Challenges to Consequentiality: Actor Behavior, Issue Complexity, and Mutual Trust

As the RI literature states, trust is an essential component of deliberative capacities (e.g., Voegtlin et al., 2022). Trust is commonly defined in the organizational

literature as “the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party” (Mayer et al., 1995, p. 712). However, for good deliberation to occur, trust should be mutual, so that actors are willing to open up to each other and strive for a “meta-consensus,” or “agreement on the legitimacy of disputed values, the credibility of disputed beliefs, the nature of disputed choices (including the range of acceptable options), and the acceptable range of contested discourses” (Dryzek & Pickering, 2017, p. 357; see also Voegtlin et al., 2022).

In the SwissCovid app case, issue complexity and the strategic behavior of actors complicated establishing trust that is mutual and conducive to good deliberation. While all parties agreed on the importance of preserving user privacy, the range of acceptable options, in this case the choice between a centralized or a de-centralized design, was complex and subject to heated and emotion-laden discussions. Promoters of a de-centralized design (including Apple and Google) were not willing to rely on national governments to store and manage contact data, while promoters of the centralized design were reluctant to rely on contact tracing by commercial actors (e.g., Sharon, 2021; Veale, 2020b; Zuboff, 2022). The dispute was enhanced by the fundamentalist character of some stakeholders not “interested in the kind of reflection upon values and beliefs that is central to deliberation” (Dryzek, 2009, p. 1396). The libertarian and anti-state ideology that dominated in the Silicon Valley and among many computer scientists was typically at the center of the clashes (Zuboff, 2022) that resulted in the failure to reach a meta-consensus (Dryzek & Pickering, 2017) and proponents of the de-centralized solution trying to “shut down” the effort of their former colleagues (Abboud et al., 2020).

As the app was finally developed in collaboration with Apple and Google, it is worth noting that developers’ *willingness to rely* on the solution supported by both firms was driven by its technically inevitable character, as the companies control the operating systems running on almost all smartphones. Specifically, as the scientific community found itself trapped between the urgency of developing a solution to tackle the spread of the pandemic, and fear of data misuse by malicious governments, many scientists perceived relying on Apple and Google as a necessary evil (Veale, 2020a; Zuboff, 2022). As several experts (including those involved in the DP-3T project), for instance, noted, because Apple and Google implemented the exposure notification at the operating system layer and hence controlled which government apps have access to it, there was a perceived and seemingly inevitable *need* to trust that both companies “will not abuse [the API]” (Hoepman, 2021, p. 12; see also Powers, 2020c; Troncoso et al., 2020). In other words, while developers showed a certain level of trust by accepting to be vulnerable to Apple and Google, this trust was driven by external constraints and certainly did not suffice for all involved stakeholders to engage in open discussions.

14.3.3 *How Challenges Impact Deliberation Quality*

As a consequence of the challenges posed by issue complexity and actor behavior, and despite the presence of some deliberative capacities, the stakeholders involved in the innovation process did not manage to ensure *inclusive* and *authentic* deliberation in the governance of the innovation process. This certainly also affected its *consequentiality*. Although it is complicated to draw a clear causal link between the innovation process and the final adoption of its outcome, what was observed is that the general public also showed little confidence in the application and its ability to protect individual privacy, resulting in relatively low adoption levels in Switzerland and other European countries which implemented similar products (Blasimme & Vayena, 2020; Zuboff, 2022).

To summarize and getting back to the question asked in the title of this chapter, “Is SwissCovid a Responsible Innovation for a Grand Societal Challenge?”, the discussion presented in this paper leads us to answer negatively. In the present case, the deliberative capacities in place did not allow to balance the different tensions that arise in the governance of RI innovation (Dryzek & Pickering, 2017). As a result, conditions were not met for inclusive, authentic, and consequential deliberation to take place. In the following paragraphs, we show how each tension failed to be properly managed, and in the next section we will present potential solutions to improve the deliberative capacity of innovation governance.

A first tension, as identified by Dryzek and Pickering (2017), arises from the need to include both expert knowledge and public participation as sources of knowledge in the innovation process. In the present case, there has been no public consultation, as all decision-making pertaining to contact tracing took place among scientists, politicians, and corporate actors. Yet, interestingly, a public deliberation experiment conducted in Australia showed that “informed citizens are willing to trade their privacy for common goods such as COVID-19 suppression” (Degeling et al., 2022, p. 97), suggesting that the outcomes of the innovation process could have been different would the public have been involved.

The second tension relates to the need to moderate public discourse between opening up for diversity and closing down for consensus on innovative solutions. This tension too failed to be properly managed. While the innovation process was initially open and considered both centralized and de-centralized protocol designs as well as concerns of epidemiological effectiveness next to privacy issues, very quickly this turned to a non-debate as a result of actors’ behavior and the urgency of the issue. Following Apple and Google’s demands and the constraints they imposed, in a matter of days almost all national governments rallied behind the de-centralized solution, thereby closing the debate on alternative solutions and, as some critics pointed out, ignoring critical voices (Vaudenay, 2020; Vaudenay & Vuagnoux, 2022).

The governance of the SwissCovid and other contact tracing apps development also fell short of balancing between centralized, poly-centralized, and de-centralized decision-making. While the European Commission initially granted national governments the freedom to choose between centralized and de-centralized designs

(Lomas, 2020a), only requesting that apps be able to communicate, on the next day the European Parliament publicly endorsed the de-centralized design (Veale, 2020b). By setting the conditions for contact tracing apps to work on their operating systems (Tretter, 2023), Apple and Google definitively, and de facto unilaterally, tilted the balance toward centralized decision-making, yet not at the level of democratic political authority, but at the corporate level.

Finally, balancing the tension between the need to address both flexibility and stability in the innovation process and its innovative outcomes would have required that app developers reflect critically on the app's performance and if necessary debate on the need to adapt it (flexibility) or continue with the existing design (stability). In Switzerland, however, despite relatively low adoption and frequent criticism on its usefulness and safety, no formal efficiency evaluation criteria were developed (Vaudenay & Vuagnoux, 2022). Interestingly, as the app was taken out of service 2 years after its introduction, the critical self-reflection of involved actors did not attribute its mixed performance to design or efficiency flaws, but to the lack of app promotion by national health authorities and the lack of digitalization of the Swiss health system (Buchmann & Tschirren, 2022).

To summarize, the SwissCovid case shows the role played by large power differentials between actors in a stakeholder network, and how the complexity of the issue at stake and timing constraints may enhance the detrimental effects of power differentials. Actors with disproportionate power, such as big corporations, might hijack deliberative capacities to drive the innovation process in a direction that favors their own interests and avoid having to engage in open deliberation and face potential criticism. The institutional conditions that have paved the way for Apple and Google to behave as they did in this innovation process, and the societal and political consequences thereof reach well beyond issues of innovation governance. Researchers (e.g., Veale, 2020b; Tretter, 2023) have, for instance, discussed the implications of both firms' exclusionary attitude on the sovereignty of nations and their democratically elected governments to administer matters of public health. By refusing to support nations pursuing a centralized solutions, Apple and Google interfered among others with the ability of health authorities to collect epidemiological data, impacting their management of the pandemic (White & van Basshuysen, 2021). Similarly, in a paper on the increasing inference of big tech corporations in public health issues, Sharon (2021) draws on political philosopher Michael Walzer's theory of spheres of justice (1983) to contend that Apple and Google's use of their dominance in the digital technology sphere to build dominance in the political sphere equates a form of tyranny. Building on our findings and these reflections, in the following section we propose that deliberative capacities should be extended beyond the focus on organizations to also address the institutional environment in which innovation governance takes place.

14.4 How to Overcome Challenges to Deliberation?

As the above discussion highlighted, deliberative capacities are a necessary but not sufficient condition for achieving “good” deliberation in RI processes. We have identified several challenges that can affect the quality of deliberation, namely actor behavior, issue complexity and urgency, and lack of mutual trust. In this section, we now outline potential solutions to overcome, or at least mitigate, these challenges.

With regard to the risks related to actor behavior, ensuring that no actors or set of actors possesses a disproportionate share of power over other stakeholders is a well-known challenge of authentic deliberation and is difficult to overcome (Curato et al., 2017; Sabadoz & Singer, 2017). With an eye on deliberative capacities at the organizational and inter-organizational level, one approach is to carefully select stakeholders and establish networks with the balance of actors in mind. In that regard, instead of trying to avoid power imbalances, which is illusory, differences in the quality of power should be considered: one stakeholder possessing more economic power is not necessarily an issue if other stakeholders are more powerful in terms of cultural or social resources that are also relevant in the innovation process. This way a *modus vivendi* of checks and balances may be reached even in situations with disproportionate power. What should however be avoided, as far as possible, are situations of absolute dependence on one stakeholder, as the SwissCovid app case and the dependence on Apple and Google illustrates. This applies in particular when the products and services at stake in the innovation process have a “public good” character (and their withdrawal would therefore cause “public bads”), as is apparent in the case of the COVID-19 contact tracing app. In situations of disproportionate power and dependency, a robust institutional context becomes essential to guarantee the deliberative capacity of innovation governance.

In a recent paper, Frémeaux and Voegtlin (2023) acknowledge the importance of the institutional context in which deliberation takes place and propose that relying more strongly on the principle of subsidiarity might support a system’s deliberative capacity. Subsidiarity means that “a central authority should have a subsidiary function, performing only those tasks which cannot be performed effectively at a more immediate or local level” (Oxford English Dictionary, 2023). That is, in a society, local authorities should be able to deliberate on and devise solutions. Only if local coordination does not work, which is the case with global challenges such as the pandemic, higher-level institutions should intervene, again with a focus on developing effective, efficient, and most importantly, legitimate innovations. In this context, enlightened leaders in higher-level institutions could become the custodians of good deliberation (Patzer et al., 2018). In the SwissCovid app case, the European Commissioner, for instance, urged Apple’s CEO to continue dialogue and support all types of designs, including centralized designs such as the one developed in France (Petrova, 2020). However, Apple’s ultimate refusal to support the French solution (Kar-Gupta & Rose, 2020) raises questions on the adequate level at which this subsidiary function should be located. Further, and more concerning, political institutions not only were left powerless to guarantee the interests of their citizens

in the matter (Vaudenay & Vuagnoux, 2022; Zuboff, 2022), but also appeared unwilling to enforce the protection of their sovereignty. As one stakeholder involved in the innovation process wrote:

Oddly, it is notable that there has been little appetite to attempt to rectify this situation with the legal obligations that sovereign states have at their disposal; instead reifying the view of tech giants as state-like themselves, diplomatic interlocutors rather than firms operating under national law. Sovereignty was mourned before any of its traditional tools were even reached for (Veale, 2020b, p. 38).

From this perspective, the SwissCovid case highlights the critical importance of strong regulation and enforcement mechanisms as deliberative capacities that should be established at the institutional level to support authentic, inclusive, and consequential deliberation at the organizational, inter-organizational, and above-organizational level. It however also highlights how crucial it is that national and international authorities become aware of their duty to make use of such mechanisms to protect a system's deliberative capacity down to the organizational level, and of the far-reaching consequences of their failure to do so.

In a system in which robust supporting institutional safeguards are in place to protect against abusive actor behavior, it becomes possible to develop lower-level deliberative capacities that are targeted to the innovation governance process. Such capacities allow to address innovation-specific challenges such as those arising from issue complexity and urgency. As regards the challenges posed by issue complexity, communication should not only be made transparent, but also understandable to the majority of stakeholders. Further, deliberation should, as much as possible, unfold in terms that others can accept, that is, remain factual and not be too much influenced or tempted by rhetoric and emotional considerations. Research on deliberation has shown that the lay public is able to deliberate even with limited information and produce meaningful arguments and results (Dryzek et al., 2020). A learning from the SwissCovid case could be to alternate, or cascade deliberations with different groups of stakeholders, e.g., deliberations with experts and deliberations with broader, public participation. Deliberations involving the broader public could be centered around the ends (what is the ultimate goal of the SwissCovid app and in how far does that goal serve societal needs/the common good?), while deliberations around the means to achieve the ends (in how far is a de-centralized or a centralized solution technically or otherwise able to most efficiently reach the intended goals?) could be conducted primarily among experts. This process could go back and forth, and the focus on linking the deliberative fora should be on condensing and translating any meaningful agreements (Frémeaux & Voegtlin, 2023). This would ensure that trust between stakeholders is built constructively based on dialogue and openness, and not subject to a "need to rely on" given solutions.

The two propositions we outlined offer relevant learnings for responsible innovation in and with business. Deliberation is a key aspect of ensuring efficient, effective, and legitimate innovation, especially when innovation is targeted at grand societal problems characterized by insecurity and value-laden standpoints of various stakeholders and the public. We used the development of the SwissCovid app as

a case to illustrate the various challenges that can arise in innovation endeavors despite the existence of deliberative capacities. Our suggestions can inform business practices and policy making on how to mitigate or overcome these challenges. We suggest subsidiarity and the establishment and enforcement of robust institutional safeguards, as a way to preserve mutual trust and ensure that deliberation is *authentic, inclusive, and consequential*.

To these same purposes, we further suggest alternating and cascading deliberation around the ends and means of innovation as a way to keep both experts and the broader public involved in their areas of competence yet also with a view over the entire process. However, this can only succeed if institutional conditions are created in the form of “new zones of public governance aligned with the values, principles and aspirations of democratic societies and empowered to hold accountable both market and state to the rule of public law” (Zuboff, 2022, p. 54) to ensure that the objectives of responsible innovation do not get lost along the way. Building on these reflections, we would encourage future research to further theorize on and empirically test the ideas presented in this chapter. It would be interesting, for instance, to reflect further on the conditions under which the involvement of higher-level institutions is most successful in preserving good deliberation. What role do factors such as the broader political context, previous relationships between stakeholders and higher-level institutions, or timing, play? Similarly, future research could theorize and empirically test the optimal separation of deliberation on means and ends and the frequency at which both should alternate in different contexts.

14.5 Conclusion

GSCs such as the recent COVID-19 pandemic reveal the importance of collaborating across stakeholders and beyond worldviews to develop innovative and responsible solutions. As such challenges require that actors from different backgrounds and with different interests join forces in innovation processes, scholarship has acknowledged that deliberative capacities need to be in place to manage the various tensions that can arise in innovation governance. Yet, the presence of deliberative capacities is not sufficient to foster deliberation that is *authentic, inclusive, and consequential*.

A more realistic view acknowledges that challenges to deliberation can arise that relate to the behavior of actors within stakeholder networks, the complexity and urgency of the issue which the innovation aims to tackle, and a lack of mutual trust between deliberation participants. These challenges may in turn make the governance of the innovation process less reflexive and jeopardize its ability to generate outcomes that avoid harm and do good. Building on the case of the development of the Swiss Covid exposure notification app, we have provided in this chapter an illustration of such challenges and how they can affect deliberation, as well as outlined potential solutions to mitigate their effects. We acknowledge that the identified challenges are certainly not exhaustive and we encourage future research to more

closely explore the conditions under which deliberative capacities can support deliberation that is desirable from an RI perspective.

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Chapter 15

The Contribution of Large Cooperatives to a Sustainable Development: Data and Examples from the World Cooperative Monitor



Chiara Carini, Paola Delvecchio, and Ilana Gotz

Abstract This chapter offers an overview of the size of large cooperatives active in different areas of the world and their contribution to achieving a productive model promoting more equitable and sustainable development.

This overview is based on the main results of the World Cooperative Monitor (WCM), a project promoted by the International Cooperative Alliance (ICA) with the scientific support of the European Research Institute on Cooperative and Social Enterprises (Euricse) to gather robust data on large cooperatives, mutuals, and non-cooperative organisations controlled by cooperatives all around the world—data that shows not only such enterprises’ economic importance but also the impact that cooperatives and mutuals around the world have on their members and communities.

In detail, the chapter presents some of the main results obtained in the 12 editions of the project focusing on the economic size of cooperatives, their contribution during the Covid-19 crisis and, more generally, their contribution to the achievement of the Sustainable Development Goals (SDGs).

Keywords Large cooperatives · Sustainable development · Economic size · Equal work · Climate change · Covid-19

15.1 Introduction

Can cooperatives grow to become large enterprises and compete with traditional enterprises both nationally and internationally? How do large cooperatives differ from other enterprises? What is the contribution, not only economic, of large cooperatives?

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These are some of the questions addressed by the World Cooperative Monitor (WCM), a project promoted by the International Cooperative Alliance (ICA) with the scientific support of the European Research Institute on Cooperative and Social Enterprises (Euricse) to gather robust data on large cooperatives, mutuals, and non-cooperative organisations controlled by cooperatives all around the world—data that shows not only such enterprises' economic importance but also the impact that cooperatives and mutuals around the world have on their members and communities.

Launched in 2012, the project has now reached its twelfth edition and focuses on the world's largest cooperative and mutual organisations and non-cooperative organisations controlled by cooperatives by analysing each economic sector and collecting data from every country in the world (or at least those with sufficiently complete and accurate statistical sources). By doing so, and thanks to a network of contacts in different areas of the world, the project has managed to attract attention to a fundamental issue of the cooperative movement, which is the need for data to raise awareness of the economic size and sustainability of cooperatives and mutuals around the world and it gives them an opportunity to gain insights into how their sectors are performing on a global scale.

The World Cooperative Monitor annual report not only gives an updated picture of the size of the world's largest cooperatives but has, over the years, also sought to delve into the importance of the role of cooperatives and mutuals in promoting social and economic development. This has been the case, for example, with the surveys that have sought to understand whether and how large cooperatives and mutual organisations are contributing to the achievement of the Sustainable Development Goals (SDGs) set by the 2030 Agenda for Sustainable Development or what their contribution has been in crisis situations, such as during the Covid-19 pandemic.

This with the idea of providing data that can show that 'as value-based and principle driven organizations, cooperative enterprises are by nature a sustainable and participatory form of business. They place emphasis on job security and improved working conditions, pay competitive wages, promote additional income through profit-sharing and distribution of dividends, and support community facilities and services such as health clinics and schools. Cooperatives foster democratic knowledge and practices and social inclusion. They have also shown resilience in the face of economic and financial crises. Hence, cooperatives are well-placed to contribute to sustainable development's triple bottom line of economic, social and environmental objectives' (International Labour Organisation (ILO), ICA, 2014) (see also Chap. 9).

That said, this chapter, after providing a brief overview of the methodology of the World Cooperative Monitor (Sect. 15.2), aims to offer a summary of the main results that have emerged from the project over the years by providing some insights into the dimensions achievable by cooperative enterprises and their financial solidity (Sect. 15.3), their role in addressing the challenges posed by the Covid-19 crisis (Sect. 15.4) and, more generally, their contribution to more sustainable development

(Sect. 15.5) to show that doing business differently from the traditional model is possible.

15.2 The World Cooperative Monitor Project

The World Cooperative Monitor project intends to demonstrate the contribution of large cooperatives from both an economic and a social perspective, to respond to the knowledge needs of large cooperatives and, in doing this, to provide visibility to the cooperative movement by monitoring.

The project collects data from all around the world on large cooperative enterprises and aggregations of cooperatives as well as on mutual and non-cooperative enterprises in which cooperatives have a controlling interest.

The project primarily collects economic data, as well as data on employees and members, where possible. Data are collected through online research and by consulting financial statements and annual reports integrated with datasets developed at the national/regional level by the representative associations of cooperatives and mutual societies as well as other private databases that gather personal and economic data on cooperative organisations from across the world.

Every year, the project releases two different Top 300 and sectoral rankings, one based on turnover in US dollars and the other on the ratio of turnover over gross domestic product (GDP) per capita in US dollars. The latter measures the turnover of the Top 300 cooperative and mutual enterprises in terms of the purchasing power of an economy, relating the turnover of the enterprise to the wealth of the country. It enables comparisons of the relative sizes of enterprises in consideration of different levels of national economic wealth but does not compute the contribution of each enterprise to the national GDP. Rather, it measures the size of enterprises in their national context.

Rankings are included in reports made available annually on the project website (www.monitor.coop). Each year, the World Cooperative Monitor builds upon the research and data collection of previous years, continually refining and improving the methodology and data collection strategies. The reports have explored various themes over the past 12 years, from sector analysis to capital structure and the contribution of cooperatives to sustainable development. This work has resulted in the reports being highlighted multiple times at the UN General Assembly by Secretary General António Guterres as an important resource for demonstrating the impact cooperatives have on resolving global challenges.

15.3 Key Players in Their Sectors

The data from the Monitor clearly highlights that in areas where the cooperative model is most widespread, the size that enterprises can achieve is by no means inferior to that of traditional enterprises and that in several cases, cooperative enterprises are leaders in their sectors and compete with traditional shareholder companies.

To get an idea of this, one has to look only at the results published of the latest edition of the Monitor. According to data from the 2022 edition, the Top 300 cooperatives had a total turnover of 2170.99 billion US dollars for the year 2020, with most of the enterprises operating in the insurance (101 enterprises) and agricultural (100 enterprises) sectors, followed by wholesale and retail trade (59 enterprises). The Top 300 by turnover over GDP per capita, however, saw the agriculture sector stand out, with 101 organisations, while the insurance sector counted 85 enterprises and was followed by wholesale and retail trade (57 enterprises). The financial service sector became more visible in the turnover over GDP per capita ranking, with 41 enterprises, compared to 26 enterprises in the Top 300 by turnover.

The geographical distribution of the Top 300 by turnover and the Top 300 by turnover over GDP per capita has been similar over the years, with most of the large cooperatives and mutuals in the Top 300 rankings located in the most industrialised countries. The Top 300 by turnover over GDP per capita, on the other hand, covers a larger number of countries (see Tables 15.1 and 15.2).

The economic and financial data collected over the years contradict the traditional theory that cooperatives tend to be undercapitalised and financially fragile

Table 15.1 Top ten ranking of the top 300 cooperatives and mutuals in the world by turnover in billion USD (2020)

Rank	Organisation	Country	Economic activity	Turnover
1	Groupe Crédit Agricole	France	Financial service	88.97
2	REWE Group	Germany	Wholesale and retail trade	77.93
3	Cooperative Financial Network Germany - BVR	Germany	Financial service	58.02
4	National Federation of Agricultural Cooperative Associations - ZEN-NOH	Japan	Agriculture and food industries	57.69
5	ACDLEC Leclerc	France	Wholesale and retail trade	54.83
6	Groupe BPCE	France	Financial service	54.53
7	Nippon Life	Japan	Insurance	48.61
8	Talanx Group	Germany	Insurance	46.95
9	Nonghyup (National Agricultural Cooperative Federation - NACF)	Republic of Korea	Agriculture and food industries	44.81
10	Edeka Zentrale	Germany	Wholesale and retail trade	44.27

Source: Euricse & ICA (2022)

Table 15.2 Top ten ranking of the top 300 cooperatives and mutuals in the world by turnover over GDP per capita, USD (2020)

Rank	Organisation	Country	Economic activity	Turnover/GDP per capita
1	IFFCO	India	Agriculture and food industries	2,765,078.41
2	Gujarat Cooperative Milk Marketing Federation Ltd (AMUL)	India	Agriculture and food industries	2,746,721.10
3	Groupe Cr�dit Agricole	France	Financial service	2,279,059.86
4	Sistema Unimed	Brazil	Education, health, and social work	2,182,186.27
5	REWE Group	Germany	Wholesale and retail trade	1,684,901.83
6	National Federation of Agricultural Cooperative Associations - ZEN-NOH	Japan	Agriculture and food industries	1,435,289.53
7	Nonghyup (National Agricultural Cooperative Federation - NACF)	Republic of Korea	Agriculture and food industries	1,418,184.50
8	ACDLEC Leclerc	France	Wholesale and retail trade	1,404,442.99
9	Groupe BPCE	France	Financial service	1,396,835.59
10	Cooperative Financial Network Germany - BVR	Germany	Financial service	1,254,465.87

Source: Euricse & ICA (2022)

(Euricse-ICA, 2017). The data from the Top 300 cooperatives listed in the World Cooperative Monitor shows that, regardless of the geographic area in which they operate (but with some differences related to the sector of activity), the large cooperatives are on average in good financial balance and generally able to procure the investment resources they need. More often than not, resources are generated internally, and in some sectors—as in the case of agricultural and consumer cooperatives—the difference with respect to firms that are not restricted in the distribution of profits is very significant, in the sense that cooperatives prove to be more financially sound and less dependent on the injection of outside capital. Hence, they are more able to withstand possible phases of credit rationing since their debt levels are lower than those of corporations.

Thus, the data shows that policies and strategies for the development of new capitalisation instruments do not appear to be more necessary than for other forms of enterprises. Indeed, data highlights that, for the large cooperatives, a possible and important policy to enforce would aim to stimulate, using new internally generated capital resources, investments in research and development as some of the data of the large cooperatives—type of banks, level of net property of total assets of the agriculture sector—could be interpreted as a low level of technological modernisation of the sector in general with respect to the potential use of capital resources.

With regard to the type, the majority of enterprises in the Top 300 by turnover in 2020 were producer cooperatives mainly representing agricultural cooperatives and retailers' cooperatives (126, to which is added one producer/consumer), followed by mutuals (84) and consumer/user cooperatives (71). Eleven of the top 300 were non-cooperatives controlled by cooperatives, while only five were worker cooperatives and two were multi-stakeholder cooperatives. The results were similar in the Top 300 based on turnover over GDP per capita, though there were more consumer/user cooperatives than mutuals, which amounted to 84 and 67 organisations, respectively.

Although different types are included in the ranking, it is clear from the data that one characteristic unites many of the large cooperatives included in the ranking, which is longevity. Checking the largest cooperatives listed in the World Cooperative Monitor, it is not difficult to realise that in most cases, they have a long history behind them.

Indeed the history of these large cooperatives shows that they have been created to meet the needs of a defined group of people, often in a specific geographical area. If the cooperative is successful, the geographical area of members may grow over time. This implies also that the size of the cooperative grows, as well as, in some cases, the overall complexity of the model adopted. Data from the Top300 highlights that the ability of these large cooperatives is to configure the supply of goods and services from below and to adapt to changing demand. Therefore, even when several cooperatives join to create a larger one, the link with the communities of which they are an expression is not normally lost.

15.4 Resilience and Promoting New Practices During and After the Covid-19 Pandemic

During the first wave of the Covid-19 pandemic in 2020, cooperatives, which have shown resilience in recent economic crises (Michie et al., 2017; Birchall & Ketilson, 2009), experienced a year of uncertainty.

As highlighted in several reports (Cooperatives Europe Report, 2020; Dongre & Paranjothi, 2020; TANGO International, 2020), regardless of the size and legislative context, cooperatives across different regions of the world were impacted by the Covid-19 crisis. Nonetheless, cooperatives have been able to react in a short time by implementing a wide range of emergency measures to protect employment and their workers that have ranged from measuring temperatures to smart-working and child-care services or modifying paid time-off measures (ILO, 2020a, 2020b). The reaction of cooperatives to the first wave of the pandemic obviously varied from country to country, also in consideration of the diffusion of the virus. But the size of the cooperatives was also a factor, with small enterprises needing more immediate liquidity aid and medium/large ones requiring business planning and protection equipment (Cooperatives Europe, 2020).

Talking about large cooperatives, in 2020 and 2021 (Euricse-ICA, 2020, 2021), the World Cooperative Monitor team carried out a series of interviews with large cooperatives around the world to assess the impact of Covid-19, their reactions to the emergency and the actions they planned to implement in the recovery phase. The data collected found, unsurprisingly, that the extent of the actions promoted by cooperatives primarily depended on the severity of the impact of Covid-19 in the territory in which they operated. In the regions where the spread of the virus was greater, the interviews also clearly showed that cooperatives focused mainly on the management of day-to-day activities in an emergency situation with actions that have now become part of many people's routine.

Indeed, the first wave of the Covid-19 pandemic in 2020 deeply impacted the day-to-day operations of large cooperatives. The introduction of extensive smart-working practices and social distancing measures and the lack of tangible connections took a toll on the business models and operativity of many organisations. The imperative of protecting both the economic and the health status of stakeholders while continuing the provision of products and services was the most challenging priority for most of the cooperatives surveyed. However, the measures pursued, and the responses adopted proved once again the resilience of large cooperatives. The values and principles at the core of the cooperative identity contributed to the efficient and effective adaptation of these enterprises to unpredictable and often extreme conditions while still maintaining a clear focus on what mattered most, which was supporting economic recovery while rebuilding businesses and communities.

Looking at the main results of the analysis, the data highlighted that several actions had been promoted by the large cooperatives interviewed to support their members and communities during the pandemic.

In multiple countries, agricultural producers experienced declines in sales due to the temporary cessation of activities of restaurants, bars, and other clients. In Japan, for example, in the spring of 2020, schools were shut down and the demand for school meals suddenly disappeared. Since schools' members are the main customers for milk, some milk producers suffering from stockpiled inventory posted messages on social media that they would start dumping milk unless they found alternative demand. Consumers responded to the posts and started encouraging milk drinking, and the consumption of milk increased. Zen-Noh supported the spread of the message by tweeting creative ways of consuming milk. One of the posts was retweeted more than 150,000 times and gathered 350,000 likes.

Insurance and credit cooperatives activated tools, in some cases promoted at the government level, to alleviate the debt position of families and businesses in the months of the pandemic and planned medium- to long-term actions to support the activities of their members during the recovery phase. For example, the Kilimanjaro Cooperative Bank Ltd. (Tanzania) granted funds to cooperatives for the purchase of crops and storage, since, due to a lack of exports, many crops had rotted and very few had actually been sold; the Co-operative Bank of Kenya Ltd. (Kenya) planned to grant, in the mid-term, moratoria on interest and principal repayments, restructure loan repayments, and offer short-term financing for operations; and the Odua

Cooperative Conglomerate Ltd. (Nigeria) planned to inject funds at low interest rates to help its members continue growing.

On the other hand, for other enterprises that were interviewed, their plans for medium- to long-term activities mainly related to reorganising future activities to ensure the smooth running of their organisations, but the interviews also revealed interesting medium- to long-term actions that would impact not only the lives of the cooperatives but also elucidate the role that cooperatives may assume in the recovery phase by also launching new services and products to meet new needs. This was the case, for example, for large cooperatives operating in the health sector. Indeed, in an evolving society characterised by ever-expanding and diversifying needs, health and social systems will be increasingly called upon to recognise these needs and produce personalised responses, and the ability of cooperatives to involve a variety of actors in the design of social and general interest services will be crucial (Diesis, Euricse, 2021). This need is not new, but it has been made even more evident by the pandemic.

At the same time, the pandemic has prompted cooperatives to consider how to ensure the participation of their members in a period characterised by restrictions on mobility. As we have seen over the Covid-19 crisis, increasing digitisation has not only brought about changes in people's work habits and purchasing behaviour, but has also changed the way people relate to each other and participate in social and community life.

On this front, interviews conducted with a sample of large cooperatives among those listed in Top300 ranking revealed that although digital tools have been useful in ensuring member participation during the Covid-19 emergency, cooperatives do not think that digitisation can radically reshape the way they relate to their members (Euricse-ICA, 2022). Digital tools facilitated the involvement of cooperative members during the Covid-19 but, after the crisis, they complement traditional methods to ensure the full participation of all members.

15.5 Large Cooperatives Looking for a New Way to Ensure Sustainability

The Covid-19 pandemic highlighted the interdependency of the climate and health-care crises and, now more than ever, the achievement of the SDGs is fundamental, even if that objective is more challenging now than it was in the pre-pandemic era (United Nations, 2021a). The entire international community has been addressing an immediate green, fair, and sustainable revolution to recover from the ongoing emergency, returning attention to the 2030 Agenda for Sustainable Development.

Since 2015, when the 2030 Agenda for Sustainable Development that defined the 17 SDGs was launched during the United Nations General Assembly, there has been

increased international cohesion towards a more sustainable, green, and fairer world. Cooperatives were highlighted in the 2030 Agenda as role models to manage global change and influence societies and traditional businesses to actively pursue common sustainability goals (ICA, 2013; United Nations, 2021b). Indeed, cooperatives have a fundamental role in pursuing the SDGs, acting on several fronts, including gender equity, combating economic inequalities, and implementing a more sustainable model of production and consumption (Moxom et al., 2019). Moreover, cooperatives have shown that they can be a lighthouse for local communities, and thanks to their solid social networks, they can sustain their members and the community, promoting a collective way of perceiving risks and supporting new strategies to face challenges or increase quality (ILO, 2016; United Nations Inter-Agency Task Force on Social and Solidarity Economy (UNFSSSE), 2019).

As highlighted by Hudon and Huybrechts (2017), there are several elements of cooperatives (and social economy organisations, more generally) that can foster a more sustainable development model. Their participatory and democratic structures, collective decision-making, often multi-objective and multi-stakeholder nature and focus on social aspects are foundational characteristics that could prove to be fundamental for triggering a shift in the prevailing production model (Euricse-ICA, 2018).

Over the years, the World Cooperative Monitor has sought to deepen its contribution to the achievement of the SDGs, particularly to SDG 8 (inclusive and sustainable economic growth, full and productive employment and decent work for all; Euricse-ICA, 2019) and SDG13 (climate change; Euricse-ICA, 2020).

SDG 8 stands the need for a new development model that combines economic growth while ensuring inclusion and fairness in the distribution of economic resources and guaranteeing decent working conditions (Ferruzza et al., 2018). It is closely interconnected with several social and environmental needs that fall within the spheres of action of other SDGs. More equitable development can contribute to, among other things, the reduction of poverty (SDG1) and of inequalities (SDG 10), and it can affect climate action (SDG 13) and clean energy production (SDG 7). Looking at the implemented practices associated with SDG 8 therefore enables a broad analysis of the scope of the actions of cooperatives and the impact they may have on various fronts.

Furthermore, if one considers the targets that underlie SDG 8, it is clear that cooperatives can contribute in several ways to achieving this objective. They can do this by guaranteeing decent working conditions—that is ‘jobs of acceptable quality’ (ILO, 1999) that promote safe and secure working environments for all, such as by pursuing earnings equity, ensuring safe conditions in the workplace, and eliminating all forms of labour exploitation—and also by promoting the diversification and progress of technology and innovation while generating inclusive effects and sustainability (Ferruzza et al., 2018). This is particularly true for large enterprises that can not only promote actions within their organisations but also have an impact on the production chain and on the community.

All these aspects are of fundamental importance, considering the various trends that in recent years have threatened to reduce opportunities for decent work. Indeed,

migration, technological changes, the rise of the so-called ‘gig economy’ and the legacy of economic, financial, and political crises continue to combine to ensure that work is becoming increasingly uncertain and precarious (Baglioni & Giugni, 2014). Cooperatives provide a stronghold for all activities that are more markedly social and empathic in nature; they can provide quality and stable jobs, facilitate the entry of women into the labour force, and help workers to transition from informal to formal employment. Cooperatives can also provide more structure and security in jobs in those sectors that are at risk of informal or non-standard forms of work. This is considered especially important for the future of work, since a larger share of employment is expected to come from the service sector, particularly personal care and social services, and work is now likely to be far less structured than in the past due to the rise of the gig economy (ILO, 2017; Roelants et al., 2019).

Based on the information presented in the annual and sustainability reports (Euricse-ICA, 2019), the analysis highlights several actions that cooperatives can take within their own organisations to ensure full, productive employment and decent work. These actions cover a wide range of labour-related topics covering both quantitative and qualitative aspects of the work, from work stability and salary levels to cooperatives’ commitment to develop work environments conducive to the growth and professional fulfilment of workers.

What is interesting is that the actions promoted by cooperatives have not been limited to creating decent work conditions within organisations. Attention has in fact been extended to the whole supply chain. Monitoring the supply chain from different points of view, such as the environment, human rights, labour rights, and animal welfare, is of particular concern, especially for agricultural and food-processing cooperatives and consumer and retailer cooperatives, especially if they use suppliers from different areas of the world.

However, creating decent work and sustainable growth does not mean exclusively ensuring decent working conditions within organisations or in the supply chain. It is also about creating favourable conditions for people to take advantage of their resources and ability to create their own economic opportunities.

Among the Top 300 cooperatives, several have launched concrete actions for the wider promotion of decent work and sustainable development, even reaching beyond the boundaries of their companies. The actions, which vary in characteristics, duration, and purpose, have mostly manifested in the support of entrepreneurial projects, both in local communities and in other countries, as well as in training and investing in young people.

Emerging from the analysis conducted on SDG13, large cooperatives’ focus on the SDGs is not only in applying virtuous models in their own organisations but also in promoting broader initiatives that are incentives for their supply chains and, more generally, communities to do more.

As recalled by the director of the ILO on the launch of the 2020 International Cooperative Day, ‘One of the things this pandemic has done is to remind us just how closely the world of work is connected to climate change and therefore of the central role it must play in combating it. It’s precisely because the cooperative model aligns

short-term actions with long-term vision that it can give us precious insight into how to confront global crises, be it pandemic or climate change' (ILO, 2020b).

Looking at actions aimed at raising awareness, several examples can be found among cooperative initiatives to encourage employees, shareholders, partners, suppliers, communities, and customers to engage in more environmentally aware behaviour. One example is the S Group, which aims to be the first carbon-negative Finnish company by 2025. To achieve this goal, the Finnish cooperative group aims to achieve both energy efficiency and greater use of wind and solar energy. Since it estimates that 90% of emissions are produced during product manufacturing and use phases, it has involved 107 partner companies in the Big Deal climate campaign to reduce climate emissions by 1 million tons by 2030—equal to (as estimated by the cooperative) 'eight million trips by car from Helsinki to Rovaniemi, or the annual carbon footprint of 100,000 people in Finland'.

In India, IFFCO and the Buldana Urban Cooperative Credit Society have focused on engaging communities to plant trees and raise awareness of trees' importance for the next generation. The two cooperatives joined the Go Green Campaign launched by the ICA Asia and Pacific Committee on Youth Cooperation to promote awareness of climate change, SDG 13, and the importance of planting trees.

Scrolling through the experiences collected by the World Cooperative Monitor, the examples can be multiplied to confirm that the contributions that large cooperatives can make in combating climate change do not end with concrete actions in their companies or production chains to reduce GHG emissions. Large cooperatives actively contribute by raising awareness of the risks associated with climate change, not only to the environment but also to public health and production and by supporting communities and people damaged by natural disasters caused by climate change.

15.6 Conclusions

This chapter has offered a brief overview of the results achieved over the years with the World Cooperative Monitor, which highlights both the size of large cooperatives and their contribution to achieving a productive model promoting more equitable and sustainable development.

Data collected over the years by the World Cooperative Monitor has shown that cooperatives are not always small and local enterprises. While it is true that their origins most often can be traced back to very localised histories and needs, territorial rootedness is not the only determinant of the cooperative model.

The second element is the cumulative time effect: cooperatives are, on average, longer-lived enterprises than corporations, and their growth dynamics are typically incremental (See Chap. 5). In this, they differ profoundly from capital enterprises, and especially in terms of the trends that have emerged in the last two or three decades, since the model of the large Fordist enterprise was replaced with the turbo-growth model of *tent* rather than *pyramid* enterprises, and so they are made not to last but to maximise their value in the short term.

The purpose, then, is never growth per se or even growth geared primarily to increasing the value of the company, since growth must serve the members' needs and not those of investors. Its pace is therefore dictated by a need for stability and sustainability over time.

The results of the in-depth surveys of the cooperatives included in the Top 300 list enable a reflection beyond a pure analysis of the size of the companies to what role cooperatives can play in situations of economic uncertainty. By highlighting the support that large cooperatives have given not only to their workers and members but also, in a broader sense, to the communities in which they were embedded during the Covid-19 pandemic, we can see how cooperatives can act as bearers of innovative practices and services that look to the more equitable and sustainable development not only of their own enterprises but also of the enterprises in their supply chains and communities.

This is confirmed also by the data collected in regards of SDG8 and SDG13 that show the tangible impact that large cooperatives can have.

The examples collected through the Monitor project demonstrate the role cooperatives can play in pursuing the achievement of the SDGs and the leadership they can take on facing a range of challenges. The largest cooperatives in the world have shown not only their financial effort in pursuing the achievement of the SDGs, but also the awareness-raising actions made towards the national institutions and the community itself, demonstrating the strength raised from cooperation and unity.

This is the strength that emerges from all the analyses conducted so far; that is, the propagating force of these new practices and new ways of conducting business that transcend the boundaries of the enterprise in the strict sense to also influence the realities that surround them.

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Chapter 16

Cooperative Approaches as a Way to Build Resilient Societies



Friederike Edel, Maximilian Grund, Johanna Moebius, Armin Schuster, and Werner Stork

Abstract This chapter takes a deeper look into the impact of cooperative approaches within modern societies, especially of the transformation into resilient responsible societies. Therefore, we discuss the background and the development of resilience at individual, organizational, and societal levels. Especially the societal resilience needs to be more specified and examined. We place as a central assumption that every citizen is a co-producer of resilience in the state and in society. The cooperative approach can deliver many impulses needed. We are taking a look at the similarities and differences between cooperatives and all forms of resilient organizations.

Keywords Cooperatives · Self-efficacy · Individual resilience · Societal resilience · Organizational resilience

16.1 Introduction

With this contribution, the team of authors would like to promote a dialogue and discourse on the growing importance of cooperatives within modern societies in the twenty-first century. We understand cooperatives as associations that primarily promote the acquisition or economic activity of their members through joint business operations. In doing so, they succeed in combining economic and social goals. In

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many cases, they also act as drivers of innovations and sustainable developments (Arnold, 2023, p. 53).

Societies are undergoing multiple transformative phases of upheaval and are being shaped by multiple crisis events. Against this background, resilience has become a much-talked-about concept. Be it in individual resilience approaches, be it that companies see organizational resilience as a new important competitive advantage—the various expressions have in common that resilience is becoming a central guiding principle along the way.¹ Societal resilience, on the other hand, has not yet been sufficiently researched. Nevertheless, in the case of crises or transformations it is insufficient to rely solely on governmental steering impulses. Our approach is based on the central understanding that every citizen of a state also sees themselves as an active member of a resilient responsibility “society”—and thus, similar to a member in a cooperative—also sees themselves as a co-producer of societal resilience. Keeping this in mind, it is obvious, that cooperative principles have a remarkable proximity to societal approaches to self-organization. Therefore, in the following chapter we will explore the central research question of how existing and proven cooperative principles can be used for the development of a resilient society.

First, we explain the increasing importance of resilience in times of uncertainty and transformation. Building on the established approaches of individual and organizational resilience, we develop an approach of societal resilience and work out which commonalities exist between cooperatives and a resilient society.

We look at the basics in terms of similarities as well as differences between cooperatives and all forms of resilient organizations. On this common ground, we will point out examples that we believe serve as best practices for combining cooperative principles with social developments. Finally, in the outlook, we will look at possible derivations from these findings for the management and development of organizations.

16.2 Changing Environments and the Growing Importance of Societal Resilience

Regarding the topic of drastic events, it is easy to forget that the sense of social order and stability has already been severely strained for some time, by shocks such as the terrorist attacks of September 11, 2001, the financial market crisis of 2008, the Covid-19 pandemic, and the war by Russia on Ukraine since early 2022.

All these events show us that we live in a volatile, uncertain, complex, and ambiguous world. This is what the frequently used acronym VUCA stands for. The constant change and crisis-like events have a more than challenging effect on our

¹For measures and factors to promote and develop resilience and curiosity in individuals, teams and organisations, see, e.g., Stork and Grund (2021).

society. Transformative upheavals—triggered by digitalization and the need to do business more sustainably—are shaping social developments. Added to this is the growing influence of Asian, Arab, and African countries and cultures in a multipolar world community. No one can escape the effects of these developments, and they are permanently and sustainably shaping the way we study, work, and live.

The consequences of these changing environments have so far been discussed primarily by the management and leadership of companies. Those responsible there are looking for concepts and approaches that are better suited to the very complex and highly dynamic environmental conditions. Against this background, a discussion on a “new business administration,” including a new understanding of work and organization, has also developed (Kopsch & Stork, 2023). This includes the tendency to work increasingly with decentralized and agile forms of work organization, thinking systematically in scenarios and using experiments to test the effectiveness of concepts. Various approaches to self-organization are being implemented and form the basis for diverse new forms of collaboration and cooperation. The growing importance of digital platforms and ecosystems is also changing the understanding of the market with its distinction between providers and consumers. The learning and development processes and the “identity” of the organization are increasingly becoming the focus of management. Co-evolutionary processes in personnel and organizational development and collaborative forms of cooperation are shaping the new understanding of organization (Wimmer, 2012). At the same time, new leadership models—such as transformative leadership, leader as coach, or the idea of servant leadership—are gaining more and more in importance. New and much more democratic forms of decision-making, participation, and increasingly also the distribution of ownership are coming to the fore. In parallel, the importance of social and cooperative forms of behavior in collaboration is also growing—which is also associated with an increasing departure from the classic image of human beings as “*homo oeconomicus*” maximizing self-interest in the concepts of business administration and working with an image of human beings that is significantly more complex and multi-layered.

A development is emerging that is characterized by a new quality in the relationships between companies and their employees. A development that is driven, on the one hand, by the high motivation and growing participation of employees and, on the other hand, by the increasing importance of their knowledge, ideas, and commitment for the success of the company. A type of membership in the organization is emerging that is replacing the classic working relationship. The participation of the employees (as members) of the organization in the capital and earnings, in the co-design of strategy development, and in organizational and cultural development becomes a new central organizational principle. These developments are very interesting from the point of view of cooperatives—both from a theoretical perspective and from a practical point of view—as a number of similarities and parallels obviously emerge when one considers the specific features of cooperative approaches. Quite obviously, this brings us closer to a notion of corporate governance and management that is already at the core of cooperatives’ understanding of organization.

Compared to the consequences of disruptive environments—together with the challenges of transformative upheavals—which have long been a topic of discussion in the field of corporate management and organizational development, the corresponding discussion with regard to the consequences at the economic policy and societal level is less developed. Yet, public sector instances and organizations are exposed to the same disruptive developments. In these environmental conditions, the executive branch is no longer fully capable of ensuring the protection, security, and well-being of society as a whole (Prior & Cavelti, 2023). Consequently, Prior and Cavelti suggest readjusting the relationship and the understanding of the role between citizens and the state.² The urgent need for action is also illustrated by a look at the “Global Risks Report” of the World Economic Forum (WEF, 2021), according to which there will be major risks in the future, particularly from IT failures (as, e.g., by cybercrime) and from climate change (weather and climate catastrophes). Against this background, it is not surprising that the concept of resilience is currently well on its way to becoming a key guiding principle in politics and society as well. At the height of the Corona crisis, for example, the German Council of Economic Experts, who advise the German government, placed resilience at the center of their report. And the EU Commission has launched a multi-billion Euro investment and resilience program. There is a discernible increase in the preoccupation with questions of resilience and the development of competence in societies and helpful concepts and effective approaches are being sought.

16.3 Resilience and the Transformative Development Competence of Societies

In order to be able to compare cooperative approaches with the findings from resilience research, we will go into the basics of resilience research below.

The diverse use of the term resilience against the backdrop of transformative upheavals in society necessitates a systematic characterization. Resilience is derived from the Latin verb “resilire,” which can be translated as “to bounce back” as well as “to rebound.” The term in modern times was initially used in materials research and, in its original meaning, referred to the property of an object in relation to an applied force to rebound back to its original form. This also describes an important property of resilience, which in everyday life is often equated with resistance or perseverance. Resilience research has proven to be a very dynamic field of research in recent decades, and various scientific disciplines have contributed to this development. As a result, the term resilience is now used in a much broader sense. Resilience

²The authors referred to a strategy paper of the British government from 2010: “*We must promote resilience (...). While the government must play a key role in this (...) But we must all help to make the country safe.*” Former U.S. President Barack Obama concludes, regarding homeland security, “*Growing and spreading threats require the commitment of the entire nation. Everyone should do their part to build a more resilient nation.*”

represents a competence for dealing with change and describes a multi-layered and dynamic process that enables people to successfully cope with crises or major changes through the flexible use of their personal resources and to emerge strengthened from them. Resilience research also shows that individual resilience can be learned, trained, and developed very well. *“There is no human being who is not resilient. (...) Everyone can strengthen their resilience, even into old age,”* points out Isabella Helmreich of the Leibniz Institute for Resilience Research in Mainz (Helmreich, 2020; see also Gilan et al., 2021). This immediately raises the question of whether it is also possible to develop competencies in resilience at the organizational and societal level.

A milestone for the understanding of resilience is the formulation of the ISO standard 22316 “Security and resilience—Organisational resilience—Principles and attributes” from 2017: Organizational resilience is defined as *“[...] ability of an organization to absorb and adapt in a changing environment to enable it to deliver its objectives and to survive and prosper [...]”* (ISO, 2017). It describes resilience as a design approach for “healthy” corporate development that focuses in particular on the organization’s ability to evolve over the long term. For a further in-depth understanding of resilience at the organizational level, the transfer of the ISO standard’s formulations and representations in the resilience dimensions (1) resistance, (2) regeneration, and (3) reconfiguration is very instructive (see also Fig. 16.1):

The distinction between the three dimensions of resilience emphasizes above all the dynamic and process-oriented quality of resilience as a competence of organizations. The following applies: Resilience always manifests itself in interaction with and in the context of a specific situation and against the background of different development strands in each case. Transferred to the societal context, these three dimensions of resilience then manifest themselves as follows, for example:

- A society can respond to a crisis with resistance (1) and withstand the pressure and strain. Like a *“rock in the surf,”* society braces [or societies brace] itself against the forces acting on it. One perseveres—despite adverse circumstances. Alone, however, this leads to the development path of society remaining permanently lower.

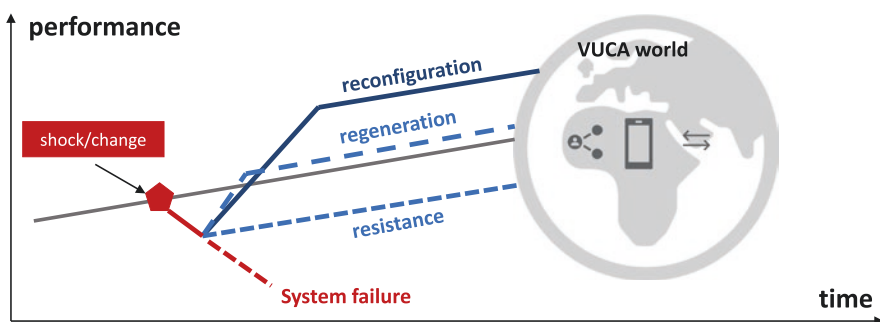


Fig. 16.1 Three resilience dimensions (author’s representation based on Brinkmann et al., 2017)

- In terms of regeneration (2), societies, like a “*tree in the wind*,” manage to adapt their growth and development to the forces acting on them from outside. A change and adaptation of societies occurs. In the sense of regeneration, however, society subsequently finds its way back to its original path of development.
- A society can react to a strong change but also in a transformative way. Through adjustments also in relation to the “internal structures and processes” of the society, a reconfiguration then occurs (3). The actors and the “elements” of the system are literally “shaken” in the process—like a “*mobilé after a bump*.” Few, but very strong connections provide cohesion. This in turn enables society to find sustainable “new constellations” in a synergetic way “after the shock” (the disruption). Such a reconfiguration can then lead to the so-called system innovations, in the context of which societies take completely new paths in their development. The fundamentally new constellation, which now “fits” the new context better, often results in a permanent change in the development path.

Talking about resilience, people often think just about “resistance” and “regeneration.” Resilience is therefore primarily associated with resistance and adaptability. But it is also important to consider the third dimension known as “transformative resilience.” This refers to the ability of a society to reinvent itself, proverbially, when it is faced with upheaval and disruptive change and developing a fundamentally new setup. This may become necessary, for example, when digitalization, climate change, and globalization lead to fundamental transformation processes.

Curiosity supports the process of “repositioning oneself” and provides the necessary drive for fundamental change. Within the framework of the research and transfer projects commissioned by the German Federal Ministry of Labor and Social Affairs (BMAS) at the Darmstadt University of Applied Sciences,³ the term pair “resilience and curiosity” is therefore deliberately used in order to systematically take into account the third and currently particularly important dimension of “reconfiguration” (Stork et al., 2023).⁴ Curiosity can be characterized as an inclination and willingness to actively expose oneself to new, unfamiliar, complex, and ambiguous stimuli. Explorative behavior develops, and with it an active and conscious engagement with new situations. In order to measure curiosity as a personality trait and identify starting points for promoting curiosity, we distinguish the following dimensions (Merck, 2018; Kashdan et al., 2018):

- *Inquisitiveness* as the search for ways to fill an identified gap in knowledge. This results in a feeling of relief.
- *Joy of discovery* as the joy of learning and knowledge appropriation and as creativity in problem-solving.

³BMAS Experimentation Room Project DA_RuN - Darmstadt Approach to Promoting Resilience and Curiosity. Information can be found at: <https://inqa.de/DE/handeln/inqa-experimentierraume/da-run.html>

⁴U.S. economist and policy advisor Jeremy Rifkin elaborates in his book, *The Age of Resilience*, that adaptability and renewability go hand in hand in the evolution of systems (Rifkin, 2022).

- *Openness to new ideas* as the conscious search for different ideas, different perspectives, and new approaches.
- *Stress tolerance* as the conscious acceptance of uncertainty, discomfort, and stress.
- *Social curiosity* as the interest and pleasure in working with other people.

Many personal and environmental protective and developmental factors promote both curiosity and resilience. Stress tolerance is an element of resilience and, at the same time, a dimension of curiosity. In addition, it is often only through the dimension of stress tolerance that the other dimensions of curiosity—inquisitiveness, joy of discovery, and openness to new and different things—can be activated. Factors such as optimism, security, playfulness, and support that promote resilience can also be used to increase stress tolerance and thus curiosity overall. Resilience, in turn, is further developed through self-motivated ability and willingness to learn, as well as curiosity and the joy of experimentation (Scharnhorst, 2010). And curiosity—as well as joy, pride, or satisfaction—is one of the factors promoting resilience as a positive emotion (Arnold et al., 2023, p. 155; Uhrig, 2021). Overall, resilience and curiosity have similarities and are mutually dependent.

16.4 Development of an Approach for a Resilient and Responsible Society

In the following sections, we present key building blocks of societal resilience and link them to our approach to a resilient society.

Against the backdrop of the demonstrated importance of societal resilience and curiosity, sociologist and futurologist Stephan Rammler writes, with a view to the challenges in the area of state tasks:

We are coming out of a time in which—formulated in terms of social theory—structure and functionality were the guiding principles. But now we are entering a time (...) where I would say: We need to develop the agile resilient state as a state that can offer very different solutions very quickly. What we need is exactly the opposite of what was necessary and correct in the structural-functional era, when the administrative apparatus provided stability and security. In the classic sense of resilience, in the sense of springing back to the old situations. And now we are actually experiencing a redefinition. We call this transformative resilience. We believe that resilience is now only possible through change and adaptability, and not through stability-oriented structural conservative behaviors (Urban Change Academy, 2021).

If the development of social resilience is to be addressed systematically and to outline a corresponding approach, several prerequisites must first be identified such as the relationship between individual, organizational, and societal resilience and the contribution of the systemic-synergetic management approach.

16.4.1 The Role of Resilient Individuals and Organizations in a Resilient Responsible Society

We understand organizations as complex, adaptive systems that operate in a complex environment like ecological systems (Holling, 1973). This environment is characterized by uncertainty, ambivalence, and dynamics. Organizations combine various interconnected and interacting elements (employees, structures, processes, stakeholders) that influence each other in unpredictable ways and result in emergent behavior.

From this system-theoretical perspective, the individuals (with their particular individual resilience) are embedded in the organization. There are qualities that are necessary for the organization to develop resilience at the individual level in professional life. Employee resilience is discussed in research as “a trait, a capacity, or a process.” (Williams et al., 2017, pp. 741/742) or as “capacity, outcome or as a process”. In the context of a systemic perspective, individuals act with their resilience and curiosity as a person, team member, manager or employee, actors in the organizational structure, and as bearers of the corporate culture. These actors play a decisive role in shaping organizational resilience. Conversely, studies impressively show how positively good and functioning teams and attentive and respectful leadership affect employees’ resilience (Seville, 2016; Maitlis & Sonenshein, 2010; Williams et al., 2017). Similarly, the structure and culture of the organization can support the development and nurturing of resilience by supporting the acquisition of new skills through protected learning environments and a stimulating and motivating work atmosphere—for example, through substantial education, training and coaching, as well as experimental spaces or an appropriate system of goals and rewards (Kopsch & Stork, 2023).

Organizations, and cooperatives in particular, also develop collective capabilities that can lead to increased resilience (e.g., cognitive, behavioral, emotion-regulation (capabilities) (Williams et al., 2017). These emergent processes and collective behaviors (e.g., communication and collaboration) lead to increased resilience (Williams et al., 2017). As a result, organizational resilience is more complex than the aggregate of individual resilience factors: “Organisation-level capabilities are not just additive composites of individual capabilities.” (Lengnick-Hall et al., 2011, p. 245).

Considering the cooperative principles from the perspective of resilience research, there is a remarkable similarity to the factors that are elaborated when it comes to promoting and developing the resilience of individuals, teams, and organizations. In cooperatives, members form a community that collectively builds resilient capacities. Through their principles (e.g., solidarity) they have strong social capital. Bonding social capital (e.g., close relationships within teams/employees) increases resilience (Williams et al., 2017; Coleman, 1990), while bridging social capital (looser relationships, but varied) provides access to resources and information, which positively influences long-term recovery after a disruption (Hawkins & Maurer, 2010).

Cooperative approaches, for example, systematically support their members in their self-efficacy and their willingness to take responsibility. In an environment of multiple challenges (such as digitalization, sustainability, and the development of a multi-polar world order), members experience belonging to and working together in the cooperative as both a relief and a support (Popovic & Baumgärtler, 2019, p. 7). In the context of resilience research, these cause-effect relationships are represented, among other things, by the so-called sense of coherence—in the sense of the concept of “salutogenesis” according to Aaron Antonovsky (1996). The sense of coherence develops through the interaction of the dimensions of comprehensibility, controllability, and meaningfulness and describes a basic attitude that a person takes toward his environment and his own life. The more pronounced this feeling is, i.e., the more coherent this interaction is perceived to be and the greater the confidence in one’s own abilities, the better the person can cope with challenges and exploit his or her own development potential. In today’s resilience research, the sense of coherence represents only one of several resilience factors, but it remains a central element for the development and promotion of resilience in communities and organizations. As a result of the democratic decision-making and participatory culture in cooperatives, their members can generally expect that (a) the events and experiences in the context of the cooperative appear to them as comprehensible and explainable (understandability), that (b) the necessary resources and competencies are available to cope with the tasks and challenges (manageability), and that (c) the demands to be met and the tasks to be completed are perceived as meaningful and useful (meaningfulness). The organization as a whole becomes both more capable of action and more powerful as a result of a sense of coherence prevailing among its actors. Cooperatives therefore usually prove to be particularly resilient and they seem to have a special quality in dealing with great complexities and strong uncertainties.

In the organizational and societal context, a dynamic process perspective of resilience enables actors to engage with their environment and their multiple interactions. Williams et al. (2017) therefore define resilience “as the process by which an actor (i.e., individual, organization, or community) builds and uses its capability endowments to interact with the environment in a way that positively adjusts and maintains functioning prior to, during, and following adversity.” (Williams et al., 2017, p. 742).

Based on the findings of resilience research, the individual resilience of the responsible actors—in the public sector as well as in the private sector—is the starting point and foundation for the resilience of a society. Looking at society as a “social system” in which different actors in different sectors interact in different processes, each acting in the context of a specific structure and culture, it becomes clear that the public sector in particular plays a central role. So the first step should be to promote the personal resilience of employees and managers. And for orientation in the management of organizations, ISO standard 22316 (ISO, 2017) lists ten fields of action that serve as a guardrail. Compared to conventional approaches in the field of management and organization, it is striking that the ISO standard emphasizes behavior-oriented aspects in particular. In addition, value is placed on the

systematic combination of resources and processes as well as on a clear development orientation.

Following the systemic approach of this chapter, societal resilience does not only consist of the characteristics of individuals and organizations. As elaborated in this article, society also develops collective capabilities that promote societal resilience (Hall & Lamont, 2013). Behind this—derived from the conceptual considerations of the systemic management perspective and the approach of synergetics based on it—is the notion that every citizen is a co-producer of resilience in the state and in society. Private, civic, or other engagements in social issues and the common good are considered “normal”.

16.4.2 *The Contribution of the Systemic-Synergetic Management Approach to a Resilient Responsible Society*

These considerations are accompanied by an understanding of organizations that describes them more as living organisms and social systems and less as mechanistic constructs with fixed structures, procedures, and processes—see Fig. 16.2 (cf. Wimmer, 2012, with reference to Beer’s model of the viable system).

Characteristics of such a systemic view of organizations⁵ include:

- The recognition of the high complexity in the system of the organization,
- Taking into account the influence of social and cultural rules on the behavior of the actors,

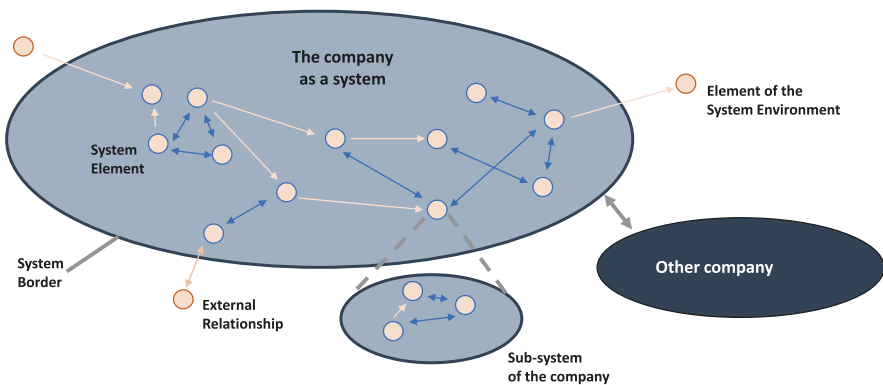


Fig. 16.2 The company as a system, author’s illustration

⁵The systemic management approach was shaped in Germany in particular by the St. Gallen Management Model. Based on general systems theory and cybernetics, new concepts of thinking were developed for the management, organization, and leadership of companies.

- The appreciation of the “identity” of the system, the understanding of a “we” (in the system), and an awareness of a “you” (outside the system), and
- The consideration of the specific meaning or purpose (mission) to explain the system.

In view of the unstable contexts and disruptive developments described above, there is a need to deepen and expand the established systemic management perspective using the approach of the so-called synergetics. Synergetics is considered to be the “doctrine of interaction” and analyzes the so-called emergent phenomena and developments that can lead to the emergence of new orders, patterns, and processes in systems on the basis of autonomous and self-organized processes. As a reaction to internal and external disturbances in the system, these form a central source for the changes in the systems or for the new development of systems. Synergetics thus forms a kind of meta-theory for development and change processes, especially in phases of great instability (Haken & Schiepek, 2010).

The approach of synergetics thus methodically builds on the systemic management perspective. Processes of self-regulation develop primarily in areas of self-organization and help systems to gain valuable new perspectives and development resources. For the associated processes of transformative learning, it is in turn crucial that the members of the system are able to deal resiliently with change. And this also includes that they can use the existing energies in the system as well as activate their own and other resources with a curious and development-oriented basic attitude (Haken & Schiepek, 2010). This is all the more important because otherwise, it can easily happen that the transformative phases and processes appear chaotic and contradictory to the involved and affected actors in the systems (organizations and societies) including a feeling of being overwhelmed and frustrated.

The combination of the systemic management perspective with the synergetics approach provides a better understanding of the developments and dynamics in the context of VUCA worlds and the transformative processes that often accompany them. This approach thus also provides valuable suggestions for resilient responsible societies:

- For those responsible, it is always also necessary to generate “*destabilization in the context of stability*” (Haken & Schiepek, 2010, p. 624). It is valuable and necessary for “healthy” development if there are areas in which emergent phenomena and developments can emerge spontaneously. In the sense of synergetics, what matters is a sensible balance between stability and instability within the social system.
- Likewise, it is necessary to find a “good interaction” between the centralized and the decentralized structures of the system. A balance that enables both a top-down influence of the actors and elements of the system and supports a bottom-up influence of the system via the spontaneous development of new synergetic patterns at the level of the individual actors and elements.
- For the regular search for possible new patterns of order, structures, and procedures that are to shape the system in the future, the aim is to establish competition-like procedures that are rule-based in the sense of cooperative competition and

avoid aggressive or ruinous competition. Possible new connections and patterns should be given the opportunity to prove themselves in practice in a “protected atmosphere” and to be continuously improved through learning processes.

- In addition, it is important to find the right balance between the openness and the closeness of a system. A blanket adherence to the “old” and the “proven” is to be seen just as negatively as a “blind implementation” of every innovation that presents itself. A structure and culture that attentively observe the resonances in the system and allow and promote new synergetic couplings are helpful here.
- Finally, there is a need for an identity and a self-image that, on the one hand, provide for a few, but very strong, connections in the system. And on the other hand, they include the possibility of developing new alternative structures and processes in the system and ideally support this systematically. This “identity” of the system (or the parts of the system) is of fundamental importance and forms the “evolutionary anchor” for the self-regulation of the system.

16.4.3 The Contribution of the Hybrid Organization Concept to a Resilient Responsible Society

For the purpose of formulating an approach for a resilient society, it should also be emphasized that a central challenge for government institutions is that they encounter two fundamentally very different patterns in the tasks and activities. A distinction is made here between complicated contexts or realities, on the one hand, and complex ones, on the other.

The complicated reality applies to the area in which public sector organizations operate in an environment that is familiar and accustomed to them. They have developed and adapted their internal structures and processes over time so that they can perform their tasks and activities well. And they know how to develop and implement new government services in this setup as well. If you imagine an overview of all the interwoven workflows and processes within these organizations, the result is a complicated but inherently logical and well-planned framework. Someone who knows their way around this complicated framework can use control mechanisms to influence it in a targeted way. Such an organization is well-positioned for a slowly changing world. Building on “old” and “existing” success concepts and business approaches, adjustments and innovations are planned and implemented more or less continuously.

The situation is different due to VUCA worlds and disruptive developments in the wake of transformation processes. For these complex and complicated contexts or realities, new approaches, methods, and forms of collaboration have been developed in practice and in science.

On this common ground, resilience research works with the concept of the hybrid organization (Stork & Grund, 2021). Hybrid organizations represent a mixture of “fixed” and thus classically hierarchical areas of the organization, on the one hand,

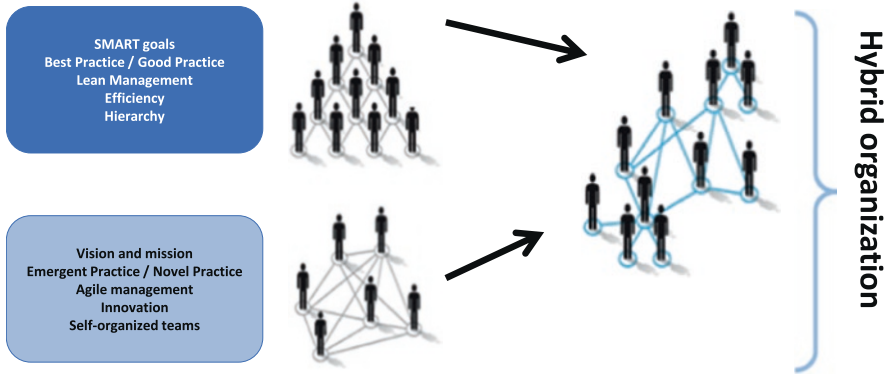


Fig. 16.3 Hybrid organization, author’s illustration

and “fluid” and thus agile and network-like areas of the organization, on the other (see Fig. 16.3).

In a hybrid organization, complicated as well as complex contexts exist side by side. In case where innovation and speed are required, the methods of the complex reality are used. Otherwise, when constancy and stability are needed, the methods of the complicated reality come into play. Such a hybrid organization consciously tries to make productive use of the tensions that arise from the fact that the two worlds operate side by side. In addition, the two areas maintain a lively exchange at certain points, they coordinate with each other, learn from each other and change, as it were “responsive,” their scope. The concept of a hybrid organization thus also stands for a fundamentally different and more positive attitude toward change. These no longer take place only in certain phases and thus have neither a specific beginning nor a planned end. And accordingly, in the concept of a hybrid organization, there is a structure and culture for learning and change in the organization that is designed for the long term, via the “fluid” part. The “stability” of the organization thus arises via permanent, evolutionary change.

16.4.4 Consolidation into a Resilient Responsible Society Approach

Transferred to the societal level, this results in a hybrid and breathing model for the organization of state tasks in the sense of a resilient responsible society. The basis is the combination of “fixed” and thus hierarchically organized areas for the classic and familiar state tasks, on the one hand, and “fluid” and thus agilely organized areas for the new and innovative state activities, on the other. Depending on the need and situation, society can draw on both organizational qualities, and the degree of responsibility and involvement is accordingly “breathing” (see Fig. 16.4) (Schuster & Stork, 2021).

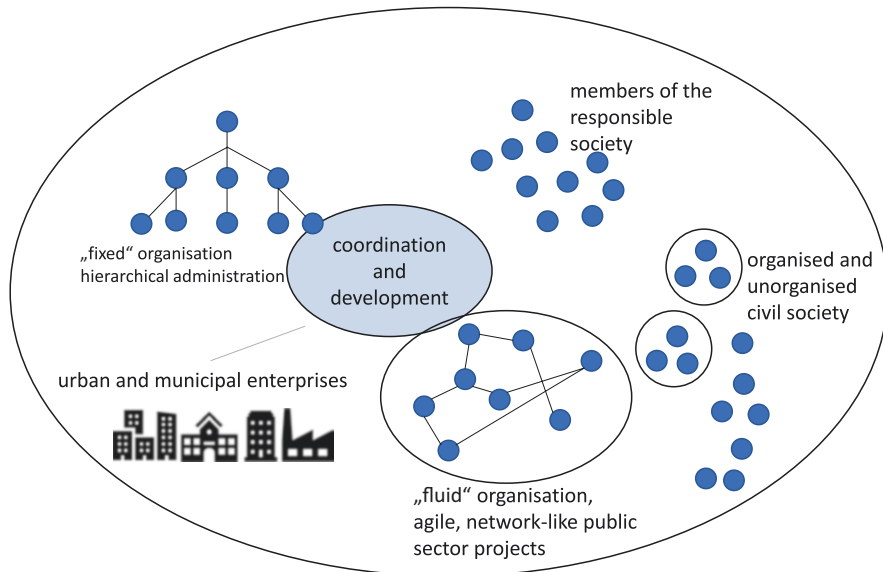


Fig. 16.4 Approach of the resilient responsible society, author’s illustration

The strength of this hybrid and breathing model lies in the systematic combination of two organizational patterns in a common overall organization; in the words of organization scientist and change management expert John P. Kotter: “The power of two systems: The mature hierarchical organization is complemented by a new network-like structure. Both systems work hand in hand” (Konieczny, 2020, p. 2).

The basic organization of the tasks of the public sector is initially based on the “fixed” and, in the best sense, the classic component of administration. Here, the core tasks of the state are covered in the sense of a basic function. Tasks that are primarily concerned with reliability and security, as it is the case, for example, in the area of civil rights and civic duties. This also includes activities in the context of the so-called services of general interest, ensuring participation and promoting social balance. It is about the core state services, for example, in the areas of public safety, education, health and transportation, as well as the infrastructure for energy and water supply, for telecommunications, for waste disposal, and so on. These areas are governed by an organizational and operational structure that is bureaucratic, in the best sense of the word. Order and stability, as well as efficiency and legality, are the guiding principles for handling these tasks in the public sector. Government agencies act in a formal and clearly structured manner; and they are also rigid in their implementation, if necessary, and then act with a corresponding degree of vigor.

In addition, there are systematically “fluid” components in the organization of public tasks. There, agile and network-like organizations are active, for example, within the framework of working communities, project teams, charitable foundations and chapter corporations, partnerships, associations, and communities. They provide social services that are often characterized by a high degree of innovation

or are characterized by a very high level of complexity. Situations and challenges that regularly arise in the context of transformative developments, among other things. Here, the focus is on networking, experimentation and piloting, and the work structures are correspondingly open and flexible. Classic organizational and management elements such as job descriptions, competence regulations, target agreements, or process optimization are not to be found here. Employees work in network-near structures and organize themselves to the greatest possible extent and in agile (project) teams. This part of the organization also represents the company's drive to constantly develop, learn, and try out new things. In summary, the focus here is on the new areas of responsibility of the state for society that have been elaborated above within the framework of the synergetics approach and the systemic management perspective: the promotion of social learning processes, the design and accompaniment of change processes, and the facilitation of new synergies.

For the success of the approach of hybrid and responsive organization of public tasks and activities, it is central that both subareas cooperate intensively and do not act as isolated parts. In order to ensure a well-coordinated interaction of the two areas, a kind of coordinating body should act to coordinate the activities between these two organizational subsystems. This office should also be involved in the orientation and development of the companies and organizations in the public sector's own operations. In addition to coordination in the narrower sense, this body also assumes the central task, which is equally important for interaction, of preparing the experiences and findings from the activities in the "fluid" organizational area for the "fixed" organizational area and promoting their adaptation. The coordination center is thus also a place of development, where society meets and experiences itself as a kind of learning and development community. It is a central social and community-oriented instance where the highly dynamic processes of social resilience and curiosity have their point of orientation and where new ideas and approaches are constantly being developed, initiated, and observed in their effectiveness.

By establishing such a hybrid and breathing organization, civil society is also systematically and specifically strengthened. In conclusion, citizens become active co-creators of their own society and its developments. They thus take on a systematically different and more active role. This increase in responsibility and the more active contribution of citizens to societal resilience and curiosity must, in turn, find their balance via greater citizen participation and influence in societal issues and topics. As illustrated in Fig. 16.4, the entire civil society with its "more responsibility" and its "more participation" is included in the approach of a resilient and curious responsible society via the "envelope" of the circle.

The approach of the resilient responsible society is fundamentally applicable to all levels of the state-federal order, and through it, the public sector—whether at the federal or state level or in the area of responsibility of cities and municipalities—can succeed in both handling certain fundamental tasks very well and carefully and, on the other hand, reacting agilely and flexibly to new and short-term and often "vague or unclear" needs and issues. Following the classical understanding of resilience (and the dimensions "resistance" and "regeneration"), it is important to equip the

“fixed” components with additional resources and redundant structures. This is demonstrated, for example, by sufficient personnel reserves and the possibility for all people in society to take care of their concerns at the citizens’ offices both online and offline (and thus in a deliberately redundant manner).

The “fluid” component of the organization of public tasks is characterized by agile and variable structures. This also involves active exchange with citizens “at eye level,” who are offered a wide range of opportunities for active participation via flexible and network-like structures. This area must be systematically expanded—compared to the current status quo. More than in the past, social tasks must be organized through non-governmental organizations (NGOs) such as cooperatives in particular, but also through foundations, associations or loosely organized neighborhood communities, and self-help organizations. The state is required to support these in a targeted manner with financial and other resources, instead of further expanding its own activities in these areas through traditional administrative institutions. Certain currently existing competencies, responsibilities, and resources must be transferred according to a growing field of self-administration and self-organization of civil society. This applies to complex or innovative activities, for example, in the area of cultural operations, business promotion, or the integration of marginalized groups into society. The goal should be to become much more active here, but to act differently, namely in an agile and network-like manner in the interests of society. The pronounced ability of cooperatives to cooperate supports these fields of activity in particular.

From an organizational science perspective, the hybrid and breathing combination of “fixe” and “fluid” organizational domains in the resilient responsible society approach can also be described as a second-order management or a second-order organization.⁶ Here, the qualities and elements from two different concepts for organizing cooperation are deliberately combined, thus forming an organization that can systematically draw on both basic organizational patterns. Thus, this form of second-order organization responds to the challenge described above that organizations and societies are systematically and regularly confronted with two different basic patterns or realities. The complicated contexts or realities in which it is worthwhile to strive for “best practice” or “good practice” solutions and the complex realities and contexts in which it is a matter of mastering the new challenges with “emergent practice” or “novel practice.” This organizational science classification leads to new derivations in terms of the orientation in the management and leadership of these societies.

⁶ See, among others, Backhausen (2009), Oestereich (2016) and Laloux (2014).

16.5 The Contribution of Cooperative Approaches to a Resilient Responsible Society

A resilient society needs impulses that can be found in many ways in cooperative organizations. In the following section, we look at the historical derivation and make a first scientific classification before showing how existing and proven cooperative principles can be used for the development of a resilient society.

Cooperative approaches are characterized by some specific features. The basic rules of cooperatives are based on primordial democratic forms of organization and on the principles of self-help, self-responsibility, self-management, and solidarity. The hierarchies of a typical cooperative are fundamentally flatter and the decision-making processes are more participatory than in conventionally organized companies. If one locates them in the relationship of tension between the state, society, and the market, it can be seen that cooperatives occupy a special role.

Cooperatives can be located “in the middle” between the private sector, the public sector, and civil society, as a third sector (cf. Fig. 16.5). Depending on their orientation, organizations in this sector tend to follow the logic of market, state, or community action and can hardly be clearly located at one of the three poles. State organizations such as administrations and public authorities are guided by principles of hierarchy and compliance with rules, private-sector enterprises follow the principles of competition, and civil society organizations base their orientations on principles of reciprocity and solidarity. On the other hand, the intention of innovative, future-oriented approaches of cooperatives is not reduced to the “original.” Cooperatives consciously deviate from classic, profit-driven economic activity and at the same time take social objectives into account.⁷

The basis of this approach can be traced back to the two founding fathers of the German cooperative system Hermann Schulze-Delitzsch (1808–1883) and Friedrich Wilhelm Raiffeisen (1818–1888). While Raiffeisen sought “to improve the conditions of the members (be) in a moral and material respect” (Schäfer, 2019), Schulze-Delitzsch emphasized: “The spirit of the free cooperative is the spirit of modern society.”⁸ Both were considered social innovators in much of Europe during the founding period of the nineteenth century and the immediate development in the years that followed. The special solution competence of cooperatives does not lie in their objectives, but fundamentally in the way they organize participation (in the form of membership) and decision-making processes (in the original democratic sense). These two unique selling points are not only interconnected in practice, but complement each other and build on each other (Arnold, 2023, p. 56f.). For this

⁷People are not understood exclusively as purposeful beings maximizing their own benefit; their need for community and their ability to cooperate are also taken into account. Some authors then also speak of “homo cooperativus” in this context. (Diringer, 2022, p. 178; Schäfer, 2019; Arnold, 2023, p. 55).

⁸To mark the 200th anniversary of Hermann Schulze-Delitzsch’s birth on August 7, 2008, Deutsche Post issued a special-issue stamp with his portrait and this quote.

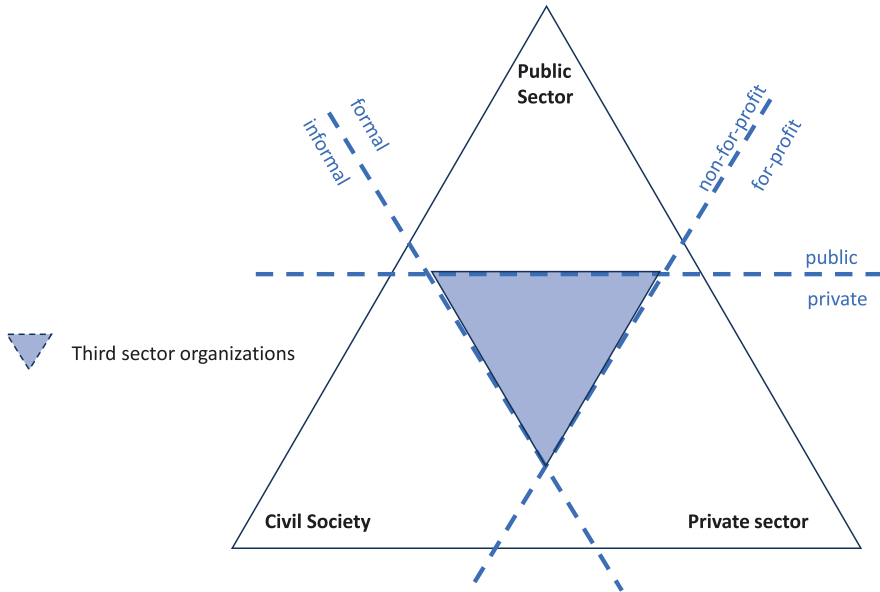


Fig. 16.5 Relationship network based on the welfare triangle according to Vautd (2022), author's illustration

reason, too, UNESCO emphasized in its justification for the inclusion of the cooperative idea in the World Heritage List in 2016: “A cooperative is an association of volunteers that provides services of a social, cultural or economic nature to members of the community to help improve living standards, overcome shared challenges and promote positive change” (UNESCO, 2016).

In cooperatives and similar forms of organization, there is also a “both/and” approach to management—in contrast to the often common demand for clear definitions that apply uniformly to all (Smith et al., 2016). The organization is hierarchical and follows predefined process patterns if the main focus is on efficiency, accuracy, and cost savings. If, on the other hand, the focus is more on innovation, creativity, and flexibility, the organization tends to be a network and works in self-organized and agile structures. Hybrid organizations are very “mindful” in their management overall, and they develop a high level of awareness with regard to the correct assessment of the starting situation and the appropriate selection of the appropriate and useful organizational patterns in each case. Breit (2023) points out that this “both/and” management approach, which applies to cooperative approaches, is helpful in dealing more effectively with paradoxes and dilemmas (Breit, 2023, p. 21 ff.). The special form of the organization and the applicable principles in cooperation prevent existing tensions, conflicts, and dilemmas from being excluded in management and leadership. They are not “covered over” by hierarchies and power structures and instead come to light and are openly discussed. These organizational forms systematically offer structures and processes that serve to address and discuss

the areas of conflict and to search for new approaches and procedures. This requires appropriate moderation so that the actors with their possibly conflicting interests can agree on a common approach to improvement. The quality of collaboration depends to a large extent on whether it is possible to assume joint responsibility for the future. The cooperative idea can make a very significant supporting contribution to this. This is because cooperatives, through their special organizational principles, support the development of a shared responsibility among members both for the organization as a whole and for each individual. And the combination of fixed and fluid elements in an organization trains and educates the members of the organization in the fact that there is always another perspective (in relation to the issue, the challenge, etc.). This is another reason why cooperative organizational approaches are particularly good at involving stakeholders from different social groups.

Effects that—as shown here—contribute to strengthening the democratic basis in society are also summarized in the literature under spill-over effects.⁹ People acquire and develop democratic competencies in the context of cooperatives—and in similar organizational formats. They gain experience and develop skills at the most diverse levels of democratic decision-making, and this competence encourages them to become active in the context of community engagement and broader political development processes. A civil society of a resilient responsible society can benefit from such knowledge in order to expand its own democratic understanding (Kessler, 2023, p. 252f.; Arnold, 2023, p. 60ff.; Varman & Chakrabarti, 2004, p. 207f.). The high level of self-motivation and democratic self-governance also enable cooperatives to deal better with crisis situations. Cooperatives have developed resilience in dealing with complexities and uncertainties. Over the past 200 years they have repeatedly succeeded in coping with difficult situations characterized by great uncertainties and complex developments.

16.6 Examples of Transformative System Innovations in the Context of a Resilient Responsible Society

To consider cooperatives only as economic actors is too short-sighted, as has been shown in the previous section. In the following section, we will show examples of how already functioning cross-connections to social ideas and cooperatives exist and how they are successful in several ways.

Thanks to their pronounced ability to cooperate, cooperatives gain access to forms of work that mobilize the creative potential of a community. Cooperative ecosystems that work closely with universities of applied sciences (HAW) are particularly interesting, as the two practical examples presented below show.

⁹ See, for example, Weber et al. (2011) and for a current description of the relevant discussions, see Breit (2023, p. 12f).

The concept of citizen cooperatives constitutes a special form of cooperative that addresses a potentially wide variety of tasks in the field of a community. While classic cooperatives often focus on a specific area—purchasing cooperatives, housing cooperatives, cooperative banks, etc.—the so-called citizen or social cooperatives have a broader approach (Anders et al., 2023, p. 366 and 376). For example, the “KoDa eG” project (Kommunale Daseinsvorsorge und Bürgergenossenschaften) provided scientific support from 2017 to 2020 on the initiative of a university to show how citizens’ cooperatives in six small municipalities take on tasks in the social, cultural, health, and economic spheres—with the aim of “ensuring conditions for a good life” and thus supplementing the classically sovereignly organized services of general interest.

The project and the initiative “KoDa eG” shows interesting and important forms of civil society engagement in the context of the resilient responsible society approach through the different variants of citizen cooperatives (see Fig. 16.4). On the one hand, the activities in the area of services of general interest examined in this context make it clear how the aspect of “breathing” organization can present itself in the diversity of practical implementation on the ground. After all, the areas of services of general interest are actually considered core tasks of the state. On the other hand, the project makes it clear how urgently a change in organization and an associated new allocation of resources is needed in the public sector so that these central sovereign tasks do not have to be organized and performed elsewhere. In municipalities where there are no initiatives such as the citizens’ cooperatives presented here, the only alternative available to municipal officials is privatization of these activities, which is often problematic.

For the implementation of the resilient responsible society approach, it is important to recognize that citizen cooperatives benefit from fundamental local political support. This forms the basis for the civic and entrepreneurial engagement of local citizens and thus the success of the citizen cooperatives. These civil societies, in turn, act as “anchors” for other existing initiatives, associations, and cooperatives. In this way, they create new synergies at the municipal level. The “KoDa eG” project also vividly demonstrates how the coordinating body can take concrete action on the ground in the resilient responsible society approach.¹⁰ In this context, the “KoDa eG project” also shows that for the nationwide integration of citizens’ cooperatives, the framework conditions must be facilitated in legal terms, just as it is necessary to ensure local political support and connection in each case (Klie, 2018, 2021).

Another example is the concept of municipal hubs, which represents a novel form of collaboration between municipal leaders and representatives of science. The starting point is the recognition that municipalities play an important role in the transformation processes. For example, many responsibilities in the implementation of the Sustainable Development Goals (SDGs) lie in the municipal sphere, for

¹⁰What is understood as necessary, what as useful, and what as an additional task of services of general interest (cf. Schmidt, 2018) is ultimately left to municipal and local political discourse. For some, the swimming pool is indispensable, for others the hiking trail. Still other municipalities rely on the municipal nursing home, others on residential groups close to home.

example when it comes to implementing the goals of the transformation of transport or other climate policy measures.¹¹ However, many local governments are overburdened by their variety of tasks, suffer from a shortage of skilled workers, lag behind in digitization, and feel the slowing effects of increasing bureaucratization. Municipal actors are under enormous pressure to implement and are at the same time (partly) at a loss as to how they should solve the complex issues in the field of sustainable development.¹² Darmstadt University of Applied Sciences, in turn, has set itself the goal of promoting sustainable development and has made it its mission to be an outstanding, reliable partner in shaping current developments and in developing creative and practical solutions to problems. This mission is put into practice through the concept of the Kommunal-Hubs (h_da@KommunalHub), an exchange format for a trusting, continuous and close transfer of knowledge between science, administration, and politics.

The solution to societal challenges in the adaptation to climate change and increasing digitalization is seen as a joint task of science and practice. The basic idea of the procedure in the h_da@KommunalHub meetings resembles a transfer process in fast forward:

- At the bi-weekly meetings, practice actors report on their problems. The problems are discussed in a partnership and solution-oriented manner. The moderation is carried out by the Darmstadt University of Applied Sciences.
- A common understanding of the problem is developed. If the problem cannot be solved in dialog (in moderation comparable to the concept of collegial consultation), an unbureaucratic request is made to the university for scientific support and expertise.
- In subsequent meetings, the problems and issues will be further discussed, and new cooperation opportunities and concrete transfer issues will be agreed upon.
- In their own learning labs or with the help of specialist expertise, solutions are developed in the next step and then tested and refined in experimental rooms.
- By regularly communicating the solutions with other municipalities, they can be easily multiplied and scaled.

For the implementation of the approach of the resilient responsible society, the concept of municipal hubs offers an important expansion and deepening with regard to the role and involvement of science. In addition to its scientific expertise, science also becomes an actor and co-designer in the transformation processes. In the municipal hubs, the topics are introduced and led by the municipal political actors, and the “big questions” of the transformation processes are tackled in a strategy of small steps and implemented in a practical way. Thus, scientific research and transfer take place according to the “pull principle.” The local political representatives

¹¹ Some of the SDGs to which the German Sustainability Strategy attaches particular importance, especially SDG 9 “Infrastructure, industrialization and innovations” and “Sustainable cities and settlements” (SDG 11) are primarily in municipal hands.

¹² The policy problems of public organizations are diverse, yet there is little research on how organizations specifically address the challenges and how management tasks change. (Fuhr, 2019).

determine the topics and the focus. Through the associated dynamics and urgency, “science” also succeeds in working in a very concrete interdisciplinary and transdisciplinary way without getting lost in the conceptual verbiage of the corresponding concepts. The prerequisite for this is, in turn, that the municipalities are similarly far-sighted and bold in their formulation of goals and proceed in an equally goal-oriented manner.

The municipal hubs format supports new synergies and contributes to a change in the self-image of the actors involved. This includes questions such as: What challenges and opportunities do municipal actors face in managing the Great Transformation? What new opportunities for cooperation can the administration use to meet these challenges? And also, how must the administration change in order to meet the challenges? In this way, KommunalHubs create spaces and opportunities for developments from which system innovations can emerge. Particularly in terms of knowledge transfer and shared learning and development experiences, the KommunalHubs thus assume the role and task of the coordinating body in the resilient responsible society approach. Municipal topics are brought into the university, students are brought together with the potential employer municipality. The concept of the municipal hubs has the potential to contribute to a transfer culture in which problems are solved jointly by politics, administration, and science, and it also forms an attractive example of a possible new role for science in the context of the major transformation challenges.

Both practical examples show how the specific role of the coordinating body can be implemented in the approach of a resilient responsible society.

16.7 Concluding Considerations

So far, current discussions on the further development of the public sector have generally been characterized by the fact that “modern” management is to be implemented in one way or another. This is often based on the classic concepts and approaches for organizations in the private sector. Such a discussion can also be observed among the large, group-like cooperative enterprises. The perspective of the resilient responsible society approach leads here to a different and more differentiated approach. It is no longer a matter of the frequently conducted discourse of “old management ideas versus modern management understanding.” Rather, it is primarily a matter of establishing and developing a strong coordinating body that manages to distinguish the tried-and-tested classic approach from the issues and problems that can be better solved with new and agile forms of collaboration and approach.

In the case of cooperatives and public sector organizations, this derivation from organizational science can then possibly lead to a return to the original cooperative or administrative roots in management and leadership for certain subareas of the organization. This could lead to a return to the original cooperative or administrative roots in management and leadership for certain areas of the organization and then to

a return to the professional ethos of a “public servant” or “proud” cooperative member in the sense of Schulze-Delitzsch and Raiffeisen instead of indiscriminately emulating the model of a modern manager.

The approach of a resilient responsible society presented in this article is based on a combination of “fixed” and “fluid” organizational areas in the “society” system. The approach can develop its full effectiveness if it is accompanied by resilience-promoting measures in the area of employees, teams, and managers, as well as by appropriate organizational and cultural development in the individual organizational units. On this basis, “public management” for the twenty-first century must be pursued from a holistic societal perspective and must also be more creative and development-oriented than in the past. A too-often static understanding of administration and state thus gives way to the image of a learning and development community—which understands and organizes itself as a resilient responsible society.

This means that the public sector will have to systematically take on new tasks in the future. The traditional tasks of the state—such as providing services of general interest, ensuring participation, and promoting social balance—will be supplemented by goals such as promoting social learning and change processes and enabling new synergies. The central point is that these hybrid and breathing organizations of public tasks are embedded in a society in which every citizen actively seeks participation in societal processes and is prepared to bear corresponding co-responsibility—as a co-producer of societal resilience.

Against the background of the question on the role and significance of cooperatives in a “changing world,” some final considerations and classifications follow at this point. With a look at the presented Fig. 16.5, in which cooperatives are assigned to the third sector, which has been depicted as a triangle, it can thus be stated that there is a systematic expansion of the role and significance of cooperatives. This development is driven by the growing uncertainties and complexities in VUCA worlds and in the context of transformative processes. Cooperatives—as well as other similar forms of organization—usually prove to be particularly resilient here and they seem to have a special quality in dealing with complexities and uncertainties. In summary, then, the triangle representing the role and meaning of organizations in terms of the cooperative idea is widening:

First, the cooperative organizational idea, which is strongly based on the principle of self-organization and is characterized by the principles of self-help, self-responsibility, self-management, and solidarity, is also finding increasing favor in the private sector—albeit often in other forms of organization. Schumacher/Wimmer speak of a trend toward low-hierarchy organization, and they list organizational forms such as sociocracy, holacracy, and scrum, through which companies hope to achieve significantly more agility and participation. They summarize, “The concept of self-organization represents an absolutely significant trend in the further development of the understanding of organization.” (Schumacher & Wimmer, 2019, p. 16).

Second, the cooperative organizational idea also shapes the resilient responsible society approach presented here in this article at key points—for example, when it comes to the interaction of the two organizational patterns or when the design of

new and agile activities needs to be clarified in the face of rather complex challenges characterized by uncertainty. This means that the public sector is also increasingly characterized by cooperative principles.

Finally, the idea of cooperative organization obviously has an important contribution to make when it comes to how democratically organized civil society develops in the context of the many transformative upheavals taking place. In almost all European countries, there is a growing number of parties that are more or less openly questioning the existing democratic structures and processes. Here it helps if, in the sense of the spill-over effect, the basic democratic understanding is regularly experienced and cultivated in cooperatives—and comparable forms of organization. And it also strengthens the democratic competence of civil society if, in the sense of adaptation, tried-and-tested elements of the basic cooperative idea find their way into formats and thus help to strengthen the participation and involvement of civil society in the social and common good-oriented decision-making and implementation processes.

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Chapter 17

Understanding Social Recognition of Cooperatives from a Bourdieusian Perspective: The Cases of Kalkbreite in Zurich (CH) and Exeter Street Hall in Brighton (UK)



Gaëlle Cotterlaz-Rannard and Manuel Méndez

Abstract Cooperatives, characterized as autonomous associations of individuals who voluntarily come together to address shared economic, social, and cultural needs, hold a pivotal position in both local and global economies. Despite their significant presence, research on cooperatives has often been fragmented, focusing either on economic or social aspects. This study employs Bourdieu's theory of forms of capital as a relational framework to bridge the gap between economic capital and non-economic capitals (social, cultural, and symbolic) in order to comprehensively examine the intricate and distinctive attributes of cooperatives. Through longitudinal case studies of a housing cooperative in Switzerland and a cultural cooperative in the UK, this research focuses on the strategic accumulation of diverse forms of capital (economic, social, cultural, and symbolic) by cooperatives and examines the mechanisms through which they convert these forms of capital. By tracing this transformative journey, we seek to understand the dynamics of capital accumulation and conversion that empower cooperatives to operate effectively and gain recognition from local communities to broader regional contexts.

Keywords Cooperatives · Bourdieu · Forms of capital · Social recognition

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17.1 Introduction

As per the definition provided by the International Cooperative Alliance (ICA) in 2012, a cooperative, commonly referred to as a co-op, is defined as “*an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise*” (ICA, 2012). In essence, cooperatives are structured and managed by individuals (members) driven by a common requirement, working collaboratively for the betterment of their community while simultaneously pursuing economic objectives akin to conventional businesses (Castilla-Polo et al., 2017; Castilla-Polo & Sánchez-Hernández, 2022).

Cooperatives hold a significant position in both global and local economies. Globally, there are 3 million cooperatives collectively boasting 1.2 billion members and employing a workforce of 280 million individuals worldwide, which accounts for a notable 10% share of the global employed population.¹ In the context of the United Kingdom, the activities of over 7000 cooperatives significantly impact the economy with a cumulative contribution surpassing £40 billion.² In Switzerland, the count of registered cooperatives has surged to over 9600, with approximately 500 of these establishments boasting a recorded turnover that surpasses CHF 1 billion (Summermatter, 2012) (see also Chap. 2).

The evolution of cooperative organizations spans a significant historical timeline and encompasses diverse global contexts (Boone & Özcan, 2016) (see Chap. 5). Through an economic lens, cooperatives grapple with multifaceted challenges, including elevated coordination costs (Boone & Özcan, 2016) and economic disincentives (Aldrich & Stern, 1983). From a socio-cultural perspective, cooperatives tend to operate in close proximity to communities, engaging in collective endeavors to advance local and communal welfare (Shrivastava & Kennelly, 2013; Valentinov, 2004). These entities follow an unconventional organizational approach, setting them apart from both conventional businesses and non-profit organizations (Borzaga & Defourny, 2004; Florin & Schmidt, 2011). This distinctiveness is largely attributed to their models of shared governance, decision-making processes, and goal-setting mechanisms.

Thus, scholars have highlighted the potential of cooperatives to build social capital, a dynamic that strengthens individual and collective capacities through collaborative practices, thus furnishing a competitive edge (Bretos & Marcuello, 2017; Faccin et al., 2017). Simultaneously, many cooperatives confront the ongoing dilemma of balancing expansion and competitive management with the unwavering adherence to their societal and community-focused objectives (Ajates, 2020). However, existing research often tends to compartmentalize the understanding of

¹ <https://www.ica.coop/en/cooperatives/facts-and-figures> (Accessed in July 2023).

² <https://www.uk.coop/understanding-co-ops/what-co-op/quick-facts-about-co-ops> (Accessed in July 2023).

cooperatives into distinct categories, separating the strategic and economic aspects from the more social approaches.

In this chapter, our objective is to understand the interaction of economic and social aspects in the functioning of cooperatives by examining these organizations through the Bourdieusian framework of forms of capital. Pierre Bourdieu defines four different forms of capital (cultural, social, economic, and symbolic) and two mechanisms of accumulation and conversion of these forms. This framework encompasses not only economic capital but also non-economic dimensions. Employing two illustrative case studies: a housing cooperative in Switzerland and a cultural cooperative situated in the UK, we explore the intricate processes by which cooperatives strategically leverage and accumulate diverse forms of capital. Additionally, we investigate the mechanisms by which they convert these various forms of capital to sustain their functioning in order to shed light on the dynamics that enable cooperatives to gain recognition from local communities to broader regional contexts.

17.2 A Relational Approach to Understand Cooperatives

17.2.1 *Cooperatives at a Glance*

Cooperatives are part of the Third/Fourth³ sector due to their primary mission of pursuing social objectives, wherein surplus profits are systematically reinvested to advance these objectives rather than being used to maximize returns to shareholders (Mancino & Thomas, 2005). Traditionally regarded as a distinctive manifestation of social enterprises, cooperatives are renowned for their unique features of economic and social purposes and their distinctive governance structures (Mazzarol et al., 2011). However, a significant proportion of cooperatives are established with the primary intent of addressing and surmounting pressing economic challenges.

For instance, in response to rising costs of living and inflation, the emergence of food cooperatives has been observed. Notably, amidst the pandemic, cooperative growth in the UK persisted, experiencing a 1.2% expansion (Co-operatives UK, 2021). Furthermore, the establishment of housing cooperatives has sought to address the persistent housing challenges, particularly evident in urban centers, offering affordable rental options while simultaneously enabling local councils to conserve social resources. An intriguing facet of cooperatives lies in the dual role their members occupy—that of both customers and members.

Prior research often emphasizes the evolution of cooperatives across diverse local and global contexts, delving into aspects such as their governance structures

³The third sector corresponds to the nonprofit sector and the fourth sector combines market-based approaches of the private sector with the social and environmental aims of the public and nonprofit sectors.

and collective decision-making processes (Mazzarol et al., 2018), business models (Mazzarol et al., 2018), innovative strategies to ensure competitiveness (Muñoz et al., 2020), and the overarching global challenges confronting these entities (Ajates, 2020). For instance, the study of Muñoz et al. (2020) focuses on cooperatives within the context of the “New Normal,” spotlighting their resurgence as agents addressing social and environmental issues while adopting novel value sets and transformative practices. Predominantly, studies on organization have mainly highlighted the mobilization of cooperative capital in the economic and social dimensions.

Social capital serves as the foundational root of cooperatives, intertwining their democratic structures and community-based ownership, thereby shaping their core principles and identity (Bretos et al., 2018). For instance, beyond the overarching social capital generated by member engagement, each individual member contributes a distinctive reservoir of cultural capital encompassing knowledge, skills, and educational attainment—all of which can be harnessed to advance the social organization’s mission (Cotterlaz-Rannard & Ferrary, 2021).

Simultaneously, certain cooperatives might find themselves in competitive arenas (sometimes with traditional businesses). For instance, agricultural or food cooperatives strive for superior product quality, while housing cooperatives are striving to defend sustainability and distinguish themselves as leaders in implementing social diversity within their structures, thereby increasing their competitiveness.

In parallel, economic capital takes on a dual role—as both the means and the prerequisite for survival. Like their traditional business counterparts, cooperatives must navigate economic imperatives to fulfill their objectives (Castilla-Polo & Sánchez-Hernández, 2022). Nonetheless, the intricacies inherent to cooperatives warrant a more profound exploration of their functioning dynamics.

Delving into cooperatives through the lens of Bourdieu’s theory of forms of capital holds the potential to significantly enrich our comprehension of these entities. This avenue of inquiry offers the prospect of explaining how cooperatives accumulate diverse forms of capital and the mechanisms through which they convert one form into another, ultimately culminating in enhanced social recognition within their respective fields. This approach has the potential to provide a novel perspective on cooperatives’ dynamics, shedding light on their strategic capital accumulation and conversion processes, while concurrently enhancing the understanding of how cooperatives strategically maneuver within their operational environments.

17.2.2 The Bourdieu’s Theory of Forms of Capital

Bourdieu’s theoretical and empirical work underscores the significance of different forms of capital: economic, social, cultural, and symbolic capital. Within the realm of management studies, Bourdieu’s theory of forms of capital has found notable application (e.g., Burgess & Shaw, 2010; Karataş-Özkan & Chell, 2015; Śliwa et al., 2021; Tatli et al., 2015), offering a theoretical framework capable of

illuminating the field structuring and power dynamics of interlinking organizations. However, while there are a handful of studies investigating cooperatives through the lens of social capital and invoking Bourdieu's constructs (alongside contributions from authors like Putnam) (e.g., Saz-Gil et al., 2021), Bourdieu's framework remains relatively unexplored within cooperative research, partially due to the persistent notion that capital is a domain exclusive to individuals (Greenspan, 2014).

According to Pierre Bourdieu (1989), the position of an organization in a field depends on the accumulation of capital (economic, social, cultural, and symbolic). A "field" is a structured system of social relations in which individuals or organizations struggle with one another in pursuit of resources and status (Bourdieu, 1993). For example, Bourdieu (1989) explores the structuration of the higher education field, and how a few of the most prestigious universities maintain the dominant position through the accumulation and conversion of the forms of capital. A form of capital is a resource, the accumulation of which can provide holders an advantageous position in the field where they are produced and reproduced (Bourdieu, 1979).

Bourdieu's (1986) study on the forms of capital narrows the notion down to three fundamental types. Economic capital refers to material assets, which include financial resources or property (Bourdieu, 1986). Bourdieu (1986) conceptualizes *cultural capital* with three dimensions. The first is the *embodied* form or "*long-lasting dispositions of the mind and body*" (Bourdieu, 1986: 47). The second dimension is the *objectified* state: cultural goods, such as pictures, books, instruments, etc., and the last is the *institutionalized* state: educational qualifications, such as academic degrees. Social capital, the third form of capital, is defined as: "*the volume of social capital possessed by a given agent...depends on the size of the network connections that he can effectively mobilize*" (Bourdieu, 1986: 249). Involvement in social networks and in the social relations from the membership can be utilized in efforts to improve the social position of the actor in a specific field. Voluntary associations, political parties are examples of embodiments of social capital.

At the same time, though, Bourdieu proposes that these forms of capital may be apprehended as symbolic capital (prestige, honor). Symbolic capital is the recognition of other forms of capital (through their conversion) and is materialized by a set of signs, more or less material, which may take the form of distinctions conferred by legitimate bodies or authorities such as prizes, awards, or nominations (Bourdieu, 1993). The attribution of these signs of recognition bestows the organization with recognized prestige and legitimacy in a given field. Bourdieu's central argument revolves around the idea that economic, cultural, and social capital attain true significance and societal recognition when they convert them into symbolic capital. Embedded within Bourdieu's theory of forms of capital is the idea that accumulating one or more types of capital isn't an ultimate objective; rather, it serves as a mechanism for converting one form of capital into another, ultimately fostering the acquisition of societal recognition within a field (Bourdieu, 1986, 1993).

Bourdieu underscores the dynamic relational nature of capital, unveiling two distinct pathways for capital accumulation. The former is the direct accumulation of singular or multiple forms of capital. For instance, cooperatives can initially accumulate social capital through the networks formed by their members. The latter

pathway involves the conversion of one form of capital into another. To illustrate, cooperatives can convert their social capital into economic capital as members contribute shares.

17.3 A Bourdieusian Analysis of Housing and Cultural Cooperatives

Drawing on Bourdieu's theory of forms of capital, we analyze the different forms of capital that cooperatives mobilize and build on and how they convert their forms of capital in order to be recognized at the local or more regional level. Building on Siggelkow's (2007) argument that emphasizes the role of illustrative case studies in conceptual demonstration, we use two longitudinal case studies to unravel the underlying mechanisms of capital accumulation and conversion that play out over time, facilitating a closer alignment with the realm of theoretical constructs (Siggelkow, 2007).

Our initial objective was to identify cooperatives from various sectors operating in distinct socio-economic and legal contexts. Our secondary objective was to ensure that these cooperatives have been in operation for several years and have achieved success. These criteria align closely with the study's overarching goal of longitudinally exploring the mechanisms of capital accumulation and conversion within cooperatives. By analyzing cooperatives within different socio-economic contexts, this approach enables us to compare the forms of capital and mechanisms used. We selected two case studies, one housing cooperative in Switzerland (Zurich) and one cultural cooperative in the UK (Brighton).

We conducted three interviews with collaborators working in the management of each cooperative. The purpose of these interviews was to identify the different forms of capital and their mechanisms of accumulation and conversation. In addition, we also exploited secondary data (websites, press articles, videos, etc.) to obtain a general perspective on the cooperatives' histories, missions, and structure in order to understand the dynamics of the organization over time. In the case of the cultural cooperative, various audiovisual testimonies of the process of creation and functioning of the cooperative were analyzed from its website, which helped us to identify and analyze the different forms of capital and their dynamics in the organization.

The interviews, testimonies, and secondary information collected were analyzed through discourse analysis (Ruiz, 2009). In this way, three categories of analysis were established:

1. The description of the cooperative;
2. A comprehensive exploration of the cooperatives' forms of capital: the social (including the network of the cooperative and members), cultural (including the diversity of members, training, etc.), economic (including the main sources of

income, etc.), and symbolic strategy (including communication strategy, impact, prizes, etc.) of the cooperative;

3. The main and future challenges that the cooperative currently and will face.

Below, we will present the main finding.

17.3.1 Housing Cooperative: The Case of Kalkbreite in Zurich

17.3.1.1 The Housing Market in Zurich

Confronted with an acute housing scarcity during the formative years of the twentieth century, the City of Zurich embarked on a proactive strategy to amass land reserves and assets encircling the historic city center, strategically earmarked for prospective expansion. A recent study reports that the housing shortage in Switzerland has reached levels unseen since 2013 and Zurich has not, only some of the most expensive apartments in the world.⁴

In this context, the prevalent approach primarily involves extending interest-free loans to housing cooperatives, facilitating their land acquisitions. The city of Zurich offers enduring, renewable leases on land it holds ownership of, thereby conferring not only tenure but also development entitlements to building cooperatives, all without any financial encumbrance. This leasehold paradigm effectively retains a substantial degree of enduring influence over the city's forthcoming urban evolution within the realm of public administration. This spectrum of provision underscores the flexibility and inclusivity of Zurich's housing initiative, accommodating a diverse range of initiatives aimed at meeting the city's evolving habitation demands.⁵

Currently, around one quarter of the City's entire housing stock consists of not-for-profit accommodation. About one fifth of these units are provided by either the city of Zurich alone or by charitable foundations while the other four fifths are provided by private housing cooperatives. Predominantly self-sustaining in nature, these cooperatives are established and operated through equity deposits and membership fees contributed by residents and private investors. These financial inputs are complemented by rentals of apartments at rates below the market prices, structured to align with the overarching objective of meeting the cooperative's financial obligations. These encompass a spectrum of expenditures such as building upkeep, interest repayment on initial loans, administrative and maintenance outlays, alongside the accumulation of capital earmarked for forthcoming undertakings.

In addition to the apparent communal benefits, the city garners substantial annual savings by actively nurturing the operations of cooperatives. This outcome ensues

⁴ <https://www.iamexpat.ch/housing/real-estate-news/zurich-invest-300-million-francs-making-housing-more-affordable> (Accessed in August 2023).

⁵ <https://www.architectural-review.com/archive/how-housing-co-operatives-built-a-city> (Accessed in August 2023).

from the cooperatives' facilitation of economically viable rental alternatives, adapted to mid and low-income demographic segments. This strategic congruence substantially mitigates the fiscal outlays attributed to social welfare commitments, encompassing provisions such as eldercare expenditures and the associated entitlements. Consequently, these cooperatives assume a pivotal and multifaceted role, not only in improving housing affordability but also in curbing the financial exigencies tied to governmental support for residents' subsistence needs.

17.3.1.2 From a Squat to a Cooperative

The Kalkbreite Cooperative originated from an initial squat, which later evolved when the City of Zurich, via a council resolution, officially designated a 6350 m² parcel of land for cooperative housing development. Its inception traces back to the 1970s when squatters, local residents, and professionals advocated for the transformation of an outdoor tram depot into a residential space. This transformative vision gradually gained momentum and eventually materialized as a cooperative endeavor. In 2007, after a protracted period marked by intermittent progress, the city issued a call for proposals aimed at realizing this multifaceted development.⁶

Through a decisive council resolution, the City exhibited its commitment to fostering cooperative housing by offering the land at a price lower than market value, ensuring accessibility for the cooperative initiative (Informant). Remarkably, a mere 2 months following the establishment of the cooperative, they emerged victorious in securing the developmental contract.⁷ This success was soon followed by a city-administered public competition, leading to the engagement of Zurich-based architects tasked with the design realization of the project.

Subsequently, a highly participatory process unfolded, entailing the delineation of a cohesive shared vision and the formulation of a sustainable project design for the novel structure. This diligent endeavor culminated in the inauguration of the edifice in 2014. Notably, the top of the building has been transformed into a vast 2500 m² terrace, offering an expansive green recreational space for the residents. Complementing this, the ground floor has been allocated for commercial and cultural pursuits. These encompass local boutiques, restaurants, corporate offices, medical facilities, childcare, and a cinema. This interplay between the building's functional levels underscores the multifaceted nature of its design, catering adeptly to both the immediate residential needs and the broader community dynamics.

Currently, the housing cooperative has around 2500 members, 500 people live in the building, and between 200 and 400 people are working in the local shops. The pathway to becoming a member of the cooperative is notably straightforward. As a first step, prospective tenants are required to pay a membership fee of CHF 1000, thereby gaining eligibility to rent apartments as they become available. Subsequently,

⁶<https://www.kalkbreite.net/en/about-us/> (Accessed in August 2023).

⁷<https://www.kalkbreite.net/en/media/10-years-kalkbreite/> (Accessed in August 2023).

upon the opening of a unit, the prospective occupants commit to purchasing shares within the cooperative, commensurate with the unit's size, serving as a refundable deposit. For instance, a 100-square-meter (1076-square-foot) unit costs approximately CHF 2000 per month.⁸

17.3.1.3 The Functioning of Kalkbreite Through a Bourdieusian Lens

The Dynamic of Capital Accumulation and Conversion

The establishment of the Kalkbreite housing cooperative has primarily arisen from the collective imperative of diverse stakeholders, driven by the need to develop a previously abandoned land. This initiative seeks to transform the area into a livable and communal space in response to the pressing housing crisis in Zurich, while providing an avenue for accessible and sustainable housing solutions. Subsequently, the resolute political stance of the city of Zurich has steered away from involving private property developers. Instead, the focus has shifted toward exploring alternative, democratic, and non-speculative pathways, predominantly through the adoption of cooperative models. This pivotal decision marked the inception of an extensive participatory (Informant) endeavor that engaged a heterogeneous group of stakeholders, including site inhabitants (squatters), local residents, and professionals. Unified by a shared vision, these once-disparate actors participated in a collaborative process aimed at the metamorphosis of the locality into a focal point for both habitation and socio-cultural interaction.

This cooperative creation distinguishes itself by the fact that its founding members—prior to the formal establishment of the cooperative—originated from disparate networks (social capital), each associated with distinct resources. Despite these initial disparities, a collective purpose galvanized these actors, transcending the confines of their preexisting social networks. Through shared objectives, these individuals leveraged their existing affiliations and converged to create a novel space, forging connections that bridged traditional divides of social class, education, and personal interests.

This underscores the strength of networking, exchange, and collaboration among participants, which crystallized into an emergent participatory network. Within this dynamic, participants are extending their network beyond their traditional boundaries. In essence, this shared aspiration—ultimately giving rise to the cooperative entity—propelled a participatory evolution that united individuals in pursuit of a collective ambition: the creation of an innovative residential space. In this context, social capital emerges as a collaborative phenomenon stemming from a mutual understanding of shared values and joint endeavors among various stakeholders, exemplified by the establishment of this cooperative.

Therefore, the pivotal driving force that led to the establishment of the cooperative finds its roots within the social capital, as explored earlier and previously

⁸<https://www.kalkbreite.net/en/> (Accessed in August 2023).

identified in the literature. However, following Bourdieu's framework, the accumulation of one form of capital is not the ultimate objective; rather, it serves as a mechanism for capital conversion. This prompts an in-depth investigation into how, subsequent to its inception, the cooperative orchestrated the transformation of its originally endowed social capital into alternative forms of capital.

In direct response to the critical need for housing, the city of Zurich initiated a competition to develop a housing project on the site of the abandoned tram depot. In light of this opportunity, the cooperative's members harnessed their cultural capital in order to formulate a comprehensive proposal for the competitive bidding process, with the primary objective of persuading municipal authorities of the viability of their visionary undertaking—a conceived living space deeply anchored in the values of social diversity and sustainability.

The cooperative subsequently won the competition, not only demonstrating the feasibility of the cooperative's initiative for the abandoned area, but also translating into a social recognition that underscored the conversion of its previously accumulated social and cultural capital into symbolic capital. Through the selection of the cooperative's project, the city of Zurich legitimized its project and the principles and ethical foundation of the cooperative. This act of recognition and legitimization by the city underscores the cooperative's social and sustainable value-driven actions. Informant states:

The Kalkbreite cooperative offers more than just housing compared to other housing cooperatives that are merely replicating market logic and are simply providing slightly cheaper flats without cultivating a cultural and social spirit.

The Kalkbreite cooperative cultivates a cultural and social cohesiveness through its facilitation of resident social diversity, coupled with the provision of cultural, social, and health services; these values have been publicly recognized by the award.

After the cooperative secured the competition award, an exchange of economic capital ensued, transitioning from the city of Zurich to the cooperative. The city of Zurich extended preferential terms to the cooperative for the acquisition of the land, pricing it significantly below market value. Nevertheless, as highlighted by our informant, while the City of Zurich might initially incur a reduced sale price for the land, the cooperative's self-management and provision of social, cultural, and health services translate into long-term cost savings for the city. Drawing from Bourdieu's theoretical framework, the accumulation of symbolic capital, facilitated through the allocation of the project to this specific cooperative, subsequently facilitated the acquisition of economic capital. This acquisition occurred firstly through negotiations with the city of Zurich, which resulted in a reduced land purchase cost, and secondly through the acquisition of share capital contributed by its members. The cooperative's core foundation lies in the share capital of its members. Open to both individuals and legal entities, membership entails application to the Executive Board. Benefits include discounted reservations for guest house accommodations and flexible meeting spaces, as well as access to information concerning available flats and shared rooms, among other privileges.

Replicating the Project Through Identical Mechanisms

Based on the same mechanisms of accumulating and converting various forms of capital, the cooperative translated its accumulated symbolic capital from the Kalkbreite project into a successful bid for the Zollhaus project. In February 2013, it emerged as the victor amidst its competitors (other cooperatives), securing the opportunity to repurpose the building to align with the Kalkbreite project's principles. The jury expressed notable admiration for "*their expertise in developing commercial and public spaces*" as well as "*their approach to curating an apt blend of functionalities.*"⁹ Informant states that there is a kind of competition among cooperatives to be perceived as "*the coolest one*" and win new housing projects.

In contrast to the cooperative's initial project, this subsequent undertaking didn't necessitate the accumulation of new forms of capital; instead, it served as an extension of the ongoing cycle of capital accumulation and conversion. The cooperative has garnered significant social recognition through the Kalkbreite project and, within the perspective of the Zurich City Council, emerged as the most credible entity to conduct this new project. In this manner, the cooperative adeptly harnessed its symbolic capital to secure another project and sustain its ongoing trajectory of accumulating diverse forms of capital with the intention of offering a community-focused initiative at the local level.

Looking for the Right Balance

According to our informant, the cooperative's recognition has reached a point where the challenge lies not in attracting new members or securing contractors for commercial spaces, but in efficiently managing the considerable influx of individuals seeking membership. The cooperative finds itself in a situation where it is unable to accommodate the surge in demand. While a substantial number of people express a desire to become cooperative members, the cooperative is determined to preserve its commitment to sustainability and social diversity. Consequently, it must navigate the delicate equilibrium between expansion and upholding its core values, guarding against adopting a narrow focus solely on offering housing at rates below the market average.

From the inception of these projects to their culmination, the accumulation of symbolic capital has been substantial. Informant conveyed that:

While feedback from current members and residents of the cooperative has been extremely positive, input from external stakeholders—such as the local community, Zurich's citizens, and municipal authorities—holds even greater significance.

The cooperative consistently garners recognition from external organizations for its architectural achievements, its excellence as a co-living space, and other notable accomplishments. In essence, the cooperative finds itself in a pivotal phase where its well-established recognition necessitates a mindful approach to growth. The challenge for the cooperative is to avoid becoming "*less authentic*" while simultaneously becoming "*more adapted to the system*" (Informant). Balancing this expansion

⁹<https://www.kalkbreite.net/en/zollhaus/> (Accessed in August 2023).

with the preservation of its fundamental values remains a critical endeavor for the cooperative.

17.3.2 Cultural Cooperative: The Case of Exeter Street Hall in Brighton

17.3.2.1 Saving the Place to “Get-Together”

The Hall is a red brick building of Gothic design located in the middle of a residential zone in Prestonville, Brighton. This Hall was built by the Diocese of Chichester in 1884 to house the Sunday School of the local Church of St Luke’s and the first name of the building was “Saint Luke’s Hall.” The Sunday Schools were institutions, mostly linked to Catholic churches, which offered moral, writing, reading, and basic arithmetic education to working and/or poor children (Power, 1863).

By the beginning of the twentieth century, the spread of universal public education and the great changes in English society resulted in a major crisis in attendance to Sunday Schools. In this context, churches began to organize different activities in connection with local communities in order to spread their values, especially among young people (Smale, 2023).

In the historical scenario described above, the earliest accounts consulted of Exeter Street Hall (mid-twentieth century) are associated with groups of young people who attended the Hall to take part in various church-related activities: choir, The Life Boys, The Boys Life brigade, teenage clubs, sports clubs, etc.¹⁰ In addition to these groups, the Hall became a meeting place for other activities that were not directly associated with the church: local and national celebrations, birthdays, association parties, afternoon teas, scouts, and stay-and-play-groups, among others.

In this way, Exeter Street Hall went from being a space exclusively associated with the activities of the church (Sunday School, catechism groups, and boys brigades) to being a space of community meaning, where part of the local social history of Prestonville evolved over the last century, turning it into a place to get-together.

After more than 125 years of church administration, Exeter Street Hall began to develop serious structural problems, which required large sums of money to repair. Moreover, as the Hall was no longer fulfilling an important role for the local church, the Diocese of Chichester decided to sell the building at the end of 2011.

Following this decision, the local community organized to collect signatures to maintain the community use of the Hall and prevent the transformation of this space into apartments. This campaign aroused great interest and commitment in the local community, which resulted in dozens of people working together to collect signatures and “save the Hall.” However, after a few weeks of campaigning, the

¹⁰ <https://www.mybrightonandhove.org.uk/places/placechur/st-lukes-prestonville/st-lukes-prestonville-5> (Accessed in August 2023).

community realized that their efforts could not prevent the sale, so they started working on a new idea: to buy the Hall.

In order to purchase the Hall, a legal structure had to be set up that could raise funds on a community basis and purchase the building. Thus, “The Hall Get Involved Ltd” organization was created as an Industrial and Provident Society. Through this legal status, this society had the ability to sell shares and to purchase an asset under a non-profit scheme.

Under the model of selling £50 shares and accepting donations, the organization fundraised over £180,000 in five months of campaigning (the organization currently has around 900 shareholders). At this point, the community started a long negotiation with the Diocese of Chichester, which ended with an agreement and the purchase of the Hall on August 8, 2013.

After 18 months of self-organization, the first and most important objective of the community had been accomplished. Immediately after the acquisition of the Hall, the organization began to raise funds to undertake the considerable repair work on the building. Since the purchase of the building, several projects have been completed, including a complete renovation of the roof, the creation of a community room, the construction of accessible entries and bathrooms, the restoration of windows, and the remodeling and equipping of a commercial kitchen.

Hall Organization and Soul

In administrative terms, the Exeter Street Community Hall (ESCH) is run by a manager and a board of directors (4) part of which is renewed at each annual shareholders’ meeting. In addition, there are different working groups that organize the different tasks and actions of the association and events at the Hall (Informant). In this regard, all decisions regarding investments in major repairs and/or activities are presented and voted on at the annual general meetings. All persons directly and indirectly involved in the operation of the Hall are volunteers, except for the manager and the cleaning staff.

Moreover, the organization has set itself a framework for action through the establishment of a list of objectives, values, and priorities structured along two axes: first, to promote the advancement of citizenship, learning and self-improvement for the individual and collective benefit of the inhabitants of the Prestonville locality in the City of Brighton and Hove and its surrounding area, and second, to improve the social welfare and the physical and mental well-being of the said inhabitants by providing facilities for recreation, leisure, and related beneficial activities.¹¹

The main source of funding for the operation of the ESCH is the rental of the central hall for private and/or community activities. The second source of income is internal and external fundraising. Other sources of funding are the grants received after applying for competitive funds, which are mainly used for structural improvement works at the Hall. In addition, the association maintains a permanent sale of shares in its non-profit society (Informant).

¹¹ <https://exeterstreethall.org/wp-content/uploads/2021/08/Business%20Plan%20Summary%20July%202020.pdf> (Accessed in August 2023).

At the beginning of 2019, during the preparation of a new fundraising campaign, the board of directors noticed some legal problems with the status under which the organization was created (Industrial and Provident Society Act), which threatened its charitable nature. At this moment a new society was established, the “Exeter Street Community Hall Ltd.” This new legal organization operates under the status of a Community Benefit Society and continues to manage the Hall to this day.

Over the last few years, the organization has set itself the goal of creating its own “social justice agenda.” To this end, it is working to provide an alternative space for local and national community associations that do not have sufficient support elsewhere, as well as working on an agenda of activities that represent social interests beyond the Prestonville community (Informant).

During the month of September 2023, the community celebrated the 10-year anniversary of the purchase of the Hall. During this decade of community administration, the board of directors, in conjunction with the members of the association, have continued to raise funds for the ongoing repair and improvement of the Hall. In addition, they have established a wide offer of weekly activities such as sports clubs, stay-and-play groups, art classes and exhibitions, a repair cafe, quizzes, and a variety of other community-oriented activities.

17.3.2.2 The Functioning of Exeter Street Hall Through a Bourdieusian Lens

A Locally Rooted Community

Since the first self-organized community meetings at the end of 2011, testimonies collected attest to the enthusiasm and commitment of those participating in efforts to maintain the Hall for the community, in addition to the large number of people who have consistently participated in the organization (at times, more than 100 people).¹²

In this sense, some of the testimonies highlight that with the loss of the social relevance of large cultural institutions, such as the Church or the welfare state, the human need to come together, to help one another, and to converge socially, requires a modern dedicated space, “a place to get-together.”

This desire to get together in order to create and maintain the local community became the focus of the community’s mobilization. Within a few weeks after the church’s decision to sell the Hall, the enthusiasm, engagement, and commitment of the community to maintain this common space increased the intensity of community interaction. In the words of one the volunteers for the first meetings:

¹²<https://exeterstreethall.org/our-story/> (Accessed in August 2023).

It was so full, lots and lots of people, something we'd never seen before, and we felt same but each other thing, realizing that we were neighbors but haven't really met before, and just that fact makes me feel we can't let this space go¹³

Thus, the social capital that emerges from the community's self-organization is galvanized into a symbolic capital that places, first and foremost, the social good of togetherness as the leitmotiv of the association.

Another aspect that is recurrently highlighted in the interviews and testimonies regarding the formation and functioning of the association is the level of skill and knowledge possessed by the organization's participants, among whom were lawyers, academics, accountants, event production and communication specialists, economists, journalists, and a host of other skilled individuals. Thus, the individual skills of the members have contributed to the accumulation of cultural capital in the organization. For instance, when the need arose for the creation of their website, those members with IT or web design competencies offered their expertise. Furthermore, the social capital of the ESCH was enhanced by members who introduced new members into the association from their personal networks, including friends and colleagues.

In this way, with the help of the personal knowledge, skills (cultural capital), and social networks (social capital) that members brought to the organization, various strategies were developed to obtain economic capital to buy the Hall. The first was a legal strategy, as it was necessary to identify, choose, and create the legal status that best suited the association in order to acquire the Hall. The second, and most important strategy, was communicational, as the aims of the organization had to be shared with a wider population, with the aim of acquiring sufficient funds to purchase the Hall. Drawing from a Bourdieusian perspective, this strategic approach involves a mechanism whereby the conversion and social recognition of the association's social and cultural capital were converted into symbolic capital through the dissemination of its activities and initiatives to external stakeholders. This communication strategy, in turn, facilitated the acquisition of economic capital through fundraising campaigns, among other endeavors. This was supported by the involvement and collaborative work of the community to publicize the objectives of the association beyond the neighborhood. To this end, local schools, shops, and businesses were involved through various activities, information stands were set up in busy parts of the neighborhood, leaflets were distributed throughout the Brighton and Hove communities, and networks were mobilized in the local government and media.

From the very beginning of the association, the social capital that grew from the creation of a community objective, as well as the cultural and social capital of its members, enabled ESCH to organize successful public information campaigns and fundraising activities, reaching audiences beyond the local level, as well as succeeding in developing broader community recognition (symbolic capital).

¹³Testimony of Caroline Norman in <https://www.youtube.com/watch?v=Cm-Ew8rIIP0> (Accessed in August 2023).

A Growing and Wider Community Recognition

Immediately after acquiring the Hall, the organization continued to raise funds, this time to carry out the massive repair work on the roof structure, which had not been touched in the 130 years of the Hall's existence.

Just three months after purchasing the Hall, the organization took part in a national competition (The People's Millions) to raise charitable funds from the National Lottery. This competition consisted of a televised campaign on the national channel ITV, followed by a one-day telephone vote. The main feature of the contest was that the voting number was only announced on the morning of the voting.

Facing this great challenge, the organization began a massive communication campaign, which included printing and mailing thousands of leaflets, posters, and stickers, contacting local newspaper, radio, and television, sharing on social media, doing door-to-door talks about the roof of the Hall, engaging with local businesses and schools, hiring street reps, and talking with local politicians and community leaders. The message to the people of Brighton and Hove was clear: help us with your vote to "raise the roof."

The collective efforts of the Exeter Street Hall community resulted in 11,325 votes, achieving fourth place nationally (out of 114 proposals), which enabled them to win the £50,000 grant. In this way, the combination of the social capital of the organization together with the cultural capital of its members strengthened the symbolic capital of the association and their actions, which enabled them to obtain the grant (economic capital).

Following the receipt of this important grant from the National Lottery, the organization has continued preparing projects to apply for private funding. In this way, ESCH has obtained several other grants through competitions, including two Aviva Community Fund grants to improve the Community Room and buy audiovisual material (2015), a project from the Veolia Foundation to build accessible entries and restrooms (2017), and an Enjoolata Foundation grant to raise the standard of the Hall's kitchen to a professional category. Since its founding, the organization has received more than £120,000 in grants and fundraising.¹⁴

In this way, the social and cultural capital of the association has allowed it to continue to gain social recognition within the community itself, as well as at the level of the Brighton & Hove community (symbolic capital). Thus, the combination of these capitals has allowed the association to accumulate sufficient economic capital to grow both in terms of material (improvement of the building) and community (greater offerings of socio-cultural activities).

¹⁴<https://exeterstreethall.org/restoring-the-hall/> (Accessed in August 2023).

17.4 Discussion and Conclusion

By using illustrative case studies on housing and cultural cooperatives, this chapter aims to highlight through a longitudinal analysis the mechanisms of accumulation and conversion of forms of capital that underlie the functioning of the cooperatives.

Firstly, while our two case studies of cooperatives operate in different socio-economic realities (sectors and countries), similarities emerge in the ways in which cooperatives accumulate and convert the different forms of capital. Indeed, these organizations start to create and accumulate one or more forms of capital (social and/or cultural). Individuals with their own networks unite to establish a cooperative due to their shared interests, aspirations, and common needs. Through this collective endeavor and their involvement in the same organization, new connections among members are forged, enhancing both individual and cooperative social capital in pursuit of a shared social objective (Fig. 17.1a).

Concurrently, the inception of the cooperative brings together the cultural capital held by its members, derived from their education, qualifications, and experiences. As they become cooperative members, they make available their expertise and skills to support the organization's objectives, such as drafting project proposals, creating communication campaigns, among others (Fig. 17.1b).

Then, once the organization has acquired its first forms of capital (Fig. 17.2a), their actions trigger a mechanism of initial social recognition through the conversion of social and cultural capital into economic and symbolic capital (Fig. 17.2b). This initial recognition, in turn, fosters the accumulation of more forms of capital, illustrating a virtuous cycle of accumulation and conversion of forms of capital (Fig. 17.2c). These mechanisms of accumulation and conversion can take place within the cooperative or through external actors, particularly in the case of the accumulation of one form of capital and its conversion into symbolic capital. According to Bourdieu, symbolic capital is the recognition of the other forms of capital as soon as they are known and recognized.

Another interesting aspect raised by this study is the reproduction of the dynamics of accumulation and conversion of forms of capital within cooperatives, at least among those we examined. Although initial capital endowment can vary, for example, some cooperatives may initially mobilize their cultural or social capital and then convert it into other forms of capital, the objective of social recognition is a

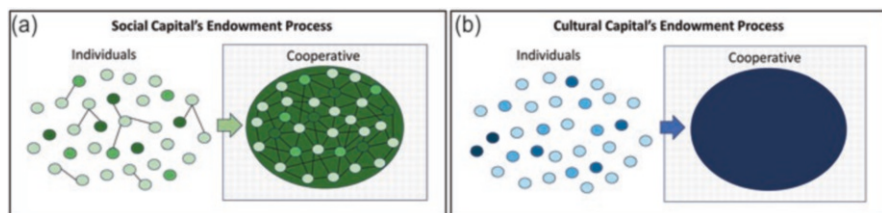


Fig. 17.1 Social and cultural capital endowment in cooperatives

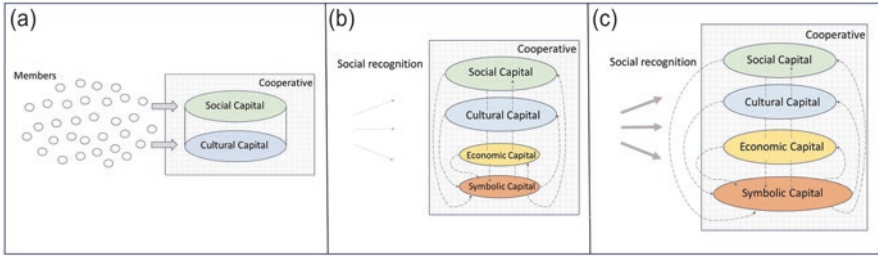


Fig. 17.2 Virtuous cycle of accumulation and conversion of forms of capital

common denominator. Social recognition appears to be the final purpose that guarantees the cooperative to accumulate more social, cultural, and economic capital and fully fulfill their social mission.

Moreover, our study raises an important point, the notion of balance between growth and authenticity. It emphasizes that while the studied cooperatives aspire to grow in pursuit of their (social) mission, they are striving to achieve this growth without compromising their authenticity, to avoid replicating the patterns and practices typically associated with conventional businesses. However, how can they continue to grow while preserving their founding values and principles? Do some cooperatives choose to moderate the conversion of their symbolic capital into other forms of capital at a certain stage to slow down their growth and maintain their authenticity and social mission? This notion of equilibrium within cooperatives needs to be further investigated.

While our two illustrative case studies of cooperatives highlight virtuous circles of accumulation and conversion of forms of capital, not all cooperatives enter into this dynamic and some may encounter difficulties in accumulating and converting forms of capital (Cotterlaz-Rannard & Ferrary, 2021). Further studies should be developed to analyze cooperatives that are less successful than our case studies.

Furthermore, this research introduces novel inquiries and considerations. We present herein a selection of questions that is by no means exhaustive. For instance, do disparities exist in the patterns of capital accumulation and conversion based on the size and age of cooperatives? Are any cooperatives in decline or caught up in a detrimental cycle that is forcing them to reduce their capital (economic, social, cultural, and/or symbolic)? How can an optimal equilibrium be struck between capital accumulation and the upholding of core values (such as authenticity and sustainability)?

Overall, the adoption of the Bourdieusian framework to study the functioning of cooperatives highlights the interdependent nature of economic and non-economic forms of capital providing a more comprehensive and complex understanding of the organizations. Above all, we hope that this research provides material for future research on this topic.

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