

Co-operative Research in 2018: What We Know and Don't Know

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What's the Context?

- Watershed period – A widespread dissatisfaction with traditional business and government elites, an unfolding major humanitarian crisis, pending world-wide environmental catastrophes, looming technological developments that will fundamentally transform work and social interaction, . . .
- Lack of agreement on how to deal with these challenges – E.g., While some scholars argue we need stronger democratic institutions and practices, others are seriously arguing that we need less democracy
- Within this world, where do co-operatives fit? How do they behave?

What Are the Questions?

What are co-operatives? Why are they important?

- Co-operatives emerged as part of the development of the market/capitalist economy, and out of the conflicting perspectives of liberal democracy (based on personal freedoms and rights) and social democracy (based on social justice and collective rights)
- To the extent that these fundamental institutions undergo change, so too does the context and basis for co-operatives
- Thus, research into co-operatives sheds light on: (1) the way a particular organizational form – in this case, the co-operative – adapts to a changing world; and (2) the very nature of the underlying change that is occurring

What's to Come in the Rest of the Presentation

- What we know
- It's about governance
- It's about assumptions
- It's about framing

What We Know: Empirical Observations

Co-operatives ...

- Appear to behave differently than IOFs — they often (but not always) price better, provide a wider set of services, take a longer time view, and are less likely to leave a market
- Typically created to address both market and government failures
- Struggle with raising capital, meeting the needs of a diverse membership, and keeping management in line
- This different behaviour — both positive and negative — is linked to a different governance model — one where owners are users and that still largely relies on non-professional board members elected from the membership



What We Know: Theoretical Findings

- Premised on a highly parsimonious set of assumptions that view members & managers as being rational & fully informed
- Predicted behaviour forms the basis for fruitful empirical tests
- Are often normative in nature — i.e., outline what co-operatives *ought* to do
- If co-ops fail to live up to normative expectations, it is usually assumed that there is something that can be tweaked or fixed with a deliberate intervention (e.g., more education of members, managers exhorted to implement a policy)



What We Know and Don't Know

Set of contextual and behavioural assumptions are not descriptive

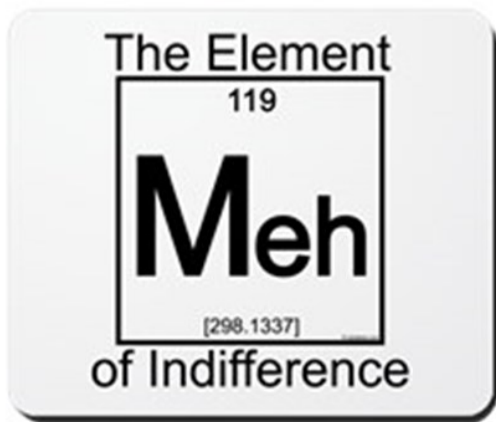
- The reliance on a highly parsimonious set of assumptions has had obvious advantages, particularly for generating clear hypotheses that can be tested empirically
- But relying on this set of assumptions is often not useful for making policy recommendations
- If members and managers behave in a different fashion from what is assumed, then the recommendations flowing from the analysis are likely to be ineffective
- Of critical importance are power, cognitive capacity, identity and values/norms

Why Authority Has an Impact

- Power and authority have an impact because they determine:
 - Who gets to make decisions, and thus whose values, experiences and interests are given prominence
 - How decisions are made – E.g., How agency problems & coordination and co-operation problems play out
 - The values that are deemed to be important and to have legitimacy
 - What counts as knowledge, and whose knowledge counts
 - Whose vision of the future is given attention
- We can examine power and authority by examining who is making decisions and what guides these decisions

Why Governance is Important

- Suppose we think about a simple co-op with four kinds of members and one of two potential manager types
- The members:
 - Meh – indifferent, apathetic
 - Rabid – extreme, fanatical
 - Rabid-C – Highly collectivistic
 - Rabid-I – Highly individualistic
 - Pragmatists – problem solving, trial and error
- The managers:
 - Opportunist – self-serving, calculating
 - Pragmatist – problem solving, trial and error



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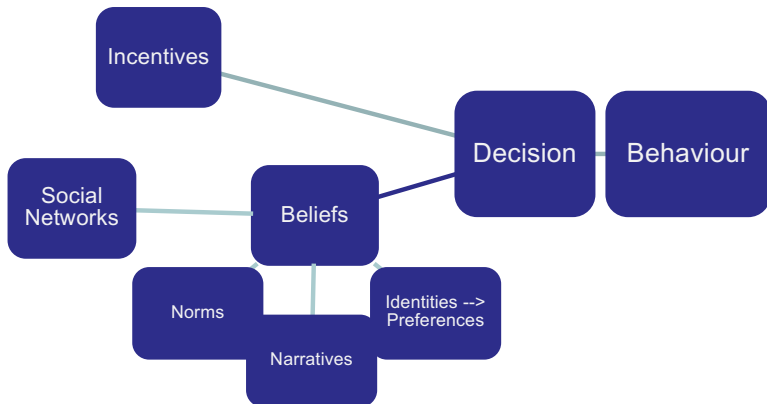
Possible Governance Outcomes

Member Group in Control	Manager Hired	
	Opportunist	Pragmatist
Meh	X	✓
Rabid (C or I)	X	?
Pragmatist	?	✓✓

✓ – Good outcome for the co-op

X – Poor outcome for the co-op

What Really Goes On in the Minds of Members?



Based on Collier (2016)

What Goes On in the Minds of Board Members/Managers?

Insights from behavioural economics and cognitive psychology

- Given limited cognitive bandwidth, what issues receive attention? E.g., Issues facing the farmer or the co-op?
- What triggers attention – a rational consideration of the outcomes or an emotional reaction to the outcomes?
- Are board members driven by extrinsic costs and benefits, or by an intrinsic desire to conform to an ideal type?
- Do board members consider economic and democratic/social issues together, or do they segregate them?
- Do board members consider themselves and the co-op together, or do they segregate them?
- How is risk determined and evaluated?



Assumptions About Interactions

Frameworks

- There are different frameworks we could use to evaluate these relationships
- Principal-agent models focus on opportunistic behaviour
- Stewardship models focus on managerial empowerment
- Cognitive models focus on limitations in cognitive capacity, biases and heuristics in decision making, and the ever-present need to guard against unethical behaviour
- Framework needs to be dynamic; different stimuli may produce different responses

Institutions and Norms: Internal

Things we need to understand better

- The patterns of real governance and norms in co-ops – that is, the power systems and ideas that actually affect stakeholder behaviour
- How norms are formed, and why they are formed
- Why some norms remain relatively unchanged, while others change (sometimes quite quickly)
- What constitutes legitimacy, and what is the source of legitimacy

Thank You