

"Co-operation among Co-operatives: Experiences of Finnish New Wave Co-operatives"

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LIST OF ABBREVIATIONS

ICA – International Co-operative Alliance
 WOCCU – World Council of Credit Unions
 CSA – Community Supported Agriculture

Pellervo – Pellervo Confederation of Finnish Co-operatives
 Oskarit – Oskarit Worker Co-operative
 Ruoka CSA – Herttoniemen Ruokaosuuskunta CSA Co-operative
 Sataosaajat- Sataosaaja Worker Co-operative

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Chapter 1

Introduction

1.1. INTRODUCTION TO THE STUDY

This thesis explores the experience of Finnish New Wave co-operatives in applying the 6th International Co-operative Alliance Co-operative principle; Co-operation among Co-operatives. This exploration is based on three main research questions:

- i) *To what extent and how do Finnish New Wave Co-operatives practice co-operation among co-operatives?*
- ii) *What are the Finnish New Wave Co-operatives' motivations for practicing co-operation among co-operatives; what are the benefits derived from any co-operation practiced?*
- iii) *What challenges do Finnish New Wave Co-operatives face in practicing the 6th ICA principle, and how do these reflect on any future plans they may have in relation to co-operation with other co-operatives? Do Finnish New Wave Co-operatives identify any specific factors that in their experience support co-operation among co-operatives?*

Finland has been described as the *most co-operative country in the world*. With a population of five million, Finland has seven million co-operative memberships in over 4000 co-operatives and the average person in Finland is a member of two to three different co-operatives¹. Similarly to most European countries in the late 19th and early 20th centuries, large co-operatives in the fields of banking, insurance, retail trade and food production established themselves as major players in the Finnish economy (Kalmi 2013). Kalmi (2013) notes that there is today also a significant number of considerably smaller, typically between seven and ten member, *entrepreneurial* co-operatives that have emerged in Finland since the early 1990s at a rate of 200 per year on average. Most of these new entrants represent the *infrastructure* and *worker co-operative* sectors, with the third new main group consisting of various different types of co-operatives that bear resemblance to more traditional types, for instance, marketing co-operatives in the food sector² (Kalmi 2013).

The term *New Wave Co-operatives* is often used in reference to these new entrants in Finnish co-

¹ (http://www.osuustoiminta.coop/2012/ost_suomessa_lueлисaa.html)

² Kalmi (2013:14) notes that these work typically on “*much smaller scale than their long-established counterparts in the traditional co-operative sector*”.

operation. Skurnik (2007:4) notes that *“the Finnish reference to “new wave” reflected a surge in new starts after a quiet period in co-operative development... The name is important, however. The new Finnish co-operatives are different creations than the co-operatives and community developments called “new wave” enterprises in other countries”*. Pättiniemi (2001:86-87) notes that a new feature of this wave in co-operative formation in Finland in the 1990s, is that *“co-operatives have emerged in new sectors, especially in knowledge-intensive areas like training, consulting and planning”*. Skurnik et al (2007:5) highlights this interesting feature further: *“the new burst in co-operative development is largely led by people who are discovering co-operation for the first time”*.

Despite the strength in numbers, the new wave faces various challenges. In the case of the New Wave Worker co-operatives, for example, Pättiniemi (2001:93-94) notes that they *“... have the same kind of financial problems as other small companies. Among these problems the lack of own capital is the most important... Lack of competent managers is a major problem, while lacks of business planning and of marketing skills are also generally seen as factors that hinder the development of labour co-operatives”*.

The ICA/UWCC Statement from 1996 notes that *“The co-operative principles cumulatively are the life blood of the movement. Derived from the values that have infused the movement from its beginnings... they are the guidelines through which co-operators strive to develop their co-operative organisations... They are the essential qualities that make co-operators effective, co-operatives distinct, and the co-operative movement valuable”* (ICA/UWCC 1996³). At a time when on the one hand, the structural weaknesses of conventional business have only too recently been highlighted by the severe global economic recession from 2008, but on the other hand many co-operative enterprises are among those struggling to survive, this study looks at one potential support to these enterprises advocated by the ICA; *co-operation among co-operatives*.

This thesis will outline any past and present forms and structures of co-operation practiced by Finnish New Wave co-operatives with other co-operatives. The motivations of Finnish New Wave co-operatives for practicing the 6th ICA principle more broadly will be explored together with benefits derived from co-operation. Lastly, this thesis will explore the challenges observed by Finnish New Wave Co-operatives in relation to co-operation with other co-operatives, as well as

³Source: www.uwcc.wisc.edu/icic/issues/prin/21-cent/background.html (No page numbers in report)

any factors found to support co-operation. Suggestions and any future hopes in this area will be noted and explored.

1.2 DEVELOPMENT OF THE FINNISH CO-OPERATIVE MOVEMENT

This section will outline the main developments in the Finnish co-operative movement from its beginnings in the late 19th century onwards. It will then explore the beginnings and features of the “*New Wave Co-operative*” phenomenon of the last 20 years.

“Partly by saving, partly by supporting one another, even those of small means will be able to enjoy the profits of larger capital, buy their goods more cheaply, sell their products at better prices, and get necessary credit. Co-operation can also promote thriftiness, activity and solidarity. It has therefore great economical, educational and ethical importance” (Co-operative Societies Act 1901, cited in Skurnik 2002:108)

The Finnish co-operative movement is just over a hundred years old today. The late 1800s, in a very much agrarian, sparsely populated and poor country of largely uneducated and unconnected people, was a time of national upheaval. The position of Finland as a largely autonomous part of the Russian empire was being called into question and there were fears of initiatives from the east to *Russianise* the country. Köppä (2011:30) notes that: *“The rise of the co-operative movement in Finland was closely linked to the nationalist awakening and the Finnish nation building...”* At that time, a well travelled Finnish businessman Hannes Gebhart (often also referred to as the *father of Finnish co-operation*), noted in the German *Raiffeissen* co-operative model a potential vehicle for connecting the isolated rural population into the new market economy, while at the same time *“spreading and strengthening awareness for the national cause among the people”*⁴ (Henttinen 1999:103). Henttinen (1999:46) notes that early co-operative leaders prioritised *reducing hunger and improving living conditions* of ordinary people, which in turn, it was anticipated, would raise and spread *national sentiment*.

Gebhart was keen to use the co-operative movement also as a vehicle for *“cultural development”* and ingrained in the movement from its beginnings were the spread of the (co-operative) ideologies of *solidarity, rationality, hard work and savings* (Henttinen 1999: 43-54). The aim of the

⁴ While political parties and other expressions of nationalism were suppressed under the Russian rule, economic activities were allowed (Jones and Kalmi 2010:5)

co-operative movement at the time was to lift farmers not only economically, but also *morally* (Henttinen 1999). Köppä (2011:30) notes that *“the central co-operative bodies set out at an early stage to arrange educational courses ... so that the philosophy behind the movement gained a central place in the teaching alongside ... practical matters”*. Henttinen (1999) notes that one of the features of the Raiffeissen model was a strong *Christian-social* ethos, and that original credit circles were deliberately small to enable *supervision of the lives of the participating farmers*.

Rather unusually for a co-operative movement, the creation of the Finnish one was *pre-meditated*, and lead from the “top down” with three distinct first steps as outlined by Skurnik et al (2007:7-8):

1) *An ideological umbrella organisation was founded in autumn 1899 with the start of the Pellervo Society*⁵.

2) *The Co-operative Law came into force in 1901.*

3) *The making of a federal organisation began in 1902 with the founding of OKO and cooperative banks.*

Being a very sparsely populated country, Skurnik (2002) notes that such central organisation was in fact necessary to spread the co-operative ideology and activities. From here on, the co-operative movement spread and grew in waves with the SOK co-ordinating activities in *the consumer co-operative* sector and the co-operative banks acting (initially) as a channel for distributing government loans to farmers. Agricultural producer and forestry co-operatives soon also developed, in both sectors growing to substantial sizes. Although co-operation landed in Finland late by comparison to many of its European neighbours, in a brief period of time it became one of the largest social and economic movements in the country in the early 1900s (Laurinkari 2004:18). Laurinkari (2004:18) notes that one of the main reasons for this was that co-operation was able to meet the needs of the *new economy* in the transformation from subsistence farming to market economy, as well as *utilise the population’s need and motivation for working together*.

Kalmi (2013: 10) notes that *“...though the first Finnish cooperatives were established several decades later than in many other Western European economies... the development was so rapid that by 1920 the number of co-operatives relative to the population was higher in Finland than*

⁵ Pellervo is 1) A service organisation for Finnish cooperatives 2) A forum for cooperative activities 3) An organisation of expertise for the cooperative activities 4) An organisation dedicated to development 5) A national and international actor and promoter of members' interests.

anywhere else, with the possible exception of Denmark (Gide 1922)”.

The Finnish co-operative movement is thus credited with a crucial role in the economic and social development of country in the last 100 years. Skurnik (2002: 121) notes:

... “Co-operation managed ... to integrate the Finnish countryside into the embryonic industrial-commercial market... to play a decisive role in building a modern food industry, developing the retail trade, securing food supplies during the war and rebuilding the country afterwards. In fact it played an integral part in all the major structural changes that occurred in Finland ... from an agrarian nation to an industrial one and ultimately into a post-industrial welfare state... Without exaggerating, it can be said that cooperation has contributed as much to the success of Finnish society and economic life as the private corporations more commonly mentioned in the media”.

Today, the market shares for co-operatives in their core fields of food production and retail, banking and insurance are substantial with, for example, the OP-Pohjola co-operative banking and insurance group holding 32,5 percent of Finnish deposits and the S-Group group 45,2 percent of grocery sales nationwide⁶. One example of the size of Finnish cooperation today is that the forest-owners’ co-operative *Metsäliitto* was in 2004 the largest producer-owned cooperative in Europe (Kalmi 2013).

This phenomenal growth in activities considered, it is obvious that the last 100 years have seen some dramatic changes in the membership, structure, activities as well as ideologies of Finnish co-operation. Some of the main changes have been from the 1930s onwards of the co-operative banks and consumer societies welcoming *non-members* as customers, and from the 1980s onwards, many co-operatives beginning to turn parts of their activities into limited companies and some enlisting them in the stock market. Considering the rural roots of Finnish co-operation, something that has received a lot of attention from the general public has been the increasing rate of co-operative bank branch and consumer co-operative outlet closures, particularly in the more remote areas of the country where distances are substantial. Interestingly, considering the strongly ideological beginnings of the movement, Laakkonen (1995) notes that Finnish co-operatives today suffer from a credibility crisis due to showing little regard for the co-operative principles in their

⁶ http://www.fkl.fi/tilastot/Tilastot/Pankkien_markkinaosuudet_2010.pdf
<http://www.taloussanomat.fi/paivittaistavarat/2012/03/29/s-ryhma-ja-kesko-kasvattivat-yha-markkinaosuuttaan/201226300/12>

daily activities. Henttinen (1999: 30) notes:

“...The Finnish co-operative movement started off as an alternative movement with the aim of ameliorating the economic inequalities of the time... (However) it now features as a prominent part of our country’s economy (and) no longer represents the alternative, but instead supports and complements the western free market capitalist economic system.”

Pättiniemi (2001: 83) also notes that *“... in public discussion, co-operatives ... are not often seen as being part of the third sector or of the social economy. This view has deep roots in Finnish history, where the large agricultural and consumer co-operatives and mutual insurance companies have always been seen as private firms, rather than as a part of the social economy”*.

Others, however, see change and adaptation as vital for the survival of Finnish co-operation in the turbulence of globalisation. Skurnik et al (2007:4) note: *“Like all Finnish organisations and groups of people, cooperatives were left to fend for themselves to find ways to survive the social and economic “shocks”... all enterprises had to become more competitive in recognition of the global economy. Existing co-operatives did this by adapting to the global market through changing business structures and using supply-chain and value-chain strategies to serve long-term customers and niche markets”*.

Skurnik et al (2007:4,13) note that co-operatives had an important role when the Finnish economy in the 1990s transformed from a *coordinated market economy (CME)* to a *more liberal, or near liberal market economy*: *“Co-ops helped Finland adapt to economic change. What emerged was ... a bipolar economy in which cooperatives play a large role in the domestic market, or “Finn Pole”... Two out of three Finns are members of one or more co-operatives. Patronage relationships, or usage of those co-operatives’ goods and services, are the glue that holds Finnish society together and brings about stability”*.

Laurinkari (2004:53) also notes that the role of co-operatives has naturally changed in the industrialised countries of the 21st century as *co-operation is no longer needed to address hunger and abject living conditions*. Though the *traditional ideological reasoning* behind co-operation in Finland is largely gone, that amidst globalisation, it is possibly being replaced by a new type of ideological reasoning; one based on the value of *Finnish ownership* (Skurnik 2005). Thus, despite

the changes in the structure and function of co-operatives in Finland over the last 100 years, the *importance* of the sector for the Finnish economy and society has not declined (Skurnik et al 2007).

1.3. FINNISH NEW WAVE CO-OPERATION

This section will outline the development of the *New Wave* of co-operative formation in Finland from the early 1990s onwards and explore its main features and impacts.

1.3.1 Background to the New Wave

It is often noted (Ollila 1989, Ekelund Azellson 1991) that co-operative enterprises form where a group of persons experience a *market failure* at the same time as the *social prerequisites* for them to organise themselves exist (cited in Michelssen 1993: 153). About the situation in Finland at the beginning of the New Wave in the early 1990s, Kalmi (2013:12-15) notes the following:

“Prior to the economic crisis that began in 2008, this (recession of the early 1990s) was the most severe depression in any OECD country since World War II. In 1990-1993 the unemployment rate soared close to 20% and GDP plummeted by 14% (Kiander and Vartia, 1996) ... In the few decades preceding 1988, only a handful of co-operatives had been established⁷... In Finland, the starting point of the co-operative “wave” has often been identified as coinciding with the Great Finnish Depression in the early 1990s”⁸.

The response of the Finnish Co-operative sector to the crisis was, according to Skurnik et al (2007:4), in addition to *restructuring of existing co-operatives*, the creation of “...more than 2,900 new cooperatives aimed at using competitive advantages to serve the Finnish domestic market”. Kalmi (2013) notes that although this latest wave of co-operative formation in Finland is not unique and similar trends can be noted, for example, in Italy and Sweden, the “*formation rates of co-operatives in Finland are relatively high compared to those reported in other studies; in*

⁷ *Between 1988 and 1993 most co-operatives that were established were infrastructure co-operatives (Kalmi 2013: 12-15)*

⁸ *This is consistent with the observation that co-operatives waves elsewhere have often coincided with depression as with America’s Great Depression in the 1930s (Conte and Jones 1991) or the 1975 oil crisis in Western Europe (Ben-Ner 1988). Cited in Kalmi 2013: 12). Skurnik et al (2007:5) also note that “this was not a unique Finnish experience; the same trends were found throughout the developed or industrialised nations and were brought about by consolidations of industries, consolidation of multinational companies... and a host of other external and internal influences”.*

particular, in per capita terms they are many times higher than those reported, for example, for the UK (Podivinsky and Stewart (2007), for France in Perotin (2006) (Kalmi 2013:16).

1.3.2 The New Wave in Numbers

Kalmi (2013) notes that, overall, formation rates for any type of new co-operatives were relatively stable until 1995 after which formations increased sharply, reaching a high point in 1998 when 264 co-operatives were formed. The formation rates dipped in 2001 and 2002 but increased again in 2003. Altogether, 2632 co-operatives were formed from 1988 to 2005, of which 1115 were worker co-operatives, 752 infrastructure co-operatives, and 765 other cooperatives (various co-operatives owned by customers or suppliers)⁹ (Kalmi 2013:14-15).

Since 2006, the formation rate has averaged approximately 200 new co-operatives annually, with 2008 having seen a dip to 158 new co-operatives, but new growth since 2009 with 229 new co-operatives having formed in 2012¹⁰. In terms of the employment impact, in total, Finnish co-operatives employ 106,000 people. It is estimated that in 2010, approximately 4800 of these were employed in the small new wave co-operatives¹¹.

Kalmi (2013) notes that the majority of these new co-operatives are small, between seven and ten members strong. However, some have grown substantially beyond this with the ten largest small new wave co-operatives having on average 46,5 members and their annual turnover reaching several million euros each in the top three¹².

1.3.3 Types of Co-operatives Formed

As noted in the above section, this new wave has drawn in various before unseen areas to the realm of co-operation. Kalmi (2013) identifies *three main types of New Wave co-operatives*: 1)

⁹ *The Pellervo data also include information on co-operative exits, but, these data appear unreliable. For instance, only 7 co-operatives are said to have exited before 1999, although by that time 985 new co-operatives were formed. Such a low rate of exit is somewhat implausible. One explanation might be that inactive firms may have remained in the register. They are also removed from the register fairly sporadically, which means that the timing of exit does not necessarily reflect the time when operations ceased, but rather the clean-up efforts of the register authorities. However, there is some evidence for Finland that co-operatives may be more resilient than other types of enterprises. Karjalainen (2009), citing evidence released from Statistics Finland, shows that between 2003 and 2008 only 0.03% of existing co-operatives disappeared through bankruptcy, whereas the corresponding figure for joint-stock companies was 0.86%. (Kalmi 2013:15)*

¹⁰ http://www.pellervo.fi/uutiset/viikko/viikko3_13.htm#maara

¹¹ http://www.osuustoiminta.coop/ot/ot1_12/ot1b_12.htm

¹² http://www.pellervo.fi/otlehti/ot4_12/lehdistotiedote_palvelu_pien_osuustoiminta.htm

Infrastructure co-operatives, of which water co-operatives are by far the most prominent 2) A diverse range of Worker co-operatives in the service sector and 3) Various co-operatives that bear resemblance to more traditional types, for instance, marketing co-operatives in the food sector¹³.

1.3.3.1 Infrastructure Co-operatives

In reference to the Scandinavian co-operative movement, Bager (1992, cited in Michelsen 1993:153) notes that *“During recent years... co-operative organisations have often been formed as a result of planning failures i.e. when people experience problems because the public sector has not satisfied their needs”*. Evidence of this can be found in Finland. Kalmi (2013:13) notes that *“...it is characteristic of all these co-operatives that they operate in rural areas where the municipal infrastructure is deficient”*. Of the Infrastructure co-operatives which have emerged in Finland over the last 20 years, *“by far the largest group are water co-operatives, which take care of the water supply in rural areas that are outside of the municipal infrastructure networks (Kalmi 2013:13). Other types of infrastructure co-operatives include antenna co-operatives and pier co-operatives (Kalmi 2013:14). On the rate of establishment Kalmi (2013:14) notes that “The rate of establishing infrastructure co-operatives has remained quite stable throughout the period, although since 2003 it seems to have increased to a new and higher level”*.

1.3.3.2 Worker or “Labour Co-Operatives”

Kalmi (2013: 10-11, 14) notes that worker co-operatives were largely absent from the Finnish co-operative sector up until the last 20 years: *“While worker co-operatives have been relatively rare anywhere, in Finland they were virtually non-existent until the mid-1990s... Only 10 worker co-operatives were established before 1994, but since then the number increased sharply, peaking in 1997 when 153 worker co-operatives were formed. After 2000 the rate of formations decreased somewhat and less than 100 new worker co-operatives were established annually”*.

On the *rationale* for worker/labour co-operative formation which only really began in Finland in the early 1990s, there was an unprecedented *market failure* which occurred in the Finnish economy and labour market with unemployment levels quickly rising from approximately 4 to 20 percent in many municipalities. The recession also reflected heavily on private companies' willingness to *enter into labour contracts* (Pättiniemi 2001). Pättiniemi (2001:88) notes that: *“...The*

¹³ Kalmi (2013:14) notes that these work typically on *“much smaller scale than their long-established counterparts in the traditional co-operative sector”*.

creation of labour co-operatives thus appeared as a new and more effective tool through which to get employment”.

Depending on the preferences of the specific author, the terms *worker co-operative* and *labour co-operative* are used interchangeably in the Finnish context¹⁴. However, it should be noted that the term *labour co-operative* for example Pättiniemi (2001) uses above, is in fact a somewhat different development to what is probably more typically understood by a worker co-operative operating in the manufacturing sector. In Finland, there are no worker co-operatives operating in the manufacturing sector (Kalmi 2013)¹⁵. Instead, Kalmi (2013) notes that virtually all of Finnish worker co-operatives operate in the *service sector*, and it is to these New Wave service industry co-operatives that the term “*labour co-operative*” is applied. Pättiniemi (2001:87-89) describes the structure and function typical for a New Wave Finnish labour co-operative as follows:

“The idea of a labour co-operative is to rent out or lease their members’ labour to other companies or to households... The co-operative pays the wages, employer payments, taxes and other legal payments arising from the labour contract... Labour co-operatives differ from other worker co-operatives in that the members are not permanently employed by the co-operatives. There are times when a member is employed by the co-operative and times when he/she is not employed and is receiving unemployment benefits from the state... The explicit aim ... of labour co-operatives is to promote the economic and social well-being of their members by offering them work opportunities. They aim at employing their members full time by hiring out their labour to other employers. However, part-time and temporary working opportunities are also welcome”.

As was noted in section 1.1, the new co-operative wave has drawn in professionals from various before unseen areas to the realm of co-operation (Skurnik et al 2007, Pättiniemi 2001). This has been reflected particularly in the labour co-operative sector, making it a rather diverse one. Kalmi (2013:13-14) notes that this group has expanded to include:

“...low-skill services, such as cleaning and household work, or repairs and maintenance. Co-operatives are also becoming popular in the social sector. Kindergartens or homes for the elderly

¹⁴ Thus, the two terms will be used interchangeably in this thesis.

¹⁵ Kalmi (2013:14) notes also another important feature of the Finnish worker co-operative sector: “...Almost no co-operatives have been formed through employee buy-outs: nearly all of them have been created *de novo*”

are organised as cooperatives and run by their employees. Among the university educated, co-operatives have become common for instance in the information technology, education and cultural sectors as well as various other professional domains (e.g. architecture, translating, consulting).

1.3.3.3 Other New Wave Co-operatives

Kalmi (2013:14) notes:

“The remaining category, non-worker and non-infrastructure co-operatives were more common than worker co-operatives until 1994, after which their formation rates, too, increased and surpassed those of infrastructure co-operatives...”¹⁶

This third main group of co-operatives featured in the new wave of the last 20 years, similarly to the *infrastructure* and *worker/labour co-operatives* outlined above, is very diverse. Kalmi (2013) notes that for example in the handicrafts sector, many *handicraft marketing co-operatives* have emerged. Also, various *tourist co-operatives*; *joint enterprises of entrepreneurs in the tourism sector* have formed (Kalmi 2013:14). In the food sector this group includes *marketing* (particularly in organic products) and *agricultural inputs purchase co-operatives*. One of the most recent developments in the new wave food co-operative sector is the emergence of *Community Supported Agriculture* projects (CSAs). The first Finnish CSA project began operating in 2011 in Helsinki, and based on its example other such projects quickly emerged in different cities around the country, to date having attracted a total of almost 500 members.

On the history of CSAs, Abbott Cone et al (2000:187) note that: *“... The concept of CSA originated in Japan and Europe. In the United States, the first documented CSA farm began in 1985... In its simplest form, CSA is a contractual agreement between a farm and a group of consumers variously described as “shareholders” or “members”. Members purchase a “share” at the beginning of the season, allowing the farmers to plan production for a guaranteed market and providing capital up front to purchase inputs. ... Risks are shared... The core of CSA production is organic vegetables, but other products may be distributed as well: meat and poultry, dairy products... Members usually receive products weekly... (normally) members assist the farmers in various ways, often helping to*

¹⁶ *“...However, in later years they decreased below the formation rates of infrastructure co-operatives”* (Kalmi 2013:14).

plant, harvest and deliver the vegetables ...”

Abbott Cone et al (2000:187) also note that “*the literature describes it (CSA) as Community Based Organisation of Producers and Consumers*”. The legal form CSAs take varies and depends on, among other factors, membership size, what is hoped to achieve with the project, and forming a *CSA co-operative* is one option which has worked for many of the projects in achieving their goals.

1.4. OVERVIEW OF METHODOLOGY

The objective of this study was to explore the experience of Finnish co-operatives in applying the 6th international co-operative principle; co-operation among co-operatives. The methodology used to achieve this objective was the *Case Study* method, with qualitative primary research conducted in three different Finnish New Wave co-operatives. Secondary research was conducted through the revision of relevant literature (in chapter two but also, to a lesser extent, in chapter one). Some internal documents in the case study co-operatives were also analysed as part of the secondary research.

1.5. LIMITATIONS OF STUDY

The primary limitation of this study is its small sample size which means that generalisations cannot be made based on the findings. Nevertheless, it may make for a good *starting point* from which to begin exploring the issues further. The researcher is also aware that there are two very different types of co-operatives represented in the case studies, namely, two *labour co-operatives* and one *Community Supported Agriculture Co-operative*. These two types of co-operatives have different overall goals, with members of labour co-operatives, for example, being much more reliant on the enterprises for their livelihood. Thus, the co-operatives’ motivations for practicing *co-operation among co-operatives* may be very different (though similar motives also exist, as will be seen in the chapters to follow).

1.7. LAYOUT OF THE STUDY

This thesis is laid out in five chapters. This chapter has introduced the study. In *Chapter Two*, relevant previous literature on the co-operative principles and specifically *co-operation among co-operatives* will be reviewed. *Chapter Three* will provide details of the primary and secondary research methodologies used in this study. Findings from the practical research carried out will be explored in *Chapter Four*. This thesis will conclude with a discussion of findings, analysis and conclusions in *Chapter Five*.

Chapter 2

Literature Review

2.1 INTRODUCTION

This chapter will present a review of previous literature relevant to the study. It will begin with an outline of the co-operative principles and their development from their origins some 160 years ago. Following this, some examples from literature of the various forms of interpretation that have been applied to the principles will be outlined. The origins and rationale of the 6th ICA Principle - Co-operation among Co-operatives - will then be explored, followed by examples in literature of the different forms of application of this particular principle by co-operatives.

The author found the existing literature on co-operation among co-operatives specifically quite limited, and, much of what was found, focused on co-operation among *traditional* co-operatives. The exploration of literature was thus expanded to include relevant aspects of literature on *small and medium enterprises* more generally (which is, despite their co-operative ownership structure, the category in which the small new wave co-operatives under study here, as economic enterprises, fall into). While direct applicability is not assumed, the author considers relevant aspects of this literature nevertheless to make an interesting contribution to this study on the co-operation strategies of small co-operatives¹⁷.

2.2 INTERNATIONAL CO-OPERATIVE ALLIANCE (ICA) CO-OPERATIVE PRINCIPLES

The International Co-operative Alliance (ICA), the *Apex organisation for co-operatives worldwide*, currently prescribes seven principles for its members as “*guidelines by which co-operators put their values into practice*” (Cropp et al 2004:1). The ICA defines those co-operative values are “*self-help, self- responsibility, democracy, equality, equity and solidarity*”¹⁸, and the current seven co-operative principles are¹⁹:

1) *Voluntary and Open Membership*, 2) *Democratic Member Control* 3) *Member Economic Participation*, 4) *Autonomy and Independence*, 5) *Education, Training and Information*, 6) *Co-operation among Co-operatives*, 7) *Concern for Community*

(See Appendix 1 for a more detailed description of each)

¹⁷The European commission defines small and middle sized enterprises as companies with a range of 10–250 employees (Source: Asproth et al 2008: 177).

¹⁸Source: <http://2012.coop/en/what-co-op/co-operative-identity-values-principles>

¹⁹Source: <http://ica.coop/en/what-co-op/co-operative-identity-values-principles>

2.2.1 Origins of the Principles

Co-operatives first emerged as distinct, legal institutions in Europe during the nineteenth century (ICA/UWCC 1996²⁰). Watkins (1990, cited in Skurnik 2002:104) notes that the vast variety of co-operative models and structures that have since developed, all share *“a common origin and history in the establishment by the flannel weavers of Rochdale, England, in 1844 one of the first (consumer) co-operative societies and the rules pertaining to it”*.

The Rochdale Equitable Pioneers Society in Manchester, England, in order to assure the economic success of their enterprise, adopted a series of rules, objectives, practices and procedures. Later, in the 1860s, as a means of consolidating the key elements of their success in a set of easily understandable principles, they developed these further into the *Rochdale Principles*²¹ (Thompson 1994). These principles informed the spread of the co-operative movement in England in the 19th century and later also became the co-operative principles endorsed by the ICA, formally so in the 1934 general meeting. Watkins (1986) notes that for the purposes of the International Co-operative Alliance (ICA), the principles originally served the purpose of *defining* what a genuine co-operative is; excluding from its membership those enterprises which did not conform to the Rochdale Principles. Today, through the ICA, the co-operative principles, updated to reflect changes in practices in 1963 and again in 1995, inform the members of the second largest single organisation in the world after United Nations; in total over 230 member organisations in over 100 countries.

2.2.2 Co-Operative Principles in Theory – Definitions and Meanings

In defining the co-operative Principles, the ICA/UWCC (1996) Background Paper to the Statement on Co-operative Identity notes that: *“The co-operative principles cumulatively are the life blood of the movement. Derived from the values that have infused the movement from its beginnings... they are the guidelines through which co-operators strive to develop their co-operative organisations... they are the essential qualities that make co-operators effective, co-operatives distinct, and the co-operative movement valuable.”* (ICA/UWCC 1996²²)

Watkins (1986) notes that co-operative principles are *means* through which co-operators achieve

²⁰ Source: www.uwcc.wisc.edu/icic/issues/prin/21-cent/background.html (No page numbers in report)

1 ²¹ The exact amount and content of the original principles varies according to author. Watkins (1986) notes that that the Pioneers enumerated 15 principles, where as Thompson (1994) argues that there were only seven.

²² Source: www.uwcc.wisc.edu/icic/issues/prin/21-cent/background.html (No page numbers in report)

goals such justice of freedom. Skurnik (2002:104-105) notes the importance of the principles for the development and success of the co-operative enterprise model; that largely through *trial and error*, internationally applicable co-operative principles have been developed so that “...*the aim of cooperating on a basis other than capital investment should succeed in practice*”. Skurnik (2002:105) further notes that, in practice, these principles translate into “...*generally accepted guidelines for cooperation in producing member services – rather like the rules of fair play*”.

For co-operators, the principles can provide a practical framework for the *development of their organisation* as well as *a guide in decision making* (ICA/UWCC 1996)²³. MacPherson (1997) notes that the principles can also be used as a tool in the *evaluation of activities* in co-operatives. More recently, the principles have also been somewhat rediscovered by co-operatives as a means with which to *distinguish themselves from conventional business*, through the marketing of, for example, member control. Marketing this *co-operative difference* has proved a useful tool in competition for many co-operative enterprises.

2.2.3 Principles in Practice – Extent of Application by Co-Operatives

It is obvious that with such a broad range of countries, different co-operative sectors and types, as well as constantly changing operating environments, there are multiple interpretations in the application of the principles. Van Dijk (1999, cited in Skurnik 2002:2) notes that

“In practice, these principles provide a general starting point and motive to cooperative-based business activities. However, on this common basis a wide variety of different national and sectoral cooperative model solutions have sprung up that can also vary considerably in how they emphasise principles”.

As a general pattern, it has been noted (Laidlaw 1980) that ideology features as an important part of co-operatives starting off, but as operations grow, profitability takes centre stage and decisions take co-operatives further away from the principles, many as far as drifting into disintegration or in the very least an eventual *ideological crisis*²⁴. This tendency to move towards practices which more and more closely resemble those of conventional enterprises has been termed ‘*cooptalismo*’ (Belley 1988, cited in Fernández Guadaño 2006), ‘*isomorphism*’ (e.g. Bager 1994, cited in

²³Source: www.uwcc.wisc.edu/icic/issues/prin/21-cent/background.html (No page numbers in report)

²⁴ Laidlaw (1980: 8-9): The three crises co-operatives globally seem to go through from birth to maturity: 1) credibility crisis 2) managerial crisis and 3) ideological crisis

Fernández Guadaño 2006), or '*decooperativization*' (Vivet et al 2000, cited in Fernandez Guadan 2006).

More broadly, the principles can be seen to have fluctuated in and out of "fashion" over time. Laidlaw noted in his 1980 essay that *"There is a strong tendency among co-operators nowadays to avoid theory and ideology and instead "get on with business" (Laidlaw 1980:23). Muenkner (1994:2) notes that "for decades co-operative enterprises have pursued the policies of surviving on the market ... by imitating the business policies of their competitors". The ICA responded to this phenomenon at its Manchester Congress in 1995 by adopting an Identity Page defining the nature of co-operatives today. Among other issues, it reawakened concerns over the nature of democracy within co-ops as well as the "old argument" about the social obligations of co-operatives (MacPherson 2004).*

In terms of their prioritisation, although the ICA no longer draws any formal distinction between the principles in terms of their weighting, the first three are widely regarded as the *core principles*. Cropp et al (2004:45) note:

"Not all co-operatives adopt all of the ICA principles. The basic three "defining" principles (user ownership, user control and proportional distribution of benefits are commonly accepted as the only principles necessary to guide co-operatives. Many co-operative leaders and scholars believe that the additional principles should serve only as recommendations".

Also Laakkonen (1995) notes that co-operation is, above all, a *practical* undertaking and that thus, once *democracy and member equality* are respected and the co-operative meets member needs, co-operative principles can be seen to be followed. However, Skurnik (2002:119-120) notes on the recent emergence of *New Generation Co-operatives* that

"... in the fiercely competitive North American food market, the agricultural cooperatives have been forced to revitalise their competitiveness through an exceptional revision of cooperative principles. The main changes are closed membership, large capital investment by members ... as well as defining the rights and obligations of members according to a precise and exacting agreement".

On the other hand, one of the most successful co-operative groups in the world - the Basque

*Mondragon*²⁵ - is known for its continued consideration of the co-operative principles in its activities, and thus appears to stand testimony to the authority of the co-operative principles. More specifically, it is noted by McMurtry et al (2011) that the 6th principle, *co-operation among co-operatives*, has played a decisive part in its success: “A key part of the success of Mondragon firms is directly attributable to its practice of a key co-operative principle, *inter-co-operation*...” (McMurtry et al 2011: 35).

2.3. THE 6TH ICA PRINCIPLE - CO-OPERATION AMONG CO-OPERATIVES

Co-operation among Co-operatives, the current 6th ICA Co-operative Principle, was formally adopted in the 1963 round of updates of the principles. ICA (ICA/UWCC 1996²⁶) defines this principle as follows:

“Solidarity means that co-operators and co-operatives stand together. They aspire to the creation of a united co-operative movement locally, nationally regionally and internationally. They co-operate in every practical way to provide members with the best quality goods and services at the lowest prices. They work together to present a common face to the public and to governments... Finally... it needs to be emphasised that solidarity is the very cause and consequence of self help and mutual help, two of the fundamental concepts at the heart of co-operative philosophy”.

In terms of importance, some authors regard the 6th principle to be at the heart of the co-operative form. Watkins (1986:19) notes that: “Contrary to the opinion expressed by certain authorities, who regard democracy as the fundamental co-operative principle, the present writer holds that *Unity* is the most vital of the seven. *Unity* is the source of whatever power any co-operative movement acquires or wields. Its maintenance is the indispensable condition of the effective observance of the other six principles”²⁷.

McMurtry et al (2009: 74) approach the 6th principle through the significance of *co-operative movements*, appraising their potential as “...a central component of cooperative economic theory...”

²⁵ Federation of worker cooperatives based in the Basque region of Spain, the largest business group in the Basque Country and the seventh largest in Spain.

²⁶ Source: www.uwcc.wisc.edu/icic/issues/prin/21-cent/background.html (No page numbers in the report available online)

²⁷ The terms *Co-operation among co-operatives*, *Association*, *Unity* and *Solidarity* are used interchangeably here depending on the preference of author cited.

They view the development of co-operative movements as very much a *natural process*, the potential of which they argue has been overlooked:

“To understand the uniqueness (the dual nature of co-ops), one must understand that, like the corporate form, coops develop not only at the level of an individual firm but also... they develop into a global movement present virtually in every country- growth which parallels the movement of corporate globalisation. Unfortunately, this movement nature of coops has (also) been overlooked and underdeveloped in theory-and in practice” (McMurtry et al 2009:56).

Treacy (2000) notes that on a broader level, working together and presenting a “*common face*” can provide the co-operative movement bargaining power and a stronger overall stance when, for example, attempting dialogue with local or national governments.

In addition to the practical competitive advantages potentially offered by the application of the 6th principle, some authors view this principle to hold also a more *philosophical* or *ethical* dimension. Clarke (1998:2) notes that: *“Co-operation means more than self help. It implies mutual help as well... all co-operatives owe allegiance to the co-operative idea and effectively practice the principle of Association ...”* Watkins (1986:15) emphasises the *ethical authority* the 6th principle in his view yields: *“As a co-operative principle, association rests primarily upon the massive fact of human solidarity... Solidarity is and always has been in the life of mankind...”*

2.4. DEFINITIONS OF CO-OPERATION

Ring & Van de Ven (1994, cited in Mattisson 2011:8) define co-operation as: *“...A process focusing on individuals, groups or organisations that come together and interact for mutual gain or benefit”*. *Inter-firm co-operation*, then, is described by Schermerhorn (1980:49) as *“...the presence of joint activities wherein two or more otherwise independent businesses work towards a common goal and in expectation of mutual benefits”*.

2.4.1. Vertical vs. Horizontal Co-operation

Gall et al (2006:27) note that co-operation or *business to business relationships* can occur *vertically* (supplier/customer relationships) or *horizontally* between firms at the same level of the supply chain. Menzani et al (2009:5) note that horizontal networks are created to *“increase market power, rationalize production, offer common services, share risks and opportunities”* and that vertical

networks, which occur between suppliers and clients in a long value chain, are *“developed to allow the concentration of each firm in its core business and at the same time the control of the entire production chain”*.

2.4.2. Operational Areas in which Co-operation Occurs

Schermerhorn (1980) identifies five main areas of operations; *marketing, personnel, purchasing, production and external*, where inter-firm co-operation normally occurs, the actual co-operative *activities* involved as well as the *benefits* to firms associated with these activities. These are summarised in table 2.1 below:

Table 2.1: Examples of Inter-Firm Co-operation

FUNCTIONAL AREAS	ACTIVITY	BENEFITS
MARKETING	New Product Development	Profitable New Product
	Cooperative Advertising	Cut Cost and Increase Effectiveness
	Joint Retail Venture	Expand Retail Market Coverage
PERSONNEL	Discussion of Labour Problems	Improved Personnel Policies
PURCHASING	Procurement of Raw Materials	Larger Quantity Discounts
PRODUCTION	Development of New Production Process	Cost Reduction
EXTERNAL	Coping with New Governmental Regulation	Better Rapport with Regulatory Unit

(Source: Schermerhorn 1980:49)

2.4.3. Formal vs. Informal Co-operation

Smith et al (1995, cited in Mattisson et al 2011:8) note that there are at least two general types of co-operation: 1) *Informal* co-operation *“based on adaptable arrangements where behavioural norms rather than contractual arrangements determine contributions of the parties”* and 2) *Formal*

co-operation based on *“contractual arrangement and formal structures of control”*. Malecki et al (2004:72) note that an explicit *shared objectives* define formal co-operation: formal networks are those where the parties are *“explicitly agreed to a shared objective requiring some level of coordination of actions and resources”*.

Malecki et al (2004) note that *informal networks* have not received the same level of attention as formal networks in literature²⁸. Based on their research on co-operation among small and medium size manufacturing firm networks in the US, they note that informal networks are *“not bound by an explicit agreement that links all participants but rather is bound entirely by mutually reinforcing self-interests”* (Malecki et al 2004:72). Malecki et al (2004:74) note that one of the most important business functions that small firms turn to informal networks for is to *“secure information about their operating environment... Friendships provide regular, inexpensive, and swift routes both to customers via referrals and to reliable marketing information, as ideas are “bounced off” friendly contacts*. Importantly, Malecki (2004:73) also note that informal networks among small firms often precedes more formal co-operation at a later time: *“...small firms may operate within networks of informal relationships that may prove important when more formal relationships and objectives are introduced”*.

2.5. FORMS OF CO-OPERATION AMONG CO-OPERATIVES

Recent Literature specifically on forms of co-operation among co-operatives, overwhelmingly discusses the phenomenon through the terms *networks* or *networking*. Novkovic et al (2012:51) note that *“Co-operative networks are complex organizational forms that emerge as a response to the external environment, but also influence and shape it”*. They identify five main types of *co-operative networks*, which are outlined in the table 2.2. (next page).

²⁸In co-operative literature, no studies could be found by the author regarding informal co-operation among co-operatives and specifically.

Table 2.2.: Co-operative Network Types

Network	Example
Co-operatives themselves	Networks of independent producers/members
Independent co-operative firms form interorganizational networks for particular purpose"	Second-tier co-operatives; co-operative federations
Membership in professional (or co-op development) networks/associations to provide them with particular member services"	Fair trade chains
Co-ops take membership in professional (or co-op development) networks/associations to provide them with particular member services	Sectoral federations or regional associations/ councils
Co-ops form networks with other co-ops, individuals, businesses or government agencies for a particular purpose, often outside of their core business	Often, these complex networks are formed to provide a public good –e.g. education, R&D, healthcare or social care

Source: Novkovic et al (2011:111)

Mazzarol et al (2012:10) identify *three generic types of co-operative networks*: “The first of these are “atomised systems” a loose coalition with few formal ties to control activities. The second type are “consensual networks” that have formed in order to secure economies of scale and scope that can result in lower costs or reduced risk of securing resource inputs. Finally, there are “strategic networks” that have formal structures for the pooling and sharing of resources. Such networks use formal governance and control systems as found in mainstream co-ops.

Netco *Handbook for Small Co-operatives* (2007:30) defines a co-operative network simply as “a network of any form consisting of co-operative enterprises”. Networks can be built either around a *separate new organisation* which takes on a legal form, or it can be built around various *agreements of different levels* (Netco Handbook, 2007). In the handbook, four functions or areas around which co-operative networks typically form are identified. These are outlined with examples in table 2.3. (next page).

Table 2.3.: NETWORK FUNCTIONS

A specific function or service	E.g. Bulk purchasing and investment of scale
Changes in external demands	E.g. New quality standards
Broader market terms	E.g. Volume and securing supply
Strategic planning	E.g. Networking for competitive advantage

Source: Netco Handbook (2007)

2.6. CO-OPERATION AMONG CO-OPERATIVES IN PRACTICE

This section will explore some of the more prevalent forms of co-operation among co-operatives. It will begin by outlining the co-operative structures more typically applied by co-operatives in the traditional sectors of, for example, food production, some of which were already introduced in the above section. Following this, the co-operative networks of the *industrial districts of Northern Italy* will be briefly examined.

2.6.1 Alliances

The formation of various national and international *alliances*, with the ICA presenting as the global flagship, is one of the oldest and extensive forms of co-operation among co-operatives. In Finland, for example, the *Pellervo Confederation of Finnish Co-operatives*, among other functions acts as a “service organisation for Finnish co-operative, an organisation of expertise for the co-operative activities, an organisation dedicated to development, a national and international actor and promoter of members’ interests”^{29.30}

2.6.2 Federations

Another very typical form of co-operation among traditional co-operatives is the formation of *federations*, which are second tier co-operatives made up of a number of e.g. consumer or producer co-operatives or co-operative banks to perform chosen tasks (e.g. access to finance or stock purchase related), while the structure of each member co-operative remains largely

²⁹Source: <http://www.pellervo.fi/p-seura/english.htm>

³⁰ Though open to accepting members from all fields of co-operation, the membership of Pellervo Confederation is overwhelmingly focused on large traditional co-operatives in the food production, forestry and co-operative banking sectors.

untouched (e.g. Briscoe 1982). In Finland, for example, *SOK* operates as the central firm for the regional consumer cooperatives in the S-Group producing expert and support services for them as well as managing the group's strategic steering and the development of the various chains³¹.

2.6.3 Amalgamation

Briscoe et al (1982) note that when looking at co-operation between co-operatives, conventionally, *amalgamation* was the preferred approach as it was (and still is in places) considered to lead to increases in efficiency. Michelsen (1993) notes that this was also the case in the Nordic countries, where in recent decades a large number of co-operative mergers occurred. These mergers can be seen to have taken place in waves to a large extent and thus appears as a “fashionable trend”.

2.6.4 Strategic Alliances and Joint Ventures

Somewhat more recently, various *Strategic Alliances* and *Joint Ventures* have gained popularity in the last two decades in conventional as well as co-operative businesses. These have the potential to combine the strengths of the parties they bring together, and Fulton et al (1996:5-6) note that *“Joint ventures and strategic alliances’ allow the local co-operatives to preserve their status as separate business entities... At the same time, these renewable business agreements allow two or more co-operatives to combine critical aspects of operation to achieve the efficiencies associated with size economies”*. Of the different types of Strategic Alliances, Liebrand and Spatz (1994, cited in Fulton et al 1996) note that for example *Marketing Agencies in Common* (MACs), are gaining popularity.

2.6.5 Trade among Co-operatives (Inter-Trading)

Clarke (1998:10-11) notes that *“...all co-ops trade on the basis of a satisfactory equation of demand and supply... Economic laws predict that if co-operatives fulfil these criteria inter-trading will occur”*. As economic actors on the market, trade among co-operatives is another obvious example of co-operation among co-operatives, advocated among others by Clarke (1998: 8): *“closer economic co-operation could improve the trade of each of the sectors and strengthen individual co-operatives within those sectors ... inter-trading between co-operative sectors, is, potentially, the most fruitful way of developing closer relations”*. Henahan et al (2011:3-4) note, for example, that in the US inter-trading has been developed between some *consumer grocery cooperatives* purchasing from

³¹ (<http://www.s-kanava.fi/web/s-kanava-tietoa-s-ryhmasta/en/yritysprofiili>)

“producer co-operatives to strengthen the co-operative food supply chain”.

2.6.6 International Co-operation

Watkins (1986:27) notes that the internationalisation of co-operatives was on the agenda as early as 1895 when the ICA was founded: *“The possibilities of international inter-co-operative trade were foreseen and discussed at the London Congress... also ...association in the form of permanent organisations of the third degree with a membership drawn from a number of countries was logically indicated. Practically, however, it has been somewhat slow in developing”.* Carruthers et al (2009:87) note that one of the main challenges co-operatives face in internationalisation is the question of *“... how best to approach international expansion while adhering to their co-operative principles...”* MacLeod et al (2009) note that Mondragon has expanded internationally through a strategy termed *multi-localisation; extending production abroad to service new markets while maintaining production at home*³².

2.6.7 Italian Industry District Networks

The industrial district of Northern Italy is acknowledged as an example of successful inter-firm co-operation (Hanna et al 2002). Todeva et al (2005:8) note that *“Italian industrial districts are one renowned instance where historically rooted local business communities display dense inter-firm relationships, based on simultaneous competition and cooperation, where alliance ties occur both within and extend well beyond the district boundaries”.* The worker co-operative is a prevalent form of enterprise in the region, and the area thus makes for an important example of co-operation among co-operatives in the non-traditional sectors. Novkovic et al (2011:110) note that *“For Italian co-operatives... networks are a way of doing business (Menzani & Zamagni 2010); therefore co-operative networking is ‘thicker’ and far more strategic (with alliances formed through the leagues/federations*³³ *and with diverse co-operatives) than in capitalist businesses.”*

³² Although, this strategy has also received criticism due to MCC’s partners in other countries being joint stock companies and the workers thus not having the benefits of a co-operative membership (MacLeod et al 2009).

³³ One such network/league is La Lega Nazionale delle Co-operative e Mutue (The National League of Co-operative and Mutual Societies); “La Lega”, is a *network of autonomous co-operative enterprises* which joins some 5000 worker co-operatives, as well as thousands more co-operatives in other sectors such as agriculture and consumer. La Lega performs the functions of (political, public relations, and other) *representation, assistance, protection, and guidance*. At a national level, it offers different types of *specialized services* in the fields of finance, training and consulting. In addition to individual co-ops, among others, it includes *autonomous regional associations, industrial sector associations, and a national association that engages in research, lobbying, and other activities of benefit to its members* (Smith 2001)

In addition to manufacturers of, for example, knitwear and ceramics, Hanna et al (2002:202) note that the regions' enterprise clusters also include “...*trade associations and membership service centres that provide expert assistance in areas such as training, access to capital and R&D*”. Hanna et al (2002:202) note that a typical example of a successful enterprise network in the area is “*four independent small firms collaborating to deliver a single contract as an integrated team with a Demo Centre acting as a hub to provide shared resources in design, technology and IT*”. Hanna et al (2002) note that the district specifically promotes innovation and network and alliance formation³⁴.

2.7 BENEFITS OF CO-OPERATION AMONG CO-OPERATIVES

In this section literature is explored to find answers to the question *what motivates* co-operatives engage in co-operation with one another; what are the *benefits* derived from co-operation? Benefits noted in literature are complex. However, a rough divide can be made between *tangible* and *intangible* benefits. Under these two broad categories (which in places overlap), more specific important drivers of co-operation among co-operatives will be outlined below.

2.7.1. Tangible Benefits

The most obvious potential tangible benefits of inter-firm co-operation relate to achieving lower costs and operations of scale. Schermerhorn (1980:49) (see table 2.1. for details) notes that some of the benefits of, for example, *cooperative marketing* are for enterprises to be able to *Cut Cost and Increase Effectiveness*. Also, through *purchasing co-operation*, *larger quantity discounts* can be achieved. In terms of co-operation among co-operatives traditionally, Novkovic et al (2011:110) note that, for example, federations can secure *scale economies and cost reduction avenues* for their members. In the case of the Italian industrial districts where co-operative clusters are found, Menzani et al (2010, cited in Novkovic et al 2011) note that some of the advantages to firms have been, for example, achieving *economies of scale*, co-operation in *marketing* by common branding, and *adaptability* to a changing environment. Also, Halary (2006, cited in Novkovic et al 2011) identifies worker co-operative networks exhibiting network externalities in Italy, Spain and France, with benefits to co-operatives within such networks including “...*access to particular management skills, social networking and learning, social capital, access to finance, supply chain linkages, and others*” (Halary 2006, Smith 2004, cited in Novkovic et al 2011:110).

³⁴It should be noted, however, that the firm density in these industrial districts is very high in comparison to the environment in which many Finnish co-operatives operate. Halary (2006, cited in Novkovic 2011) note that co-operative networks of the industrial cluster type in fact are relatively rare.

Street et al (2007: 251-2) evaluated (small enterprise) literature for typical outcomes for small enterprises from external relationships. They found three main outcome categories:

- i) *Organizational Development: access to complementary resources (e.g. Blasick 1997). For example, financial capital... referrals and contacts (e.g. Coviello et al 1995), as well as social support (Alizadeh 1999).*
- ii) *Competition and Competitive Advantage: Beneficial competitive outcomes of small business relationships include enhanced ability to compete (e.g. Pfirrmann 1998), increased competition awareness (e.g. Human et al 1996), lower reliance or dependence on others (e.g. Skinner et al 1986), as well as increased economies of scale and scope (e.g. Oughton et al 1997).*
- iii) *Performance/Success: The effect of external partnering on performance is considered in both objective terms such as sales, profitability, or lower costs (e.g. Chen 1999), as well as in more subjective terms such as increased innovation and added value (e.g. Chaston 2000).*

2.7.2. Intangible Benefits

Kang et al (2000: 31-32) note that, while the majority of enterprise alliances are forged in search of tangible financial results, *"...alliances are also formed to combine and/or access intangible assets, such as management skills, technical know-how or brand names.* Novkovic et al (2011:110) note that while, for example, federations can secure scale economies and cost reduction avenues for their members, they more importantly provide essential types of *services* to their member-co-operatives which include *research and development support, social benefits, and political voice among others.*

2.7.2.1. Innovation and Problem Solving

Holmlund et al (1999:8) note the importance of "know-how" in driving the economy today and that *knowledge, almost by definition, is something that cannot be produced in isolation.* Learning from others, especially in more recent years, has been identified as one major motivation in co-operation among enterprises, including co-operatives. Todeva et al (2005: 14) note that organisations often enter alliances with the expectation of *learning from their partners,* whether as the primary goal or as a derivative of other objectives.

The role of co-operation in *innovation* has also been highlighted in literature recently. Innovation can be related to *products, processes, or organizations* (Boer and During, 2001, cited in Novkovic et al 2011). Novkovic et al (2011:54/117) consider co-operative networking to be the driver of

organizational innovation. Lam (2004, cited in Novkovic et al 2011:114) notes that *"Organisational innovation refers to the creation or adoption of an idea or behaviour new to the organization"*. Novkovic et al (2011:117) note that rather than profit maximisation, *collective problem solving* among co-operatives drives such organisational innovation: *"While financial viability is necessary, it is not co-operatives' raison d'être... Co-operatives have an advantage in finding solutions through social networking with like-minded organizations sharing common values... We conjecture that common purpose drives co-operative entrepreneurs to seek partnerships to find solutions to a particular problem"*.

2.7.2.2. Alternative Motivations in Co-operation

Laakkonen (1995:26-27, cited in Muukka 2011) notes that co-operative solidarity is in reality quite limited, and rarely extends beyond individual co-operatives. Thus, co-operation is a means to an end as opposed to being seen valuable in itself; it is thus *"functional solidarity"*. Some strategies of international co-operation can, however, be seen to be based on a more philosophical or ethical commitment to the 6th co-operative principle; emphasising the ideals of *solidarity among co-operatives* (Carruthers et al 2009). Carruthers et al (2009) mention Fairtrade as one example of such emphasis, and also, WOCCU contributes to Technical Assistance Programmes in the credit union sectors of developing countries.

2.7.3. Responding to External Pressures

Crucially in the survival and success of any organisation, Williamson (1991, cited in Novkovic et al 2011:114) note that *"adaptation to a changing environment is the central challenge for organizations"*. Kuisma (1993) notes that *mutual threats* have been known to provide a stronger motivation for co-operation than mutual gain. Already, in 1986, Watkins noted that in the changing economic environment (globalisation), co-operation among one another, including cross-sectoral co-operation, could prove a vital tool in survival.

Some years later, McMurtry et al (2009:73-74) also drew attention to the pressures to co-operatives stemming from globalisation and the possibilities co-operating among one another could offer in this: *"No one co-operative... can withstand the pressures of the globalisation of corporate capitalism... Co-ops must organise in such a way as to facilitate the growth of their form at the level of a movement, from the bottom up. This is best facilitated through the principle of co-operation amongst co-operatives..."*

2.8. CHALLENGES OF CO-OPERATION AMONG CO-OPERATIVES

Halary (2006, cited in Novkovic et al 2011:116) argues that thanks to, among other factors, their *democratic structure*, co-operatives are in fact particularly *suited* for building and maintaining networks: *"Because the co op business model contains the elements of social interactions required for effective inter-organizational linkages - from trust and reciprocity to durable relationships and social cohesion ... co-operative business forms have a strong advantage over their capitalist cousins in network creation..."*. However, the various challenges of co-operation among co-operatives which include *complexity of co-operation, differing interests/sectoral divide, environmental factors, competition, cost and uncertain outcomes*, are in fact well documented in literature, and will be outlined below.

2.8.1. Complexity of Co-operation

Networks, while offering great potential in enhancing economic vitality of enterprises and industries, cannot be viewed as a simple remedy and the success of co-operation is *associated with a rather complicated array of factors* (Besser et al 2011:128). The importance of *long term* investment of time and other resources in the success of co-operation is well documented. For example, Mattisson et al (2011:8-9) further note that *"Cooperation is not a quick fix but instead a long-term strategic move..."* Also, it is noted in the Netco Project Handbook (2007:31), that *"networking among co-operatives is not a once off event, but an evolving process of mutual interaction"*.

Adding to the complexity of co-operation, Menzani et al (2010:98-127) notes that in research in networking among conventional enterprises, it has been discovered that *"the position of each enterprise in a network can be different. An enterprise can be a simple member of network, sometimes with a single link with another enterprise, or it can be the key enterprise in the entire network, with all the other enterprises depending on it, performing the role of overall coordinator in the network. Networks, therefore, can be tighter or looser, and more or less hierarchical"*.

2.8.2. Differing Interests

An obvious challenge that co-operatives face in terms of the application of the 6th principle, is the differing interests stemming from the various different co-operative sectors. Horizontal co-operation - co-operating within the same sector (e.g. agricultural producer co-operatives) - is more

straightforward than forging ties with co-operatives in other sectors (Watkins 1986). Watkins (1986:29) notes that *“Unity to promote common interest is obviously easier to achieve and maintain than unity to promote differing interests, even though they may be mutually complementary. In other words, organisations of producers or consumers offer fewer difficulties than organisations of producers and consumers”*. From the point of view of an individual co-operative’s motivations in applying the 6th principle, Muukka (2012:14) also notes: *“...it is not always easy to grasp the broader benefits that could be achieved through solidarity and co-operation between co-operatives”*.

2.8.3. Environmental Factors

Street et al (2007:241) note that in small business research environmental characteristics, such as *industry* (Beecham and Cordey-Hayes 1998) or *geographic location* (Buick, Halcro, and Lynch 1998), have been noted to have an effect on external relationships and relationship formation. Novkovic et al (2011:110) note, for example, that low co-operative density prohibits co-operation among co-operatives in many locations: *“Often... low co-operative density stands in a way of applying the principle of co-operation among co-operatives to their advantage — there are simply not enough co-operatives in the particular industry or region to form co-operative chains”*. Todeva et al (2005:7) note that the different *regulatory environments* in each country mean that co-operation among economic actors is shaped by, among other things, the legal framework and the macro-economic policies pursued, thus affecting *“firms’ freedom to form business coalitions and joint ventures”*.

2.8.4. Competition vs. Co-operation

As economic actors, co-operatives are naturally in competition with one another (Michelsen 1993). Michelsen (1993:163) notes that the conflict arising from this affects, for example, co-operative federations: *“... this (federation) is the traditional form of collaboration between co-operative associations, there are nevertheless inherent problems in the federative organisations... since co-operative enterprises compete with each other”*.

2.8.5. Cost

Naturally, there are costs associated with any level of inter-firm co-operation which include *money*, *materials*, as well as, *time* (Schermerhorn 1980). Schermerhorn (1980:50) notes that *“inter-firm cooperation will be initiated and/or maintained only so long as each participating business can justify the activity on a cost-benefit basis... these costs represent obstacles that must be overcome”*.

if inter-firm cooperation is to become well established as a resource for small business development". Besser et al (2011:114) note that new business owners, who are often the ones who have the most to gain from network membership, often "lack the slack resources (employees and profit) to engage in activities not directly and immediately resulting in business success".

2.8.6. Uncertain or Unsuccessful Outcomes

Obviously not all co-operation is successful. Novkovic et al (2011:116) note that *"unpredictable (emergent) behaviours and outcomes are possible in co-operative networks since co-operatives are run democratically"*. Besser et al (2011:115) note that the most important *stakeholders* for business networks; the members, will judge the effectiveness of networks *"using their own personal criteria of success"*. If judged successful, they will *remain as members*, as well as, *recruit new members*. On the other hand, *"networks judged to be unsuccessful or ineffective, again by whatever personal standards employed by members, will lose members and eventually cease to exist"*.

In terms of longevity of co-operation Miles et al (1993, cited in Besser et al 2011:114) argue that *"the effectiveness of business networks diminishes over time often resulting from mistakes in the original structure or social processes"*. However, Hanna et al (2002:203) note that in the evaluation of small enterprise networks, *"the age of the networks or the longevity of ties is often misleadingly used as a measure of success"*, although, they note, *"...this not necessarily evidence of success"*.

2.8.7. Internal Factors

Curren et al (1993:13) note in small business network formation, a neglected influence has been the *internal organisation* of businesses. They note that, *"For instance, a small firm with a well developed top management of, say for instance, three partners or directors, may feel their internal management resources are sufficient so that resorting to external advice or help is only required in exceptional circumstances"*.

At the other extreme, of course, are those small enterprises, which, even if they had the motivation to do so, are due to *lack of resources* unable to invest in co-operation (e.g. Malecki et al 2004).

2.9. FACTORS CONTRIBUTING TO SUCCESSFUL CO-OPERATION

Besser et al (2011:114-115) note that although the benefits of co-operation are well documented in many studies (e.g. Corolleur et al 2003), *“less is known about what factors contribute to the success of the networks themselves”*. However, in small and medium size enterprise literature, at least two factors which positively impact or facilitate co-operation among small enterprises can be identified: *trust*, *focus* and (mediator) *support* provided in network formation, which will both be outlined below.

2.9.1. Trust

Besser et al (2011:128) note that at the centre of inter-firm co-operation is *trust*, which takes time to develop. Handy (1995, cited in Asproth et al 2008:176), among others, claims that *‘trust needs touch’* at least in the initial stage. However time consuming, Lahti (1994, cited in Kuisma 1994) notes that people require *familiarity* with one another in order to build trust and partnerships. In terms of informal inter-firm co-operation, interestingly, Malecki et al (2004) note that a significant amount of non-economic exchanges taking place between firms could more accurately be described as *exchanges between specific people* in different firms.

2.9.2. Clear and Shared Goals

In addition to trust, the importance of firstly any network participants in their own organisation having clearly defined purpose and goals (Netco Handbook 2007) and secondly, these participants then being better able to define the goals and purpose of the network, have been noted. For example, Asproth (2008:183) notes that in any successful co-operation: *“it is important that group members... work in a shared context with shared goals”*. Novkovic et al (2011:117) similarly note that *“Looking at complex network creation from the business purpose perspective, a clear focused vision of the purpose of the enterprise is key to driving the agenda”*. They note that this purpose should be driven by member needs, which will allow the network to pursue its goals effectively. *“The basis of co-operation ... becomes a shared values-based platform, rather than one guided by profit”*.

2.9.2. Support in Co-operation

Malecki (2004:73) note that *“...in most instances small firms do not have the capital (human or otherwise) to be able to forge a network without assistance*. They point to the fact that most formal SME networks in the U.S. have been *broker-led or coordinated networks*, in which a great

deal of responsibility lay with a coordinator, who often was the *main “glue” holding a network together*. In addition to acting as the main link between the enterprises, network coordinators can advantage of other institutions, programs, and facilities in the local region that could be of benefit to some or all of the firms in the network: *Through this gatekeeper role, the network coordinator could provide useful information and services to the member firms* (Malecki et al 1997, cited in Malecki et al 2004: 75-76). Novkovic et al (2011:116-7) also note that in co-operative network building, *“besides other factors, the ... networks require ‘champions’ who lead the effort of network building*. They note, for example, that *institutional support* could be provided in the form of *umbrella networks*, which *“may provide needed institutional support to not only assist co-operative development, survival and growth of the sector, but also to provide a platform for innovation in finance, marketing and other areas of co-operative economic and social activity”*.

2.9.3. Technology

Asproth et al (2008) note that the *Internet* offers many more opportunities for businesses to collaborate. Power and Singh (2007, cited in Asproth et al (2008:179), conclude that the application of *Internet-based technologies provides significant potential opportunities for the integration of business processes between firms..”* and that... *“Benefits based on this integration could, for example be reducing costs for searching for and accessing information”*.

2.10. CO-OPERATION AMONG CO-OPERATIVES IN FINLAND

Skurnik (2004) notes that co-operation among co-operatives in the form of federal structures and other (central) service organisations has, from the beginning, been a strong feature of the Finnish co-operative movement. For example, the consumer co-operative S-Group was, from the beginning, formed under a federal structure. Other large co-operative societies in the food production, banking and insurance services and forestry have also formed into larger structures where individual branches form regional organisations and a joint central organisation (either as a co-operative or as a limited/listed company) is invested in to carry out certain tasks for the members. However, cross-sectoral co-operation among co-operatives, Skurnik (2004) notes, has remained in its infancy in Finland. Some of the reasons noted for this include that, in the activities of Pellervo, the flagship of Finnish co-operative activities, co-operation among co-operatives has never featured high on the agenda. Also, the co-operative movement is particularly heterogenic in Finland, making the formation of cross-sectoral ties more challenging. In addition, Skurnik (2004) notes that the closed and heavily regulated economic structure that dominated in Finland until the

early 1990s did little to foster co-operation among co-operatives more broadly.

In terms of small co-operatives specifically, it is noted in the Netco-Project Final Report (2007) that many (if not most) are poorly resourced and that there is a clear *lack of networking culture* among them. This strongly contrasts with what is noted in relation to the industrial district co-operative clusters in Italy by Restakis (2000:8): *“It is not the size of a firm or the networks themselves that determine the success of our region. These are just the components. It is the attitude of co-operation that acts as the software which runs the system”*.

From 2005 to 2007, *Netco*, an EU funded project focusing on the development of small co-operatives, took steps to address the lack of networking among Finnish small co-operatives. The objective of the project was to improve the operational capacities of small Finnish co-operatives, one potential underused tool for which was *networking among one another*. Thus, the project set out to test ways for small co-operatives to utilise co-operation and networking among one another. The project offered member training, advice and consultation and various seminars. In the beginning of the project in 2005, in Lapland, a co-operative network “Lapin OK-palvelut yhdistys Ry” was founded (however, the author could at the point of this research not find any information about the existence of this network).

Skurnik (2004) argues that the challenges which currently lie ahead for Finnish co-operatives demand for new alternative competitive advantages to be discovered and utilised, of which, increased co-operation among co-operatives could prove an important part of. Also, Skurnik (1994 in Kuisma 1994 ed.) notes that in a country with such long distances, with the recent revolutionary developments in information technology, creating and utilising *networks* between different economic actors could prove extremely useful.

2.11. CONCLUSION

This chapter looked at previous literature regarding the development and interpretation of the ICA co-operative principles generally, the emergence and interpretation of the 6th principle; co-operation among co-operatives as well as some the benefits, challenges and enabling factors associated with the application of it. Lastly, this chapter outlined general features and specific examples of co-operation among co-operatives in Finland.

Chapter 3

Methodology

3.1 INTRODUCTION

This chapter will explain the methods that were used to collect, analyse and present the data in this study. The objective of this study was to explore the experience of Finnish co-operatives in applying the 6th international co-operative principle; co-operation among co-operatives. The methodology used to achieve this objective was the *Case Study* method, with qualitative primary research conducted in three different Finnish New Wave co-operatives. Primary research was conducted in the form of qualitative semi structured phone interviews with co-operative directors and managers. Secondary research was conducted through the revision of relevant literature, the findings of which are presented in chapter two (as well as, to a lesser extent, in chapter one). Some internal documents in the case study co-operatives were also analysed as part of the secondary research. The research questions were derived from the literature review and this chapter will justify the method used to answer them. The research questions are as follows:

- 1) *To what extent and how do Finnish New Wave Co-operatives practice co-operation among co-operatives?*
- 2) *What are the Finnish New Wave Co-operatives' motivations for practicing co-operation among co-operatives; what are the benefits derived from any co-operation practiced?*
- 3) *What challenges do Finnish New Wave Co-operatives face in practicing the 6th ICA principle, and how do these reflect on any future plans they may have in relation to co-operation with other co-operatives? Do Finnish New Wave Co-operatives identify any specific factors that in their experience support co-operation among co-operatives?*

3.2 QUALITATIVE RESEARCH DESIGN

On the process of choosing a research method for a study, Bryman et al (2007, cited in Bell et al 2011:29) note that: *"methods choice is ... not a one off rational process of selecting the most effective tool to address a particular question but rather a highly complex and continually evolving process"*. Bryman et al (2007, cited in Bell et al 2011) further note that there are at least *six types of factors* that influence a researcher's choice in organisational research, ranging from "internal" factors such as the personal values of the researcher to factors "external" to the researcher such as any previous research done on the subject.

Skurnik (2002:104) notes that, despite the worldwide prevalence of the movement, *“...co-operatives are strong in practice but weak in theory”*. Bell et al (2011:35) note that if a researcher is interested in a topic on which... *“there is little prior literature... a more exploratory stance may be preferable and... qualitative research may serve the researcher’s needs better”*. Bell et al (2011:35, 75) further note that in situations where little previous research exists, a qualitative (as opposed to a quantitative) research approach might be suitable because it is *“typically associated with the generation of, rather than the testing of, theory... and with a relatively unstructured approach to the research process... The key idea behind qualitative research is to learn about the problem or issue from participants”*. Bell et al (2011:192) state that another main advantage of qualitative research is, in fact, its validity, which is *“based on determining whether the findings are accurate from the standpoint of the researcher, the participant, or the readers of an account”*. Carson et al (2007:36) note the usefulness of qualitative methods specifically in enterprise research: *“The variability and flexibility of qualitative methods contribute to their suitability for adaptation in enterprise research. For example, methods can be readily adapted to take account of specific industry and business contexts, individual owner/managers viewpoints... organisational circumstances and the development of situations over time”*.

3.3 THE CASE STUDY METHOD

Bell et al (2011:176) note that in case study research *“... the researcher explores process, activities and events...”* Farquhar (2012:6) notes that one of the benefits of the case study method is that: *“By using case study research, you will gain particular understanding or insight into whatever you have chosen to research which usually is a contemporary phenomenon”*. Yin (2009, cited in Farquhar 2012:5) defines a case study as:

“An empirical inquiry that investigates a contemporary phenomenon in depth and within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident”.

In terms of enterprise research, Farquhar (2012:6) notes further benefits to the case study approach are: 1) the phenomenon is studied in the *natural setting*; case study research allows the researcher to look at the phenomenon *in context*; to collect evidence about that phenomenon where it is actually taking place, for example, in a company. 2) *Versatility* – A case study usually involves various data sources and different methods; it allows the researcher to *dig deep*; to look

for explanations and to gain understanding of the phenomenon 3) Case study research is particularly suitable for *descriptive, explanatory and exploratory research*; the case study method allows the questions *why and how* to be answered through the development of an understanding of the nature and complexity of the phenomenon.

3.4 SAMPLING FOR THE CASE STUDIES

With the aim of meaningfully addressing the research questions in this study, *generic purposeful sampling with multiple case design* was used. Bryman (2012:418) describes purposeful sampling as a process “... the goal of which is to sample cases/participants in a strategic way, so that those sampled are relevant to the research questions being posed”. Bryman (2012:422) describes *generic purposeful sampling* in the following way: “... when using a generic purposive sampling approach with respect to the selection of cases or contexts, the researcher establishes criteria concerning the kinds of cases needed to address the research questions, identifies appropriate cases, and then samples from those cases that have been identified”. The primary criteria applied in the sampling process of this study was that the co-operatives in the sample belong to the *New Wave* (as discussed in chapter 1). Secondary criteria related to the *sector* and *location* of these new wave co-operatives, as a degree of heterogeneity in the sample was sought. Bryman (2012:418) notes that “...very often, the researcher will want to sample in order to ensure there is a ... variety in the resulting sample, so that sample members differ from each other in terms of key characteristics relevant to the research question”. *Multiple case design* was used, as Farcuhar (2012:42) notes, in order for the researcher to have been able to “...to explore the phenomenon in a number of different cases”.

The generic purposeful sampling with multiple case design enabled the exploration of the phenomenon under study in three different settings (new wave co-operatives in different locations), with two different co-operative sectors being represented. This approach thus enabled the researcher to more accurately and with deeper understanding of the phenomenon answer the research questions. The National Finnish Enterprise data base and the researcher’s personal contacts were used to identify the co-operatives for the sample.

3.5 THE UNITS OF STUDY

Determining what the *unit(s) of study* will be in case study research is an important task. Farcuhar (2012:50) notes that: “... In business, a unit of study could be an individual, an organisation, an

event or an activity". In this study, *co-operative enterprises* as individual entities formed the units of study (the case studies). Three New Wave co-operatives, two of which were *Labour co-operatives* and one *Community Supported Agriculture co-operative* were included as case studies (Chapter four will open with a more detailed description of each co-operative).

3.6 DATA COLLECTION

As noted above, it usually relies on *multiple sources* of data. Particular to enterprise research, Carson et al (2007:38) note the potential gains from using different data sources: *"A combination of methods will provide a useful means of studying the complex... nature of entrepreneurial decision making... It allows the researcher to take account of the specific characteristics of the firm and decision-makers in question; and enables research to be carried out within a relatively dynamic business environment...."* Jick (1979, cited in Farquhar 2012:44-45) defines this as *"Triangulation"* whereby a more *"...certain portrayal of the phenomenon that is being studied can be achieved..."* In this study, both primary and secondary data were collected, the details of which are outlined in the following sections.

3.6.1 Primary research - Semi Structured Interviews

Bell (1993, cited in Moroney 2000:88) describes an interview as *"a conversation between interviewer and respondent with the purpose of eliciting certain information from the respondent"*. Moroney (2000:88) notes that some of the benefits of interviews include that they are *"...adaptable, "on the spot", you can follow up ideas, probe responses and investigate motives and feelings as you go along"*. Moroney (2000:89) also notes that *"... interviews are probably best suited to approaches where you wish to explore issues in depth, draw out ideas and capture some of the complexity of situations"*. As to the type of interviews useful to qualitative research, Mason (2002, cited in Farquhar 2012:73) notes that *"in qualitative data collection, interviews are usually semi-structured which means that they follow an interview guide but allow for the flexibility and contextual adaptation that is required"*. Moroney (2000:91) notes some of the features and advantages of semi-structured interviews as follows: *"the researcher has a list of questions or topics to be covered, though these may vary from interview to interview. Questions may be omitted as the researcher sees fit, or the order of the questions altered to fit the flow of the conversation. Additional questions may be asked in the course of the interviews according to the interviewer's judgement"*.

Telephone interviews were used in this study and were designed and conducted as *semi-structured*. The collection of some relevant personal information relating to the interviewee, including their history and current role in the co-operative, formed the first part of the interviews. The remainder of the interviews were conducted based on predetermined *themes* or *topics*, which guided the conversation in relevant directions. The number and length of the interviews were decided upon based on the scope of the study (a minor thesis), resulting in one approximately 45minute interview being conducted with each interviewee. The interview “template” (themes) can be found in Appendix 1.

3.6.2 Sampling for interview participants within the units of study

Farcuhar (2012) notes that *“In case study research ... examples of populations could be all employees, all managers or all clients within the units of analysis”*. In this study, the directors and managers of the case study co-operatives formed the population from which the interviewees were then selected. As to the process of selecting interviewees, Polkinghorne (2005, cited in Farcuhar 2012:74) states that *“Participants will be selected because you think that they will provide an important perspective that will elucidate and clarify the aspects of the investigation”*. Due to the limitation resulting from the research being conducted from a distance (researcher based in Ireland during research), *convenience sampling* was the main sampling approach used for selecting interview participants. Bell et al (2011:713) note that a *“convenience sample is selected because of its availability to the researcher”*. However, some interviewees were selected following a *“Snowball approach”* where *“informants are (were) identified by people who know others who are appropriate for being able to provide the desired information”* Creswell (2007, cited in Farcuhar 2012:75).

3.6.3 Secondary Research – Literature Review and Enterprise Documents

In order to arrive at appropriate precise research questions and to inform the research and interviews more broadly, relevant academic literature was first collected and reviewed (the *Literature Review*). Preceding the interviews, the researcher reviewed information relevant to the case study co-operatives, such as information and reports available on the enterprises’ websites as well as in other media (national newspapers and publications specific to the co-operative sector). To support findings from the interviews, internal documentation (presentations, reports, statistics) from two of the enterprises were also reviewed. The author is originally from Finland, and being a native Finnish speaker was able to utilise the data.

3.6.4. Data recording procedure

The semi-structured telephone interviews were conducted in Finnish and recorded with audiotape, as well as by the researcher taking written notes of the respondents' answers in the course of the interview. The researcher used an interview protocol which ensured *standard procedure from one interview to another* (Bell et al 2011). The interview protocol included a heading with the date, interviewer and interviewee, permission to record the interview (as well as the themes/topics planned for discussion, which the researcher ensured each of the interviewees received ahead of their interview). The interviews were later transcribed, and where necessary, further clarification was sought through email correspondence with the respondent. The internal documents from the enterprises discussed above were also received by the researcher by email.

3.6.5. Access

The case study co-operatives were all approached as "cold calls", of which 10 were in total made (by email) and of which four responded positively. Of these, three enterprises which were the most convenient for the author to conduct research in, were chosen. This amount was in accordance with the recommendations of the supervisors of this thesis to limit the study to 2-3 case studies. A detailed cover letter was then sent to the "gatekeepers" (the informants in the co-operatives who had replied to the researcher's initial email enquiry), which included personal information about the researcher, information about the course and the university the research was being conducted for, the aims and scope of the research, what was hoped for from the case study enterprises in terms of the research; interview details and planned dates to conduct them on, overall timeframe of the research and other relevant information in order for the enterprise representatives to make an informed final decision about whether to take part (Farcuhar 2012: 50). The researcher also followed the recommendation of Easterby-Smith et al (2008, cited in Farcuhar 2012:50) and communicated in this letter that "*the time and resources requested are minimal*".

3.7 ETHICAL CONSIDERATIONS

The researcher ensured the confidentiality of all information and respected the anonymity of respondents, unless consent to reveal any personal details was given. Data was captured and stored securely and with no unnecessary electronic copies made of any of the material, for example. The participants were informed fully about the purpose, methods and intended possible uses of the research and what their participation in the research entailed. This information was included 1) in the *cover letter* initially emailed to the participating co-operatives and 2) in the *letter*

of consent (to take part in the research voluntarily and to share information for the purposes of this research) which the interviewees then signed (see appendix 3 for a copy in Finnish). The researcher took into consideration the fact that she was unknown to all three of the organisations and the respondents and maintained an appropriately discrete and respectable manner throughout research.

3.8 RELIABILITY AND VALIDITY

Locke et al (2007) remind us that *“qualitative research is interpretative research...”* (Locke et al 2007, cited in Bell et al 2011:177). They also note that the personal background of the researcher; his or her personal values, gender, history, culture and socioeconomic status, etc, *“may shape their interpretations formed during a study”* (Locke 2007, cited in Bell et al 2011:177). Throughout the study, the researcher remained aware of the potential of personal bias entering the research and practiced regular *reflection*. The researcher used the following three main measures to ensure the validity of the study 1) The same methods of data collection were applied across all the cases, enabling *comparisons and observing differences based on similar data sources* (Farcuhar 2012:67). 2) As recommended by Bell et al (2011), *member checking* was used whereby the full transcripts of the interviews were emailed to the respondents who then commented on their accuracy with changes made where appropriate 3) The researcher practiced self reflection, remained aware of any bias brought to the study and presented the findings accurately including also negative or discrepant information. Regarding the validity of interviews, Moroney (2000:89) notes that: *“They are, by nature, highly subjective. There can be no such thing as an objective external reality but only a reality that is internal to the participants and to the interview situation.* Thus, the researcher remained vigilant for any potential bias in the respondents’ answers. Similarly, when evaluating secondary data, as Farcuhar (2012:78) recommends, the researcher was *“...aware of bias that is likely to be encountered in reports, minutes and other in house documentation”*. Reliability procedures used in this study included the researcher checking transcripts for possible mistakes made during transcription. Also, during the process of coding the data ensuring that there was not *a drift in the definition or a shift in the meaning of the codes* (Bell et al 2012:191).

3.9 LIMITATIONS OF THE RESEARCH METHOD USED (Limitations of the study discussed in ch 1)

The main limitation of the qualitative research approach is, as Caracelli et al (1995, cited in Bell et al 2011 192-3) note, its unsuitability to generalisation: *“...the value of qualitative research lies in the particular description and themes developed in context of a specific site... particularity rather*

than generalisability is the hallmark of qualitative research". Similarly, on the limitations of the case study research, Farcuhar (2012:7) makes the (rather obvious) point that *"...the limitation of studying a small number of cases is that you will not be able to make statements about how your research can be extended to other situations as in survey research"*. Thus, the researcher is aware that the primary limitation of this study is the small sample size meaning that generalisations cannot be made based on it.

3.10 DATA ANALYSIS

Farcuhar (2012:90) states that the *"Qualitative data analysis can start immediately after you start collecting your data... preliminary analysis can also influence subsequent data collection in revising the research instrument or guide"*. The researcher followed this suggestion by making short notes about the information given by respondents immediately after each interview.

Bell et al (2011:580) note that *"a generic form of analysis is typical in qualitative research where the researcher collects qualitative data, analyses it for themes or perspectives, and reports 4-5 themes"*. The data analysis method used in this study followed the guides (to coding) by Bell et al (2011) and Furcahar (2012), the first three main steps of which were used:

- 1) Reading through all of the primary and secondary data collected to obtain a general sense of the information.
- 2) Organising the material into segments according to the *themes* found emerging in the data (Seven main themes were identified).
- 3) Labelling these themes and creating codes for them (a simple coding system of numbering the data under a number from 1 to 7 was applied).

3.11. CONCLUSION

This chapter outlined and justified the choice of methodology used in this study. The methodology used to achieve the objective of this thesis; to *explore the experience of Finnish co-operatives in applying the 6th international co-operative principle co-operation among co-operatives*, was the *Case Study* method. Through telephone interviews, primary data was collected in three different Finnish New Wave co-operatives. Secondary research was conducted through the revision of relevant literature (in chapter two but also, to a lesser extent, in chapter one), as well as, through the revision of some internal documents of the case study co-operatives.

Chapter 4

Findings

4.1. INTRODUCTION

This chapter will present the findings from telephone interviews carried out in June 2013 with the three participating co-operatives' representatives: 1) The CEO of *Sataosaajat Worker Co-operative*, 2) Board Chairman of *Oskarit Labour Co-operative* and 3) The founder and Board Chairman of *Ruoka (CSA) Co-operative*. It will begin by providing a brief profile of each of the three enterprises in section 4.2, after which in sections 4.3 – 4.10 findings from interviews will be presented under the following themes: *Practicing Co-Operation, Attitude Towards Co-Operation, Partners, Forms Of Co-Operation, Motivations for; benefits derived from Co-Operation, Challenges Experienced / Limitations To Co-Operation and Co-Operation Into The Future*.

4.2 PROFILES OF PARTICIPATING CO-OPERATIVES

This section will provide a brief profile of each of the co-operatives participating in this study. It will include details about the enterprises in terms of what they do, what their goals are, how long they have been in operation, membership size, as well as, some details of the cities they are based in.

4.2.1 Profile: Oskarit Worker Co-operative

Oskarit is a Worker co-operative in the city of Lappeenranta, population 72,400, in Eastern Finland. The co-operative was founded in 1996 by 21 original members. Today, it is made up of 66 members; a collection of independent professionals mainly offering various construction related services, but also housekeeping and IT related services to businesses, private individuals and different (e.g. community) groups in the area. There are also a handful of artist members and one chimney sweeper who recently joined. The chair of the five member board of the co-operative is also qualified in providing training, advice and support services on (worker) co-operative formation and development. According the board chairman, *"around 25 members receive a regular income from the co-op"*, and the *"annual turnover for the last two years has reached approximately 1 million euros"*. It is listed among the 10 small Finnish new wave co-operatives with the highest turnover by Pellervo Magazine.

Oskarit Board Chairman notes that the co-operative was founded as *"a way for unemployed people to find employment"*. In 1993 already, its predecessor, *"the original Oskarit"*, was founded

following a *course on co-operative formation organised by the local employment service*. The interviewee notes that at the time, in the early 1990s, there were a lot of well educated professionals who had been made redundant in the recession. This group themselves conceived the idea of a training course on co-operative formation, sourced the training through the local employment service and then founded the *original Oskarit* in 1993. The interviewee notes that “*as there were no previous examples of worker co-operatives at the time, this training was crucial*”. In fact, (the original) Oskarit was among one first handful of new wave worker co-operatives to form in the country. At present, the interviewee notes, that Oskarit represents what “*worker co-ops are at their best: a collection of independent professionals, where the co-operative administration takes care of paper work and members focus on their work*”.

The city of Lappeenranta is *the Commercial Centre of South-East Finland*. Owing to its proximity to Russia, Lappeenranta is the region’s centre for tourism and boasts the second highest tax free sales in the country after Helsinki. Among the biggest employers in the region is the wood processing specialist UPM-Kymmene Oyj. Metallurgy and stone industry related businesses are also among significant employers in the area³⁵.

4.2.2 Profile: Herttoniemen Ruoka (CSA) Co-operative

Herttoniemen Ruoka (CSA) Co-operative is a new wave producer co-operative in the capital Helsinki in southern Finland, its main activity involving the *production and marketing of ecological-organic farming products*. The co-operative lists as its three main aims *ecological, economical and social sustainability*. The co-operative was preceded by an informal *organic produce bulk purchase group* “*Ruokapiiri*” (“*food circle*”) in the Herttoniemi area in East Helsinki, which in 2011, expanded its activities to include farming of their own. To enable necessary investment and for large volumes of people to be able to join and leave the project at relative ease, they chose the legal structure of a co-operative (based on the CSA model). The co-operative approached various farmers in the area but as none wanted to take on the co-operative’s planned food production, a decision was made to rent out a field of their own and to employ a farmer, titling the project “*Oma Pelto*”. To join *Oma Pelto*, members buy a “*share*”, which is refundable upon leaving. The members also pay an annual fee as well as a bulk sum for the harvest which, for 2013, is 400 Euros. These contributions cover

³⁵ http://www.lappeenranta.fi/In_English/Main_Page.iw3

the cost of the land rental, the wages of any employees and the inputs for production. The members receive one box of products per week during the season. Including the *organic produce bulk purchase group* “Ruokapiiri”, the activities of which were also brought under the structure of the new co-operative in 2011, the co-operative has two full time workers in temporary contracts as well as two part time workers. However, the co-operative also has two staff on temporary supported employment schemes. The co-operative relies heavily on volunteers who give their time to various farming, distribution or office tasks. The majority of management, administration and distribution services are at present carried out by volunteers.

Ruoka co-operative is a young co-operative having been founded in 2011, with membership numbers having stabilized early on and now stands at approximately 160. It was Finland’s first CSA project, with between 8-10 others having followed suit in the last two years in different parts of the country.

4.2.3 Profile: Sataosaajat Worker Co-operative

Sataosaajat is a worker co-operative in the city of Pori, population 83,000, in Western Finland. It was founded in 1995 by 13 original members, with membership having grown to approximately 20 currently. The members offer services in four main professional areas: business&training (e.g. accounting, co-operative enterprise training modules), electric works related services, housekeeping (e.g. gardener) and care giving related services (e.g. personal assistant) and handicrafts (e.g. a carpenter). The three first are equally significant in terms of turnover with handicrafts being less significant. The CEO of the co-operative notes that the motive for having the handicraft members in the co-operative is based on providing opportunities for employment (as opposed to turnover related motives). The CEO is also qualified in providing training, advice and support services on (worker) co-operative formation and development.

The goals of the co-operative are to *market member services; to improve members’ professional skills through training and to act as the regional co-operative development centre*³⁶. The co-operative’s website states that the *“co-operative principles guide the co-operative’s activities...in addition to economic goals, the social and cultural needs of the members are considered”*. Sataosaajat was awarded second place in the European Urban N.O.S.E. Awards competition in 2011 which searched for new forms of innovative enterprises operating as part of the social

³⁶ PP Presentation Sataosaajat 31012013

economy. The co-operative's efforts in employment provision and activity more broadly received attention in the competition.

The city of Pori, in which Sataosaajat co-operative is located, is the 11th largest in Finland. In terms of its economy, it is heavily reliant on the *metal industry*, with several large processing plants being located in the area. Some of the most recognised products from Pori's industries include oil rigs, threshing machines and solar panels. The other cornerstones of the local economy include energy production, process industry, ports and logistics, food industry and forestry industry³⁷.

4.3 PRACTICING CO-OPERATION

Two of the three co-operatives in this study currently have some active co-operation with other co-operatives. Of these two, Sataosaajat has been proactively involved in co-operation with other co-operatives through a local worker co-operative network (association) since 2001, through a membership in a national co-operative organisation since 1999, as well as, through various national and international co-operative research and training initiatives since the late 1990s. Ruoka Co-operative has since its foundation in 2011 been in co-operation with other co-operatives through the provision and receipt of advice on enterprise operations, as well as, more recently through other arrangements locally. Oskarit, the one co-operative which does not currently have any active co-operation with other co-operatives, has experience of *attempting* co-operation in its locality by working towards establishing a network of local co-operatives some 4-5 years ago, as well as, having a once off experience of vertical co-operation through having commissioned the development of its current website to another local co-operative last year.

4.4 ATTITUDE TOWARDS CO-OPERATION

This section will look at the interviewees' attitudes towards and the prioritisation of co-operation with other co-operatives. Although the three co-operatives in this study have very varying levels of co-operation with other co-operatives currently, all interviewees view co-operation very positively. Differences could be observed in the prioritisation of co-operation with other co-operatives in practices and plans.

Of the case study enterprises, Sataosaajat worker co-operative can be observed to place the

³⁷ <http://www.discoverpori.fi/en/your-business/facts.html>

highest priority on co-operation with other co-operatives. The CEO of Sataosaajat notes:

“Co-operation has been a goal which we have worked towards; it has been very much purposeful... For example, it was Sataosaajatt that suggested the formation of the Ok-Verkkö Association, and we have been one of the most active members in the network”.

The prioritisation of co-operation can be seen present also in the co-operative's official documentation:

“Ok-Verkkö Association and Coop Finland memberships are noted as part of the (co-operative's) official goals”.

However, the interviewee also notes that one has to be realistic in terms of expectations: *“...Co-operation is not a “quick fix” for business operations, but is part of the long term planning for the co-operative”.*

Oskarit Board Chairman notes that the main reason they do not currently practice co-operation with other co-operatives is that *“there simply aren't very many co-operatives around this area”.* Co-operation with other co-operatives is nevertheless noted as part of their official goals, and in terms of attitude, the interviewee is also very positive about the *possibility of co-operation* at least:

“... If opportunities for co-operation arose, all of our 5 board members agree that we would take them up”. In fact, one or two years ago the board agreed that: “...should there be an interesting target group asking for training on co-operatives, that Oskarit would pay me for the lecture. We did this once for a course directed at people considering a career change...”

The Board Chairman of Ruoka CSA echoes the positive attitude of the other interviewees and notes:

“Everyone involved have been very positive about co-operation. No one is involved in this (CSA) to get rich quick, but are motivated by other values... It's no trouble giving advice over the phone or email...”

The same interviewee makes a relevant point however on the differing interests different types of co-operatives might have for co-operation with one another:

“Motivations for co-operation in a producer vs. consumer society are totally different... different interests... For us (CSAs), it is in the benefit of all projects that we all do well. As a new phenomenon we are in the media a lot and any negative publicity, e.g. news about a failed CSA, can reflect on others”.

On the issue of information sharing they note that:

“There hasn’t been a time yet when someone would have refused to share information due to it being a “business secret”...We have wanted to maintain communication as open as possible”.

The interviewee also notes that Ruoka Co-operative does not have co-operation with other co-operatives as part of the organisation’s goals or any other official documentation.

4.4.1 Summary

This section looked at the attitudes the co-operative representatives in this study held towards co-operation with other co-operatives. All hold very positive *attitudes*, though some differences can be observed in the *prioritisation* of co-operation in official goals etc. documentation.

4.5 PARTNERS IN CO-OPERATION

This section will look at the type of co-operative partners the co-operatives in this study currently have or have had in the past. They are divided here into two main groups with section 4.5.1 looking at partners operating in the same sector as the co-operatives in this study and 4.5.2 at cross-sectoral co-operation.

4.5.1 Co-Operatives within the Same Sector

All three of the co-operatives in this study currently practice (Ruoka and Sataosaajat), or have practiced (Oskarit) co-operation with co-operatives in their own sector. Ruoka CSA has active co-operation with the other CSAs around the country (currently there are approximately 10 established, although not all operating under a formal co-operative structure), and with another Ruokapiiri/food circle organic produce purchase group operating in a different part of Helsinki.

Sataosaajat worker co-operative actively co-operates with other small worker co-operatives in their area, as well as internationally with other worker co-operatives through joint research projects (see later sections). Oskarit worker co-operative Board Chairman notes that the co-operative was a part of a (failed) attempt to form a local small worker co-operatives' association some 4-5 years ago.

4.5.2 Cross-Sectoral Co-Operation

Two of the co-operatives also practice co-operation with co-operatives in different sectors than their own. Sataosaajat is a member of the national co-operative organisation *Coop Finland*³⁸ where it is joined by a range of co-operatives from various other co-operative sectors. As *Coop Finland* is a member of the Pellervo National Federation of Finnish Co-operation³⁹, Sataosaajat CEO notes that through this link, their co-operative is in communication with a very broad range of enterprises nationally through, for example, training events. Also Ruoka CSA practices co-operation outside its own immediate sector through joining forces with a local community co-operative to rent out operating space in their mutual locality.

4.5.3 Summary

This section looked at *who* the co-operatives in this study co-operate with. We saw that the majority of the co-operation practiced by the co-operatives in this study occurs within their own sector. Exceptions are however found through one of the co-operatives being a member of a national co-operative organisation where it is joined by co-operatives from various other sectors, and one working together locally with a co-operative from a different sector to rent out operating space.

4.6 FORMS OF CO-OPERATION

This section will answer the question *how* do the co-operatives in this study practice co-operation with other co-operatives? It will look at the *structures* of and *arrangements* for co-operation,

³⁸ A national organisation, founded in 1997, dedicated to the development of small co-operatives and small co-operative advice service in Finland. <http://www.coopfin.coop/>

³⁹ Pellervo is 1) A service organisation for Finnish cooperatives 2) A forum for cooperative activities 3) An organisation of expertise for the cooperative activities 4) An organisation dedicated to development 5) A national and international actor and promoter of members' interests.

whether *formal* or *informal*. It will also find out whether co-operation is practiced on a *local, regional, national or even international levels*.

4.6.1 Associations

Sataosaajat is the only co-operative in this study which practices co-operation with other co-operatives through *an association*. Sataosaajat is an active founding member of a *local*, currently 12 member *worker co-operatives' association* the "*Ok-Verkko*". This association has been in operation since 2001 with Sataosaajat having been the instigator that called the network together. The associational form, which gives formal legal status to the organization and enables it to e.g. apply for public grants, is an arrangement unique to the (worker) co-operative sector in Finland. In the words of Sataosaajat CEO, the thinking behind the association was:

When starting out in 2001, in choosing a structure for the planned co-operation, the interviewee notes that *forming a second tier co-operative was initially discussed*. As this never materialised, however, in order to nevertheless *formalise* the co-operation, a decision to form an association was made:

"It is good to have a structure for co-operation... unofficial arrangements might not be as long lasting. The alliance model suited us as one "had to do things" to keep it going. For example, we applied and received funding for training (finance, taxation, marketing) and wellbeing in work days... From the local employment authority we have received further training to do specifically with co-operative management in the market place... It would have been very difficult to get this training and information on our own (as a single co-operative)."

Ok-Verkko charges a *membership fee*. Up until 2013, which has been more quiet, the association members met approximately 12 times per year with training events and wellbeing in work events/days normally organised on same day as the meetings take place. Membership is open and the interviewee notes that *"new members have also joined"*.

Oskarit Board Chairman notes that 4-5 years ago his co-operative was part of an *attempt* to form an association with 5-6 other small labour co-operatives in the same region. The Interviewee notes that this *"never got off the ground fully"*, though the six worker co-operatives involved in this attempt got as far as *"formulating the rules of the association"*, but after which the attempt fell

through due to lack of initiative (from the other co-operatives).

Also Ruoka CSA Board Chairman notes that, at a gathering with other Finnish CSAs at the end of 2012, there was discussion about the possibility of forming a *Finnish CSA association*. However, the interviewee notes that *“nobody really took this on to get off the ground”* and thus to date, co-operation with other Finnish CSAs has remained on largely informal bases.

4.6.2 National Co-operative Organisations

One of the three co-operatives in this study, Sataosaajat, is currently a member of a *Coop Finland*, a national organization dedicated to the development of small co-operatives and co-operative advice services. Membership is through a *formal agreement* and a membership fee applies. Sataosaajat CEO interviewed notes that on average, Sataosaajat members attend 10 Coop Finland meetings per year approximately, most often in Helsinki, but sometimes in the counties. The interviewee also notes that *“a nationwide training event takes place normally twice per year, through which it is possible to network with e.g. different officials”*. As Coop Finland is a member of *Pellervo-Seura Confederation*, which in turn is a member ICA, this (indirectly) brings an *international* aspect to the co-operation among co-operatives practiced by Sataosaajat. The interviewee notes that as a member of Coop Finland, Sataosaajat has in fact been and currently also is a participant in international co-operative research and development projects, organized in collaboration with Pellervo Seura Confederation. For example, 2005-2007 Sataosaajat took part in Netco - an EU funded international project for producing a comprehensive training guide for (worker) co-operative management. Also currently, Sataosaajat is working together with Pellervo Seura, Coop Finland, Sataosaajat, Idekoop osuuskunta (a labour co-operative from Eastern Finland) and international partners from Poland and Italy in a project aimed at *“enhancing the entrepreneurial skills of people working, or planning to work, in cooperatives”* (Conventus Project⁴⁰).

Also, Oskarit Board Chairman notes that 10-15 years ago, as a member of Oskarit, he was invited to take part in two year national project in Helsinki, coordinated by *Pellervo*, aimed at *training co-*

⁴⁰ *The purpose of the project is to create a greater understanding and knowledge among the co-operators themselves of the situation of cooperatives in Europe, so as to strengthen their self-esteem, cooperative identity and entrepreneurial skills. The project has target groups and beneficiaries on local/regional, national and EU-level. Short term beneficiaries are groups like the employees, members and tutor/mentors in co-operatives. The most important long-term beneficiaries will be the cooperative organisations and their staff at local, national and international level who offer training to their members.* <http://some.lappia.fi/blogs/conventus/sample-page/>

operative advisors. The interviewee notes that there were approximately 40 participants from around the country, and that they met 5-10 times per year. The interviewee notes that another aim of the project was to *“at least make small co-operatives aware of one another, to get them together somehow”*. However, after the project ended *“long distances prevented maintaining contact”*.

4.6.3 Marketing

Sataosaajat is the only co-operative in this study which currently practices marketing co-operation with other co-operatives. It does this through the *Ok-Verkko Association*, a large part of which is focused around a joint marketing feature, *Työpörssi* (loose translation *“Work Market”*). The interviewee notes that *Työpörssi* has its own office in Pori city as well as a mutual webpage through which the work of all 12 co-operatives involved are *“equally promoted”*. On the idea behind the joint marketing, the interviewee notes that they are able to achieve: *“...more efficient marketing through bigger resources... Sataosaajat has only 30 members, but Ok-Verkko Alliance jointly has over 200...”*

The interviewee also notes that:

“None of the 12 co-ops in the Ok-Verkko alliance offer all types of services and thus through mutual marketing it is easier to meet customer needs... When you yourself are not able to meet the customer’s needs it is important to have reliable partners to refer them onto, as opposed to looking up other businesses in the phonebook.”

Contrary to the experience of Sataosaajat in terms of marketing, on the rationale for joint marketing Oskari Board Chairman notes that it would be *“...Difficult to imagine e.g. marketing co-operation locally as we are all so different.”*

4.6.4 Bulk Purchasing

In the beginning of 2013, Ruoka CSA teamed up with *Laajasalon Ruokapiiri*, an organic produce bulk purchase group in a different part of Helsinki to make (larger) *bulk purchases*. The two purchase groups combine their orders from farmers, which allow savings to members through the lower unit prices.

4.6.5. Investment of Scale

Earlier this year, Ruoka CSA also combined resources with a community co-operative in the same area of Helsinki in renting out operating space. The interviewee notes that Ruoka CSA would not have been able to rent out this space without the other (Herttoniemen Pumppu Community) Co-operative; that this is a *win-win* situation where they can both afford appropriate operating space.

4.6.6 Training Provision/information Sharing

All three co-operatives in this study either have in the past or currently contribute in 1) formal training provision or 2) in more informal information sharing and exchange with other co-operatives. As representatives of the unique Ok-Verkko, members of Sataosaajat worker co-operative have in the past ten years been invited to speak about the association in various events across the country. Sataosaajat CEO notes, that as far as she is aware, at least one similar network (whether in the form of an association is not certain) was then established in another part of the country⁴¹. The CEO provides advice and training on co-operative enterprise formation and operations, and has delivered training modules to e.g. the local employment authority which runs regular entrepreneurship training courses in the Pori region. The Board Chairman of Oskarit Worker co-operative has in the past also delivered similar training modules in his locality, the target of which were also the local employment authority run entrepreneurship courses..

The co-operative in this study most heavily involved in *informal information sharing and exchange* is Ruoka CSA co-operative. Firstly, when in the process of establishing in 2011, Ruoka CSA *received* legal advice from a solicitor in Pellervo regarding the content of the rules of the new co-operative (a legal requirement). The Board Chairman of Ruoka CSA notes that they also sought and received advice from a CSA expert in France in the beginning of operations.

Having been the first CSA project in Finland, other projects that have followed suit, have looked to Ruoka CSA for information and support. The Board Chairman of the co-operative notes that they have themselves *provided* many of those starting out with advice:

“...After 2011, we have had people from elsewhere in the country (mostly in the larger cities)

⁴¹Although the author was not able not find out any further information about this following interview.

contact us looking for advice on how to start their own CSA. I have provided advice over the phone and via email in relation to e.g. tax issues... The queries have tended to peak when the other CSA projects have been set up, lessening as they become better established”.

The interviewee notes that this information sharing and exchange among the Finnish CSAs was extended to *face to face* contact last year (2012):

“At the end of 2012, the Tampere CSA called together a one day meeting of all the CSAs that had been established in Finland to date, and others who were interested in starting their own. It was a workshop style event where we split into groups and discussed experiences and ideas... Member communication, taxation and finances were among the most talked about issues.”

The interviewee also notes that following the event, *a Finnish CSA Facebook discussion group* was establish and that discussion and sharing there has been very lively, particularly immediately following the meeting.

4.6.7 Other

Oskarit interviewee notes of a kind of *philosophical decision* to contract out the making of their new website to a student co-operative operating out of the local IT-College in Lappeenranta. The interviewee notes that this decision was very much a conscious one made in order for Oskarit to *support* the new up and coming local co-operative.

4.6.8 Summary

This section looked at *how* the co-operatives in this study practice co-operation with other co-operatives. It found that various different formal and informal forms of co-operation are applied and include alliance and association memberships, marketing co-operation, bulk purchase arrangements, training and information sharing & exchange. Though most co-operation is local/regional, examples of national and even some international co-operation were also found.

4.7 MOTIVATION FOR CO-OPERATION; BENEFITS DERIVED FROM CO-OPERATION

This section will look at the motivations the interviewees stated their co-operatives have in any co-operation they practice; and the benefits they identify their co-operatives have derived as a result. Though a clear division is difficult to draw, the author observed the motivations and benefits

identified by interviewees to range from purely *tangible or pragmatic* to more complex *intangible* ones, where, for example, the importance of *sharing information* and *communication and co-operation in themselves* were emphasised.

4.7.1. Tangible Motivations and Benefits

This section will look at the motivations for and benefits derived from co-operation the author identified as tangible in the interviewees' answers. These are *access to public grants, marketing and savings or lower costs*, which are outlined below.

4.7.1.1 Access to Public Grants

Sataosaajat CEO notes that one of their principle motivations for co-operation (through the Ok-Verkko Association) is *"...to receive funding for relevant training etc"*. This is echoed by Oskarit Board Chairman who notes that a motivation for the attempt 4-5 years ago to form a local worker co-operatives' association in the Lappeenranta area was *"...the possibility of applying for funding through an association"*.

4.7.1.2. Marketing

In terms of other practical benefits derived from co-operation, Sataosaajat CEO emphasises marketing: *"In Ok-Verkko association the most important aspect has been marketing... Sataosaajat is only 30 members; Ok-Verkko association on the other hand consists of 200 members and Coop Finland is much larger again... More efficient marketing through bigger resources..."*

4.7.1.3. Savings/Lower Costs

Ruoka CSA co-operative Board Chairman notes of one substantial easily measurable *saving* that resulted from exchanging information with other co-operatives:

"In the meeting with other CSAs (2012), we found out about the possibility of receiving support from the employment authority to employ people on the live (unemployment) register. We got two people to work for us through this support (temporary contracts). This equals a saving of approximately 5000 euros for us."

Also, as a result of the joint rental agreement of operating space with another local co-operative, and the bulk purchase co-operation of organic produce with another *"Ruokapiiri"*, continuous

savings are accrued.

4.7.2. Intangible Motivations and Benefits

Sataosaajat CEO notes that when considering the benefits co-operation with other co-operatives, it is *“...difficult to think directly in terms of financial benefit”*. The interviewee notes that, instead *“...Us small co-operatives need one another... Business operations are complicated, and it is difficult to survive alone... Bigger structures have more chances of succeeding ...”*

4.7.2.1. Information and Problem Solving

In the case of Ruoka CSA, the Board Chairman notes that a strong motivation for co-operation is *“to share information... Learning from others’ experiences to make own co-operative’s “daily life easier”... Others’ experiences lower the barrier to try things out for ourselves”*.

Sataosaajat also noted the importance of learning about the *latest information* to emerge in the co-operative sector through the national events organised by Pellervo they are invited attend through Coop Finland: *“In terms of business operations/profits, it has been beneficial for Sataosaajat to have access to the latest information in e.g. service provision...”* Also, *“Ok-Verkko has been extremely beneficial for Sataosaajat in terms of getting relevant training which we wouldn’t have gotten on our own”*.

Ruoka CSA Board Chairman noted that as the type of enterprise/co-operative they run is so unusual, dealing with different officials, for example, the tax authorities, has proved problematic at times as there is a lack of precedent in terms of what rules to apply to the CSA. The interviewee noted that sharing information with other CSAs about *what has worked* for them in dealing with the officials around different issues; knowing of a precedent, has been beneficial in resolving issues.

Sataosaajat CEO also notes the different; less known nature of their enterprise as a motivation for co-operation with other similar enterprises: *“worker co-operatives are unique enterprises, and thus experience unique needs in terms of training, for example management often experiences very similar challenges”*.

4.7.2.2. Social Support

Sataosaajat CEO notes that in fact, the *co-operation and communication with others in themselves*

have been the *most important aspects* of the partnerships with other co-operatives. In addition to practical benefits, it's been surprisingly important *"...to "refresh" oneself by meeting other co-operatives' members and professionals... The same applies to attending Coop Finland meetings and events which are attended by various officials etc. some of whom are from outside the immediate realm of co-operatives"*.

Oskarit Board Chairman also notes that in the attempt 4-5 years ago to establish an association with other worker co-operatives in the regions, in addition to the possibility of receiving training grants etc, *"it would have perhaps been nice to foster the "spirit" of co-operation with fellow co-operatives"*.

4.7.3 Summary

This section looked at the motivations the co-operatives in this study have for co-operating with other co-operatives and the benefits the interviewees identified their co-operatives having derived from any co-operation. Some motivations and benefits stated by the interviewees could be identified as tangible or *pragmatic*, but most were more complex, intangible motivations and benefits.

4.8 CHALLENGES EXPERIENCED / LIMITATIONS TO CO-OPERATION

This section will look at the challenges and limitations to co-operation identified by the interviewees. As was noted in section 4.4., all interviewees expressed very positive attitudes towards co-operation among co-operatives. However, all three interviewees also noted that they had experienced various challenges in co-operating with other co-operatives. These will be outlined below, with some suggestions from the interviewees around these issues in the following section.

4.8.1 Finding Co-operative Partners

Sataosaajat CEO notes that some of the issues they have experienced co-operating with other co-operatives are: *"Finding partners and "sensible topics", as opposed to unofficial lunches etc"*.

Oskarit Board Chairman states clearly that the main issue in their case, despite a motivation to co-operate with other co-operatives, is simply *"the lack of other co-operatives in the region"*. They

note that due to a strong *industrial/factory employer presence* in the region for a long period of time, there is a *"lack of entrepreneurship tradition (including co-operatives) in this part of the country"*.

In the failed attempt to form a co-operative network in the region some years ago, part of the problem was, the interviewee suspects, that *"many of the other co-operatives had been established only a relatively short time before the attempt to form the association, and were busy with that"*.

4.8.2. Lack of Shared Goals

Sataosaajat CEO notes that they have partners available (in the Ok-Verkko Association), but problems with co-operation nevertheless occur due to the different expectations and ways of working:

"The original alliance members are beginning to retire and the new younger co-ops members are not as active (although have joined the association)... We are not able to renew... Sataosaajat is currently the most active member of Ok-Verkko".

In terms of the difference between the older and the younger co-operative members in the Ok-Verkko, Sataosaajat CEO notes that: *"Younger people tend to have higher expectations about fast financial returns... It is difficult to justify the benefits of co-operation to younger people..."*

The interviewee also identifies a more general challenge for co-operation among co-operatives:

"Systematic co-operation is difficult...I think that co-operation is important and I would recommend it, but I understand that the founding and running of a small co-operative is a lot of work in itself and that it can be difficult to see the value in other types of networking".

4.8.3 Cost

All three interviewees noted the high cost of membership of Pellervo Seura, the Confederation of Finnish cooperatives, as an obstacle to joining the organisation. The Board Chairman of Ruoka CSA noted that although the legal advice they received from Pellervo when starting out was free, the cost of the invitation to join Pellervo which followed, was beyond the co-operative's means at the

time and they thus declined.

Oskarit Board Chairman (who is a qualified co-operative enterprise advisor) notes cost is an issue also in terms of *delivering* any training modules on co-operative enterprise. The interviewee notes that they regularly receive expressions of interest in co-operative training (mostly from various public bodies), but that *“most parties are not prepared to pay for the training”*. The board chairman also noted that he had taken part in a two year long national training initiative in the late 1990s, coordinated by Pellervo, the aim of which had been to train co-operative advisors, as well as, to a lesser extent, to *“make the existing co-operatives aware of one another’s existence”*. The interviewee notes that with such long distances, however, keeping in touch with one another proved difficult at that stage, despite the motivation to do so.

4.8.4 Lack of Support

Oskarit Board Chairman states that there is a lack of “public support” for co-operatives in the city where they operate. The interviewee notes, for example, that the city of Lappeenranta does not compromise on the rental prices of operating/office space, which it keeps at market value, to support new co-operatives (or any other start ups). This indirectly reflects on the potential of Oskarit finding partners to co-operate with, as new co-operative formation receives limited support. The interviewee compares this with other cities, e.g. in *Tampere* where co-operative activity is traditionally strong, there is more support available.

As a suggestion for addressing the general *“unentrepreneurial”* air in the region, the interviewee notes that *“a county wide project for going through (other employment) options with people would be beneficial”*.

4.8.5 Summary

This section looked at the challenges and limitations the co-operatives in this study have experienced in terms of co-operation with other co-operatives. The challenges mentioned relate to finding and maintaining (suitable) partners, finding time, high cost and lack of (public) support.

4.9. FACTORS SUPPORTING CO-OPERATION

As well as challenges, also factors supporting co-operation among co-operatives were identified. Sataosaajat CEO noted that one of the most important factors in the success of the Ok-Verkko over

the last 12 years has been *trust*. The interviewee mentions that trusting their partners has supported, for example, the joint marketing, as it is easier to *“refer clients whose needs they are not able to meet to partners you already know and can trust”*. They noted that some of the other members of the Ok-Verkko they know for a long time; since the 1990s, when they attended training courses together. The interviewee notes that the high level of trust is evident, for example, in the fact that they have had shared supervision of staff among the co-operatives. Also Ruoka CSA Board Chairman notes that it was *“good to meet others face to face”* and that this has made it easier to continue co-operation e.g. through the Facebook group when you *“know who the other person is”*.

Sataosaajat CEO noted that they have received *funding support* to take part in various projects where co-operation among co-operatives has been promoted, and is aware that this has made a difference: *“Many of the members of Sataosaajat understand the value of co-operation, however, this is easy for us to say as we have received funding through which we have been able to access co-operative projects”*.

4.10 CO-OPERATION INTO THE FUTURE

This section will outline any future plans the co-operatives in this study have in terms of co-operation with other co-operatives. The plans of the three co-operatives differ markedly with Ruoka Co-operative envisaging a potential *increase* in the level and intensity of co-operation with other co-operatives, Oskarit envisaging *staying at current level* and Sataosaajat envisaging a *decline* at least in some areas of co-operation with other co-operatives.

4.10.1 Sataosaajat (Potentially Less Co-operation in the Future)

Sataosaajat CEO notes in terms of the Ok-Verkko Association of Local Worker Co-operatives, that as they are *“...at the moment the most active member in the Ok-Verkko Association, the future is not certain”*.

The interviewee notes that Sataosaajat has grown in member size and financial operations have stabilised. Therefore, the CEO states that *“we don’t feel pressure to hold on to it (the network) either... we are now able to do things on our own... Younger members (co-operatives), if they need it, will perhaps start their own form of co-operation in the future which might take a different form (from an alliance)”*.

In terms of the membership in Coop Finland national organisation, the interviewee notes that *“this will continue into the future... Co-op Finland is needed”*. For example, the Conventus Project is due to continue until autumn this year.

4.10.2. Ruoka CSA Co-operative (Potentially more Co-operation in the Future)

On their plans for co-operation in the future, the Board Chairman of Ruoka CSA Co-operative notes that they are planning to, for example, continue meeting with other Finnish CSAs:

“In the first meeting, the idea of making these meetings annual was discussed (different host each year)... It is likely, that at the end of this crop season, Helsinki CSA (Ruokapiiri Osk) will call together the second Finnish CSA meeting”.

On the potential evolvement of the co-operation among Finnish CSAs, the interviewee notes that the future could hold a move towards a more formal structure, possibly in the form of an *association*:

“One CSA is so small, but a “mutual agenda” would not work out too expensive... “We have the idea that it would be good for the Finnish CSAs to have one person representing/working for all of them who would find out and distribute latest information, apply for any funding schemes, etc.”

“This will depend on how long lasting this phenomenon (CSA) is. If it takes off more in the next couple of years, each CSA contributing to an association which would employ the representative, who would handle some of the paper work etc., might be a possibility.

4.10.3. Oskarit (No Current Plans for Co-operation with Other Co-operatives)

Oskarit Board Chairman notes that *“At the moment we are all busy working, maybe if we had more time we would think about it more... No plans specifically regarding co-operation with other co-operatives at present”*.

However, on the *potential* for future co-operation he notes that *“...Should more co-operatives start in the area, I like to imagine a “symbiosis” forming where we could advise new co-operatives to save them from “banging their heads against the wall” with the same things we have”*.

4.10.4 Summary

This section looked at plans the co-operatives in this study hold for the future in terms of co-operation with other co-operatives. Two of the three interviewees have plans to continue co-operation with other co-operatives in the future, with one viewing any potential future opportunities for co-operation in a positive light. Co-operation through formal structures as well as other arrangements feature in the co-operatives' plans.

4.11. CONCLUSION

This chapter presented the findings from the primary research carried out as part of this study. To gain an understanding of the case study co-operatives that took part in the study, the chapter began with a summary of the history and current activities of each co-op. Findings from the telephone interviews with the co-operative representatives were then presented under seven themes relevant to answering the research questions. A discussion of these findings relative to the literature will follow in chapter 5.

Chapter 5

Discussion of Findings

5.1. INTRODUCTION

This chapter will present a discussion of the findings of the primary research, carried out as part of the thesis and presented in chapter 4, relative to previous literature which was explored in chapter 2. The discussion is structured around the seven themes followed in the practical research which were explored in chapter 4, through which the research questions will also be answered (see below). Conclusions and suggestions for further study will be made at the end of the chapter, which conclude this thesis.

5.1.1. Research Questions

- i) To what extent and how do Finnish New Wave Co-operatives practice co-operation among co-operatives?*
- ii) What are the Finnish New Wave Co-operatives' motivations for practicing co-operation among co-operatives; what are the benefits derived from any co-operation practiced?*
- 3) What challenges do Finnish New Wave Co-operatives face in practicing the 6th ICA principle, and how do these reflect on any future plans they may have in relation to co-operation with other co-operatives? Do Finnish New Wave Co-operatives identify any specific factors that in their experience support co-operation among co-operatives?*

5.2. EXTENT OF CO-OPERATION AMONG THE CO-OPERATIVES STUDIED

Two out of the three case study enterprises currently have some level of co-operation with other co-operatives, while the third enterprise has some experience of it in the past. All of the co-operatives are very different in terms of age, operational area, membership size and location. Thus, it is not possible to draw direct comparisons between them or generalise based on their specific experiences. The extent of co-operation these particular enterprises practice with other co-operatives will, however, be explored below.

It is noted in the Netco Project Final Report (2007), that small co-operatives are not well connected and that there is a general "*lack of networking culture*" among them. Thus, it is the clear understanding of the author that Sataosaajat Worker Co-operative, which has a fairly significant amount of experience of co-operation among co-operatives at various levels, for instance, actively

participating in a local formal association of worker co-operatives, is an *exception* among Finnish New Wave Co-operatives in this regard. At the other end of the spectrum of co-operation among co-operatives lies Oskarit worker co-operative. The Board Chairman states that it is prevented from co-operation with others due to *long distances* or, the *lack of other co-operatives in the local area*.

Ruoka CSA Co-operative is different again, although a relatively new addition to the Finnish co-operative sector. Despite the long distances, it has already networked with other CSA projects in other parts of the country to exchange of experiences and information, which is envisaged to continue and possibly even intensify into the future.

5.3. ATTITUDE OF THE CO-OPERATIVES STUDIED TO CO-OPERATION WITH OTHER CO-OPERATIVES

Despite varying levels of practical experience, all case study co-operatives expressed very positive and open attitudes towards co-operation with other co-operatives. The importance of *shared values* and co-operation as a *long term strategy* was emphasised in the answers of the interviewees.

Novkovic et al (2011:117) note that "*co-operatives have an advantage in finding solutions through social networking with like-minded organizations sharing common values...*".

The presence of these *common values* behind co-operation is identified by Ruoka CSA's president: "*Everyone involved have been very positive about co-operation. No one is involved in this (CSA projects) to get rich quick, but are motivated by other values...*"

Also, although Oskarit does not currently have any active co-operation with other co-operatives, the Board Chairman noted in their attempt to establish co-operation with other local co-operatives that "*it would have perhaps been nice to foster the "spirit" of co-operation with fellow co-operatives*".

It was noted in the Netco Project Handbook (2007:31), that "*networking among co-operatives is not a once off event, but an evolving process of mutual interaction*". As was stated in the above section, of the case study enterprises, Sataosaajat is the one that has invested the most resources and has the most extensive experience of co-operating with other co-operatives. The CEO notes that "*Co-operation has been a goal which we have worked towards; it has been very much*

purposeful...” Importantly, however, the CEO notes that co-operation with other co-operatives is incorporated as part of the enterprise's *long term strategy*, as opposed to viewing it as a “*quick fix*” for business operations. This strategic thinking corresponds closely with Mattisson et al's (2011:8-9) argument that “*Cooperation is not a quick fix but instead a long-term strategic move...*”

5.4. CO-OPERATIVE PARTNERS

Watkins (1986:29) noted that “*Unity to promote common interest is obviously easier to achieve and maintain than unity to promote differing interests, even though they may be mutually complementary*”. Though the author is cautious about drawing any generalisations based on such a small varied sample, to an extent at least, Watkins' argument can in fact be observed in the experiences of all the three case study enterprises which currently co-operate or have co-operated with co-operatives within their own sector. The rationale for same sector co-operation is noted by both the Sataosaajat CEO and the Ruoka CSA Board Chairman as stemming from the fact that the types of enterprises they run are *unusual*; with *unique needs*, and therefore they naturally turn to their peers for support with problems experienced. For instance, referring to small worker co-operatives, the Sataosaajat CEO noted that “*... for example, management often experiences very similar challenges...*”

In terms of cross sectoral co-operation, which Skurnik (2004) notes has, due to various factors, “*remained in its infancy in Finland*”, the experiences of two of the case study enterprises run somewhat contrary to the norm, as examples of cross-sectoral co-operation of some degree were noted. For example, the Ruoka CSA Board Chairman noted that they had recently combined resources with another community co-operative in the local area to be able to rent out appropriate operating space, a situation which he referred to as “*win-win*”. Although representing different sectors, what Schermerhorn (1980:50) noted about inter-firm co-operation appears to apply here: “*inter-firm cooperation will be initiated and/or maintained ... so long as each participating business can justify the activity on a cost-benefit basis...*” However, the author holds that in addition to the beneficial arrangements in terms of savings, also *shared values* between two community orientated co-operatives, as was noted in the above section on attitudes to co-operation, support this co-operative arrangement.

5.5. FORMS OF CO-OPERATION

Both formal and informal structures of co-operation were identified in the interviewees' answers

about the forms of co-operation their enterprise is engaged in. Also, various levels in terms of location of partners (local, regional, national and international) were noted. Sataosaajat, engages in various types and levels of *formal co-operation* with other co-operatives, while Ruoka co-operative practices *informal co-operation* with other CSA projects around the country, as well as, though to a lesser extent, abroad. Schermerhorn (1980) identified five *operational areas* in small firms in which co-operation normally occurs, most of which, in fact, in some way feature as part of the co-operative activities of the case study enterprises, as will be shown below.

5.5.1 Formal Co-operation

Sataosaajat is an active founding member of the Ok-Verkko Association of 12 worker co-operatives in the *Pori region*. The CEO noted, that in their case, the formal structure has been beneficial:

"It is good to have a structure for co-operation... The alliance model suited us as one "had to do things" to keep it going".

The formal structure, of being a registered alliance, the CEO noted, has enabled Ok-Verkko to apply for various funding for training, etc. development activities. The CEO also noted that *"unofficial arrangements might not be as long lasting"*, which, in the opinion of the author echoes the enterprise's long term commitment to co-operation with other co-operatives; which features as part of its strategic plan.

Malecki et al (2004:72) note that formal co-operation is defined by the presence of and commitment to *shared objectives* among the partners: formal networks are those where the parties have *"explicitly agreed to a shared objective requiring some level of coordination of actions and resources"*. The presence of a clear shared objective could be identified by Sataosaajat CEO who noted that the rationale behind the network was to seek support for challenges facing all worker co-operatives and that thus *"... it would be beneficial to talk with other co-operatives. "*

However, although the network, which has been in operation since 2002, has produced various positive outcomes for its members, such as training opportunities, Sataosaajat CEO notes that *"Systematic co-operation is difficult"*. The author observes this as related to the fact that the co-operative works towards *long-term, strategic* co-operation, as opposed to "unofficial lunches", as was noted by the interviewee. The Netco Handbook (2007) identified four main co-operative

network functions (see table 2.3), of which, it is noted, co-operation for *strategic planning is the most difficult*.

Novkovic et al (2011:111) noted that *"co-operatives take membership in professional (or co-op development) networks/associations to provide them with particular member services"*. Sataosaajat is also a member of a national co-operative organisation - Coop Finland - through which, the interviewee notes, the enterprise has been invited to take part in various small co-operative development projects *regionally, nationally and internationally*, as well as national training events, etc. The CEO notes that this membership has been very beneficial for the co-operative and that this organisation, dedicated to the development of small co-operatives, *is needed*.

5.5.2 Informal Co-operation

Ruoka CSA was the first of its kind in Finland, the CEO notes, and as other projects in other cities followed, Ruoka CSA's *advice was sought* by the newcomers. Communication between the projects has since extended to an *exchange* of information and experiences, as Ruoka CSA has also received relevant information from other projects. The interviewee notes that topics of discussion (in person, by phone or email) have, for example, included *member communications* and *tax regulation*. The experience of informal co-operation by the Finnish CSAs thus far appear to correspond to Malecki et al (2004:73), who note that small enterprises often use informal channels of co-operation to *"secure information about their operating environment... ideas are "bounced off" friendly contacts"*. Malecki et al (2004:72), also note that *"Informal Co-operation is bound entirely by mutually reinforcing self-interests"* something which can be observed in the interviewee's comments about attitude to co-operation: *"For us (CSAs), it is in the benefit of all projects that we all do well"*.

5.5.3. Operational Areas Involved in Co-operation

As was noted in the introduction to this section, the operational areas in which the case study enterprises practice co-operation with other co-operatives correspond closely to those outlined by Schermerhorn (1980) and thus include: *Marketing* (Sataosaajat through the Ok-Verkko Association), *Purchasing Co-operation* (Ruoka CSA combining their purchases with another organic produce bulk purchase group), *Personnel* (e.g. Sataosaajat members taking part in group supervision through the Ok-Verkko) and *external* (e.g. Ruoka CSA adjusting to external demands in relation to, for example,

taxation, through information received from their peers).

The areas of co-operation noted by the interviewees also correspond to those outlined in the Netco Handbook (2007) which included *strategic planning* (for Sataosaajat, co-operation with other co-operatives is part of their long term planning), *changes in external demands* (Ruoka CSA with information exchange regarding, for example, taxation), *specific function or service* (Ruoka CSA through purchasing co-operation and joint rental agreement as well as Sataosaajat through marketing co-operation)⁴².

Menzani et al (2009:5) note that horizontal networks are created to “*increase market power, rationalize production, offer common services, share risks and opportunities*”. All of the co-operation with other co-operatives practiced by the case study enterprises can be seen to fall under *horizontal* co-operation; co-operation with other enterprises at the same level of the supply chain to, for example, *share opportunities* (such as training opportunities as in the case of Sataosaajat in the Ok-Verkko), as noted by Menzani et al (2009) above.

5.5.4. Summary

The case study enterprises practice co-operation with other co-operatives both through formal (e.g. Association) and informal structures (information exchange in person, via email and telephone). However, it should again be noted that the formal co-operative arrangements Sataosaajat worker co-operative has in place with other co-operatives regionally, nationally and internationally, are very rare for a Finnish small new wave co-operatives, which, as has been noted, are in the main poorly linked with one another. It was observed that co-operation occurs in various operational areas, and is horizontal in its direction.

5.6. BENEFITS OF CO-OPERATION AMONG CO-OPERATIVES

Halary (2006, cited in Novkovic et al 2011:110) noted that worker co-operative networks in for example Italy and Spain exhibit network externalities such as “*...access to particular management skills, social networking and learning, social capital, access to finance, supply chain linkages, and others*”. Although the structures of co-operation the case study enterprises engage in are markedly different to the Italian or Spanish context, in terms of outcomes, many of the above can, to some

⁴²None of the case study enterprises have production co-operation with other co-operatives and thus the operational Area of production (Schermerhorn 1980 – table 2.1.) and broader market terms (Netco Handbook 2007 – table 2.3.) apply here.

extent, in fact be observed here also. The benefits the interviewees identified having resulted from co-operation with other co-operatives varied from relatively easily identifiable tangible benefits (such as management skills), to more complex benefits where, for example, the importance of social networking and learning were noted⁴³.

5.6.1. Tangible Benefits

5.6.1.1. Marketing

Schermerhorn (1980:49) (see table 2.1. for details) notes that some of the benefits of *cooperative marketing* are for enterprises to be able to *cut costs* and *increase effectiveness*. Sataosaajat CEO noted that, for them, *marketing* has in fact been the most important aspect of participation in the Ok-Verkko association as they have been able to achieve “...*more efficient marketing through bigger resources...*”

5.6.1.2. Additional Resources

Street et al (2007: 251-2) note that one of the main outcomes for small enterprises engaged in external co-operation is “*access to complementary resources... for example... financial capital... contacts... and social support*”. Sataosaajat CEO also regarded the additional *training* sourced through Ok-Verkko, which the co-operative would not have been able to afford on its own, as a very important benefit from co-operation. In addition, the interviewee notes the importance of meeting different professionals; making *new contacts* through, for example, the national co-operative training or other events they are invited to attend as members of Coop Finland.

5.6.1.3. Purchasing Co-operation

Schermerhorn (1980:49) noted that through “*purchasing co-operation... larger quantity discounts*” can be achieved. Ruoka CSA president notes that they have been able to achieve such discounts for the Ruokapiiri bulk purchase group (which is a part of the co-operative) after beginning to combine their orders with another such group in the area earlier this year.

5.6.2. Intangible Benefits

5.6.2.1. Networking and Problem Solving

The significance of gaining and exchanging relevant new information to solve operational problems

⁴³This section combines the interviewees' answers about both their specific *motivations* for co-operation and the *benefits* they identify their co-operatives having derived from co-operation.

was noted by all three interviewees. Sataosaajat CEO noted that *"business operations are complicated... We small co-operatives need one another"*. Similarly, Ruoka CSA Board Chairman noted one of their main motivations for co-operation to be *"Learning from others' experiences to make own co-operative's daily life easier"*.

Speaking about the *possibility* of future co-operation the board chairman of Oskarit co-operative noted that *"...Should more co-operatives start in the area, I like to imagine a "symbiosis" forming where we could advise new co-operatives to save them from "banging their heads against the wall" with the same things we have"*.

Based on the interviewees' emphasis on networking for *practical problem solving*, the author agrees with Novkovic et al (2011:117) who note: *"While financial viability is necessary, it is not co-operatives' raison d'être... Co-operatives have an advantage in finding solutions through social networking with like-minded organizations sharing common values... We conjecture that common purpose drives co-operative entrepreneurs to seek partnerships to find solutions to a particular problem"*.

Also, as economic entities, one major challenge for co-operatives is, as Williamson (1991, cited in Novkovic et al 2011:114) notes *"adaptation to a changing environment"*. The importance of networking in terms of adaptation is also evident in the interviewees' comments. For example, Sataosaajat CEO also notes that *"...it has been beneficial for Sataosaajat to have access to latest information in e.g. service provision developments..."*

5.6.2.2 Social/Peer Support

Street et al (2007: 251-2) noted *social support* as a potential additional resource acquired through small enterprise co-operation. Similarly, Halary (2006, cited in Novkovic et al 2011:110) noted *social networking* and *social capital* as co-operative networking externalities which have been observed to emerge in the Spanish and Italian contexts.

Referring to their experience of co-operation with other co-operatives so far, Sataosaajat CEO noted that, in fact, *"...co-operation and communication with others in themselves have been the most important aspects"* of the partnerships with other co-operatives. Oskarit Board Chairman noted that in their attempt some years ago to form a local co-operative network, fostering a kind of *social support* was among the motivations: *"it would have perhaps been nice to foster the "spirit"*

of co-operation with fellow co-operatives". The interviewee also noted the co-operative's *philosophical* decision to contract out the development of their current website to a student co-operative operating in the local IT College, as they wanted to *support* the new up and coming co-operative.

5.7. CHALLENGES IN CO-OPERATION AMONG CO-OPERATIVES

The literature review highlighted various challenges in co-operation among co-operatives, many of which apply to the circumstances of the case study co-operatives also. Some of the main challenges mentioned by interviewees include *difficulty of co-operation generally, finding partners and lack of shared goals among partners*, which are outlined below under those relevant headings.

5.7.1. Environment

Novkovic et al (2011:110) note that *"Often... low co-operative density stands in a way of applying the principle of co-operation among co-operatives to their advantage — there are simply not enough co-operatives in the particular industry or region to form co-operative chains"*. The Oskarit board chairman notes that, despite their interest in finding partners to co-operate with, there simply aren't many co-operatives in the region. The interviewee notes that, through a course they attended some years ago organised by Pellervo aimed at training co-operative advisors, they were put in touch with various small new co-operatives like themselves, but that the *long distances* prevented staying in touch.

5.7.2. Lack of Shared Goals

Schermerhorn (1980:49) defines inter-firm co-operation as *"...the presence of joint activities wherein two or more otherwise independent businesses work towards a common goal and in expectation of mutual benefits"*. Also Asproth (2008:183) notes that in any successful co-operation: *"it is important that group members... work in a shared context with shared goals"*.

The author observes a lack of shared goals as part of the problems currently experienced by Sataosaajat in the Ok-Verkko association. The CEO notes that many of the newer members are not active in the network; the association is *not able to renew*, and thus the future of the network is not certain. The interviewee notes that they see this inactivity related to the fact that *"Younger people tend to have higher expectations about fast financial returns... It is difficult to justify the benefits of co-operation to younger people..."*

Also, in relation to the responsibility currently carried by Sataosaajat as the most active member in the network, the author agrees with Menzani et al (2010:98-127) who note that *"...in research in networking among conventional enterprises, it has been discovered that the position of each enterprise in a network can be different. An enterprise can be a simple member of network... or it can be the key enterprise in the entire network... performing the role of overall coordinator in the network"*. The CEO noted that Sataosaajat is, in fact, the *most active member* in the association currently; the key enterprise on which the continuation of the network appears heavily dependent.

In addition, in terms of the current differences in *expectations* of the different members in the network, the author agrees with Besser et al (2011:115) who note that the most important *stakeholders* for business networks - the members - will judge the effectiveness of networks *"using their own personal criteria of success... networks judged to be unsuccessful or ineffective... will lose members and eventually cease to exist"*. Sataosaajat CEO notes that *"Younger members (co-operatives), if they need it, will perhaps start their own form of co-operation in the future which might take a different form (from an alliance)"*.

However, despite the future of the Ok-Verkko association now being uncertain, as the Sataosaajat CEO noted, many beneficial outcomes have resulted from their membership and activity in the association. The author agrees with Hanna et al (2002:203) who note that in the evaluation of small enterprise networks, *"the age of the networks or the longevity of ties is often misleadingly used as a measure of success"*, although, they note, *"...this is not necessarily evidence of success"*.

5.7.3. Internal Circumstances

Besser et al (2011:114) note that new business owners, who are often the ones who have the most to gain from network membership, often *"lack the slack resources (employees and profit) to engage in activities not directly and immediately resulting in business success"*. This lack of resources in small co-operatives was, to some extent, observed by two of the interviewees. For example, the Sataosaajat CEO noted that *"I understand that the founding and running of a small co-operative is a lot of work in itself and that it can be difficult to see the value in other types of networking"*. Also, the Oskarit Board Chairman noted that when they had attempted to form a local co-operative network, part of the difficulty was the lack of assertiveness from the other co-operatives, which is suspected to do with the fact that *"many of the other co-operatives had been*

established only a relatively short time before the attempt to form the association”.

At the other end of the spectrum, the author understands that both Sataosaajat and Oskarit are now well established worker co-operatives by Finnish standards. The Sataosaajat CEO, for example, notes that the co-operative has grown in member size and financial operations have stabilised. The Oskarit Board CEO noted that their co-operative is doing “astonishingly well”, and, that they currently have a very well functioning five member board of management. Judging by the stability and success of these two co-operatives currently, it can be concluded that they are *both* managed very professionally. In terms of the Ok-Verkko, Sataosaajat CEO states clearly that *“we don’t feel pressure to hold on to it (the network) either... we are now able to do things on our own...”* In addition, both the Oskarit board chairman and the Sataosaajat CEO noted that they were currently very *busy working* and had little time to look into (any additional) opportunities for co-operation. In the opinion of the author, this corresponds to what Curren et al (1993:13) noted about a neglected influence in small enterprise network formation: *The internal organisation* of businesses. They note that, *“For instance, a small firm with a well developed top management... may feel their internal management resources are sufficient so that resorting to external advice or help is only required in exceptional circumstances”*.

5.7.4. Lack of Support for Co-operatives

Oskarit Board Chairman noted that, indirectly affecting their lack of opportunities to co-operate with other co-operatives, is the municipality's lack of support for entrepreneurship (of any form) and thus few fellow co-operatives have formed in the area. This would appear to correspond closely to Kalmi (2013) who notes that *“support structures are usually regarded as essential for co-operative formation (e.g. Conte 1986; Smith 2003; Halary 2006)”*.

5.8. FACTORS SUPPORTING CO-OPERATION

In the interviewees' statements, some specific factors which had contributed to co-operation they practice with other co-operatives, could be identified. The most notable of these were trust, support received in network formation and technology.

5.8.1. Trust

Sataosaajat CEO noted that one of the most significant aspects in the successes of the Ok-Verkko was mutual trust. The interviewee notes that this has been essential, for example, in marketing co-

operation, where one needs to trust the partners they refer clients onto. The CEO notes, that they have known some of the Ok-Verkko partners *for a long time*; since the 1990s, when they attended training courses together.

The importance of trust noted by the interviewee corresponds closely to Besser et al (2011:128), who note that at the centre of inter-firm co-operation is *trust*, which *takes time to develop*. Also Lahti (1994, cited in Kuisma 1994) notes that people require *familiarity* with one another in order to build trust and partnerships.

Another aspect of trust, Handy (1995, cited in Asproth et al 2008:176) claims, is that *'trust needs touch'* at least in the initial stage. This appears relevant to the experience of Ruoka CSA, the Board Chairman who noted that (in the national CSA workshop at the end of last year) it was *"good to meet others face to face"* and that this has made it easier to continue co-operation e.g. through social media when you *"know who the other person is"*.

In terms of informal inter-firm co-operation, interestingly, Malecki et al (2004) noted that a significant amount of non-economic exchanges taking place between firms could more accurately be described as *exchanges between specific people* in different firms. This appears evident in the informal information exchanges between Ruoka CSA and other Finnish CSAs, of which the Board Chairman noted that he has himself provided the information asked for over the phone or via email.

5.8.2. Support in Co-operation

Novkovic et al (2011:117) note that in co-operative network building, *"besides other factors, the ... networks require 'champions' who lead the effort of network building"*. Also, Malecki (2004:73) note that *"...in most instances small firms do not have the capital (human or otherwise) to be able to forge a network without assistance"*. Out of the three case study enterprises, Sataosaajat is the enterprise with clearly the most experience of co-operation with other co-operatives. The CEO notes that their co-operative has, in fact, received external *support* to participate in many of these co-operative activities, and acknowledges that this has made a difference: *"Many of the members of Sataosaajat understand the value of co-operation, however, this is easy for us to say as we have received funding through which we have been able to access co-operative projects"*.

The lack of networking “champions” can be observed also in Ruoka CSA's experience of co-operation so far. The Board Chairman notes that at the end of 2012 there was discussion about the possibility of forming a *Finnish CSA association*, but that “*nobody really took this on to get it off the ground*”. Thus to date, co-operation with other Finnish CSAs has remained on more informal bases.

The same lack of coordination of co-operation can be seen in the experience of Oskarit, the Board Chairman of which notes that, in the co-operative advisor training course he attended some years ago, another goal of this initiative was to “*at least make small co-operatives aware of one another, to get them together somehow*”. However, after the project ended, (without the regular meetings) and “*long distances prevented maintaining contact*”.

5.8.3. Information Technology

Power and Singh (2007, cited in Asproth et al (2008:179), conclude that the application of *Internet-based technologies provides significant potential opportunities for the integration of business processes between firms..*”. Particularly in terms of the Finnish context, Skurnik (1994 in Kuisma 1994 ed.) noted that in a country with such long distances, and revolutionary developments in information technology, creating and utilising *networks* between different economic actors could prove extremely useful.

Internet technology has supported the co-operative activities of both Sataosaajat and Ruoka CSA. For example, creating and maintaining a *mutual website* through which the services of all the 12 co-operatives in the network are promoted equally, has been an important aspect of the marketing co-operation practiced through the Ok-Verkko. The Ruoka CSA Board Chairman notes that much of the information exchange among the Finnish CSAs has taken place via email, as well as, more recently through social media site Facebook.

5.9. CO-OPERATION IN THE FUTURE

For Sataosaajat, the challenges noted in section 5.7. in relation to the continuation of the Ok-Verkko, have already led to the activity of the network reducing and that the “*future is not certain*”. However, Sataosaajat notes, that Coop Finland is needed, and that their membership in the organisation will continue in to the future.

The Ruoka CSA Board Chairman, however, notes that they envisage a possible intensification of co-

operation among the Finnish CSAs: *"We have the idea that it would be good for the Finnish CSAs to have one person representing/working for all of them who would find out and distribute latest information, apply for any funding schemes, etc... an association which would employ the representative, who would handle some of the paper work etc., might be a possibility"*. In terms of this possible progression of the co-operative arrangements of the Finnish CSAs towards something more structured, it would appear to correspond to Malecki et al (2004:73) who note that *informal networks among small firms often precede more formal co-operation*, such as forming an association with a legal status.

As was noted on a couple of occasions in above sections, due to lack of co-operative partners in its area, is limited in its choices in terms of co-operation with other co-operatives. However, the Board Chairman noted that should a suitable opportunity arise, they would certainly be interested in taking up co-operation with other co-operatives in the future.

5.10. CONCLUSION

The development of the Finnish co-operative movement and one of its more recent significant features; the rise of the small New Wave Co-operatives, were explored in chapter 1. Skurnik (2007:4) noted that since the early 1990s, the Finnish co-operative sector has seen a *"surge in new starts after a quiet period in co-operative development..."* Kalmi (2013) noted that new co-operatives, mainly in the infrastructure and worker co-operative sectors, have been forming at a rate of 200 per year on average. As an important feature of the Finnish New Wave, Pättiniemi (2001) noted that co-operatives have emerged in *new sectors*, for example, in knowledge-intensive areas like training, consulting and planning. Thus, Skurnik et al (2007:5) noted that *"the new burst in co-operative development is largely led by people who are discovering co-operation for the first time"*. Despite the impressive formation figures and the fact many of these co-operatives have successfully established themselves as viable businesses, for most of these newcomers, challenges are never far away. Financial problems, lack of competent management as well as lack of business planning and marketing skills, are but some (Pättiniemi 2001). Skurnik (2004) argues, that increased co-operation among co-operatives in Finland could be part of the response to challenges experienced by all co-operatives. However, Skurnik (2005) also notes that fostering co-operation among co-operatives has never featured high in the Finnish National Co-operative organisation, Pellervo confederation's list of priorities. Also, it was noted in the Netco Project Final Report (2007), that small new Finnish co-operatives are generally poorly connected, and more generally, there is a

lack of *networking culture* among them.

Although two of the Finnish New Wave co-operatives in this study indeed have fairly substantial levels of co-operation with other co-operatives, one them, Sataosaajat, in particular, when contrasted with previous research (e.g. Netco Final Report 2007), these enterprises would appear to be exceptions as opposed to an accurate representation of the level of co-operation among Finnish New Wave co-operatives. The extent of co-operation among Finnish New Wave co-operatives more generally is likely to be closer to the level Oskarit worker co-operative is at, which, despite the interest in fostering co-operation with other co-operatives, is unable to do so due to lack of co-operatives in its vicinity and the lack of public support for co-operatives. The case studies did reveal, however, that co-operation among co-operatives, where initialised, can take *various forms* starting, simply, with very informal exchanges of information and advice as was seen in the case of Ruoka CSA, to more formally agreeing and setting mutual goals and targets with other co-operatives through a legal association form (Sataosaajat).

In terms of benefits derived, co-operation can, for example, support small Finnish New Wave co-operatives scale up their *marketing*, afford them discounts through larger *bulk purchases* from suppliers, and utilise *training opportunities*. Importantly also, co-operation allows for increased *access to new information* regarding various aspects of operations, including, for example, how to adapt to changes in external regulation such as taxation. Although the practical benefits; gaining new advantages to improve operations through co-operation were emphasised, something that was also noted in some way by all of the interviewees, was co-operation to access *peer or social support* through the act of communication or co-operation itself.

The various challenges facing small Finnish New Wave Co-operatives in terms of applying the principle of co-operation among co-operatives found in this study correspond largely with what has been noted in previous research. These include the lack of (suitable) partners to co-operate with, lack of shared goals with partners, cost of co-operation and lack of (public) support for it. Also, some specific factors that have supported the case study enterprises' co-operation with other co-operatives were noted to be *trust*, *support* in co-operation as well as, importantly in Finland where distances are long, *information technology*.

Novkovic et al (2011:117) noted that "*Co-operatives have an advantage in finding solutions*

through social networking with like-minded organizations sharing common values... We conjecture that common purpose drives co-operative entrepreneurs to seek partnerships to find solutions to a particular problem". In the author's opinion, the experiences of Sataosaajat and Ruoka CSA stand as further proof of the *problem solving* potential of co-operation among co-operatives. With the exception of these few linked co-operatives, in terms of co-operation among the Finnish New Wave more generally, however, the "advantage" Novkovic et al (2011) note co-operatives to have in networking, would appear to be vastly underused here.

Even with the differences in context considered, the Finnish New Wave's (lack of) experience in terms of networking is fundamentally different, for instance, to the Italian experience. In terms of networking culture of attitude, Restakis (2000:8) noted that in the Italian Industrial Districts *"... It is the attitude of co-operation that acts as the software which runs the system"*. Another vast difference to the Italian co-operative context would appear to be the near total lack of representation of small co-operative in the Finnish national co-operative networks (Pellervo and Coop Finland). Although having accepted Coop Finland, and more recently, SVOSK network of Finnish water co-operatives as its members, Pellervo Confederation is nevertheless largely focused around large traditional co-operatives mainly in the agricultural production and banking sectors. Coop Finland, despite its focus on the development of small co-operatives, has in fact only a handful of such small co-operatives as its members⁴⁴. The various potential benefits to co-operatives taking part in larger co-operative networks and leagues were noted in the literature review and included *"...access to particular management skills, social networking and learning, social capital, access to finance, supply chain linkages, and others* (Halary 2006, Smith 2004, cited in Novkovic et al 2011:110). It should however be noted, that Finnish New Wave co-operatives are no doubt not alone with their lack of inclusion. McMurtry et al (2009:56) argued that *in general, "unfortunately, this movement nature or coops has (also) been overlooked and underdeveloped in theory-and in practice"*.

Kalmi (2013) noted about co-operative enterprise formation, that *"support structures are usually regarded as essential for co-operative formation* (e.g. Smith 2003)". In terms of small enterprise network formation, Malecki et al (2004) noted that *"...in most instances small firms do not have the capital (human or otherwise) to be able to forge a network without assistance*. It was also noted in this study that for example financial support and opportunities provided to take part in

⁴⁴ 11 co-operative members <http://www.coopfin.coop/jasenlinkit.html> cited 4.10.2013

development projects are important in initiating co-operation among co-operatives. In a country with such long distances geographically, support in networking would no doubt be required to achieve any immediate leaps in the level of co-operation among Finnish New Wave co-operatives. Perhaps, just as the Finnish Co-operative movement began as centrally orchestrated, to kick start co-operation among the small new wave co-operatives, support from the centre is required. However, as was seen in the case of Ruoka CSA, developments in information technology provide vast opportunities for also "independent networking" e.g. through social media. Importantly also, considering the relatively young age of the Finnish New Wave, and that the new co-operatives are perhaps still searching their "true form" and "purpose", the author agrees with Novkovic et al (2011:117) who note that *"Looking at complex network creation from the business purpose perspective, a clear focused vision of the purpose of the enterprise is key to driving the agenda"*. With such clear vision of purpose perhaps lacking, setting mutual goals with other co-operatives to work towards will naturally be unfeasible or unproductive at least. Where a clear vision of co-operatives' purpose is reached and shared, such as is the case, for example, with Ruoka CSA, realisation and practical manifestation of the fact that *"...it is in the benefit of all ... that we all do well"* is hopefully not far behind.

5.11. RECOMMENDATIONS FOR FURTHER STUDY

Though very limited in scope, from the experiences of the case study co-operatives, some interesting examples of co-operation among small Finnish New Wave co-operatives nevertheless emerged in this study, as well as, challenges they face in co-operation, both of which make potential starting points for further study.

Firstly, as the Ok-Verkko has clearly produced various benefits for its members in the last 10 years, and as this networking model is very unusual in Finland, despite its current uncertain situation, specific further study as to its features and potential applicability elsewhere is recommended by the author. Such study would potentially highlight factors necessary for or small co-operatives to formally network in the Finnish context, as well the range of functions such network could potentially perform (even if in the short term).

It was seen in this study (Ruoka CSA), that email and social media can, even with distances of hundreds of kilometres, provide a medium for co-operation among enterprises with mutual interests. It was also seen in the case of Sataosaajat and Ok-Verkko, that the internet provides

opportunities for joining resources in marketing through a mutual webpage. Thus, secondly, the author believes it would be interesting to carry out further research into the potential uses of (cost effective) internet technology in bringing small new wave co-operatives into further contact with one another.

Thirdly, and perhaps most importantly, it is the recommendation of the author that further research be carried out into the possibilities of linking more small new wave co-operatives with one another via either regional or national co-operative organisations such as Coop Finland. The benefits of membership in such organisation were noted by Sataosaajat CEO. However, with a few exceptions, there appears a near total lack of a *movement* aspect to the Finnish New Wave, and the author believes that such study could highlight ways to bring more of these enterprises into the realm of *support* as well as being provided a voice through larger structures.

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APPENDIX 1 - ICA Co-operative Principles Extended

1. Voluntary and Open Membership

Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

2. Democratic Member Control

Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organised in a democratic manner.

3. Member Economic Participation

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

4. Autonomy and Independence

Co-operatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

5. Education, Training and Information

Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation.

6. Co-operation among Co-operatives

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

7. Concern for Community

Co-operatives work for the sustainable development of their communities through policies approved by their members.

Source: <http://ica.coop/en/what-co-op/co-operative-identity-values-principles>