

GOVERNANCE, MEMBERSHIP, AND COMMUNITY:  
DEVELOPING A REGIONAL CONSUMER CO-OPERATIVE  
IN SASKATCHEWAN

A Thesis

Submitted to the College of Graduate Studies and Research  
In Partial Fulfillment of the Requirements  
For the Degree of  
Master of Arts

In the  
Interdisciplinary Program  
University of Saskatchewan

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## **ABSTRACT**

Retailers in rural Saskatchewan are having to contend with two predominant trends—rural and retail restructuring. Decreasing rural populations, increased consumer mobility, and the chronic instability of primary industries such as agriculture and forestry continue to impact rural communities in the province. The growing presence of multinational corporations, the drive for economies of scale, and the centralization of services into larger urban centers are all influencing the retail sector, particularly in rural areas. In response to these trends, retail co-operatives operating in Northern and Central Saskatchewan have joined a larger urban-based co-op in Prince Albert to form a regional co-operative. Co-operative theory suggests this regional structure may create internal obstacles for co-ops that differ from those of private firms, as co-operatives must consider the implications of reorganization on membership structures and member relations. While most of the empirical investigation has focused on large agricultural co-operatives, less attention has been afforded to consumer co-operatives.

Through interviews with the delegates and managers of the Prince Albert Co-operative Association (PACA), this study examines how a multi-branch consumer co-operative has adapted to the present rural and retail milieu. It investigates the new relationships that have emerged among the key stakeholders including members, delegates, and managers as well as the new relations between the major structures, namely the branches and the central body. The research is a starting point for understanding how member and enterprise interests are mediated, communicated, and coordinated within a regional co-operative. Delegates are the focal point of the study as they play an integral role in all of these relations. The findings of the study suggest that while new relationships do form within a multi-branch system, the primary relationship between members and their local co-op branch remains relatively unaffected. Further, the study on the PACA adds to Fairtlough's (2005) work on business structural forms called triarchies. It is argued that the integration of hierarchies, heterarchies and responsible autonomy in the form of a federated network reinforces the staying power of the co-op in smaller communities.

## ACKNOWLEDGEMENTS

I would first like to thank my supervisor Dr. Michael Gertler who was always willing to take the time to talk with me and to offer comments and suggestions on the work I was doing. I was deeply impressed by the commitment he showed to all his students. I also appreciate the input and guidance offered by my advisory committee, including Dr. Lou Hammond Ketilson and Dr. Brett Fairbairn from the Centre for the Study of Co-operatives and Dr. Randy Widdis from the University of Regina. And thanks to my external examiner, Dr. Joseph Garcea for his insightful observations and suggestions.

Without the participation of the Prince Albert Co-operative Association this research would not have been possible. In particular, I would like to thank those people who took the time to participate in the interviews. It was greatly appreciated.

I could not imagine a better place to do a Master's program than at the Centre for the Study of Co-operatives. The support I received was beyond my expectations. I would first like to acknowledge Patty Scheidl, and Karen Neufeldt for all their help. Thanks to Nora Russell, Roger Herman, and Lorraine Salt for their encouragement and assistance. In Interdisciplinary Studies, I would like to thank Dr. Murray Fulton for his assistance with my application into the program, and D'lee Johnson and Debbie Parker for all the work they did. I was also fortunate to have met, and worked with, a group of fellow graduate students who made this experience that much more enjoyable. They include: Rob Dobrohoczki, Zhao Jun, Jason Heit, Monica Juarez Adeler, Rochelle Smith, Juanita Bacsu, Kim Brown, Angela Wagner, Kama Soles, Warren Weir, Mitch Diamantopoulos, and Mike Chartier.

Funding is especially important for graduate students and I could not have done this without the scholarship offered by the Social Science and Humanities Research Council of Canada (SSHRC) and the Centre for the Study of Co-operatives. The financial support was provided through the research project entitled, "Co-operative Membership and Globalization: Creating Social Cohesion through Market Relations". Additional funding was provided by the College of Graduate Studies and Research Saskatchewan Centennial Merit Scholarship. I would also like to thank the Canadian Association for Studies in Co-operation (CASC) and the Canadian Co-operative Association (CCA) for the Lemaire Co-operative Studies Award and the Alexander Fraser Laidlaw Fellowship.

Thanks to my supporters from afar including my parents, Lorne and Shirley, my sister Diane and my brother Daryl and their families. Cheers to my longtime group of friends Alan, Clinton, Lorne, Mark, and Ron. I also received lots of encouragement from my former coworkers at the National Agricultural Co-operative Federation (NACF) in Korea.

Finally, I want to give a special thanks to Ji Yeun. I could not have imagined doing this without her emotional support and love. She ensured that it was not only my knowledge that was growing and developing during this time, but also my spirit.

## TABLE OF CONTENTS

<b>Permission to Use Statement</b> .....	<b>i</b>
<b>Abstract</b> .....	<b>ii</b>
<b>Acknowledgements</b> .....	<b>iii</b>
<b>Table of Contents</b> .....	<b>iv</b>
<b>List of Tables and Figures</b> .....	<b>vi</b>
<b>Chapter 1 Introduction</b> .....	<b>1</b>
1.1 Background .....	1
1.2 The Problem.....	3
1.3 Objective of the Study .....	3
1.4 Methods and Methodology .....	4
1.4.1 Data Collection .....	8
1.4.2 Sample.....	9
1.4.3 Measures .....	9
1.4.4 Additional Data Collection .....	10
1.4.5 Analysis.....	10
1.4.6 Rigor .....	11
1.5 Organization of the Study .....	12
<b>Chapter 2 Literature Review</b> .....	<b>13</b>
2.1 Introduction.....	13
2.2 Rural Restructuring.....	14
2.2.1 Temporal Analysis .....	17
2.2.2 Rural Differentiation.....	18
2.2.2.1 Socio-historic Typology.....	19
2.2.2.2 Spatially-based Regions: MIZ .....	19
2.3 Retail Restructuring .....	21
2.4 Response: Regionalization.....	24
2.5 Internal Tensions.....	27
2.5.1 What Makes a Co-operative’s Internal Structure Unique? .....	28
2.5.2 Conceptualizing the Co-operative Structure .....	29
2.5.3 Size.....	32
2.5.3.1 Member Heterogeneity .....	33
2.5.3.2 Member Participation.....	35
2.5.3.3 Control .....	37
2.6 The Co-operative Response .....	38
2.6.1 Delegates.....	41
2.7 Delegates and Committees in Practice.....	43
2.8 Triarchies: A New Perspective on Co-operatives.....	44
2.9 Areas of Research and Identified Gaps in the Literature .....	46

<b>Chapter 3 Study Area .....</b>	<b>49</b>
3.1 Overview .....	49
3.2 Prince Albert and Region .....	50
3.3 The PACA .....	54
3.3.1 Membership Structure .....	58
3.3.1.1 Local Committee .....	59
3.3.1.2 Delegates .....	60
3.3.1.3 Board of Directors .....	62
3.4 Summary .....	63
<b>Chapter 4 Analysis .....</b>	<b>65</b>
4.1 Introduction .....	65
4.2 Motivations Behind Amalgamations .....	66
4.2.1 The Amalgamation Process .....	68
4.2.2 Realized Benefits of Amalgamations .....	70
4.2.3 Disadvantages of Amalgamating .....	74
4.3 Prince Albert/Branch Relations .....	76
4.3.1 Community Relations .....	77
4.3.2 Local Identity .....	78
4.4 Roles and Responsibilities .....	79
4.5 Participation .....	84
4.6 Effectiveness of the Delegate System .....	90
4.7 PACA Structure: Network Federation and Triarchy .....	91
4.7.1 Federated Networks .....	91
4.7.2 Triarchy .....	94
4.8 Summary .....	96
<b>Chapter 5 Conclusions .....</b>	<b>99</b>
5.1 Summary of Findings .....	99
5.2 Implications .....	101
5.3 Contributions to Theory .....	103
5.4 Limitations and Areas of Further Research .....	103
<b>References .....</b>	<b>107</b>
<b>Appendix A: Interview Questions .....</b>	<b>115</b>
<b>Appendix B: Interview Consent Form .....</b>	<b>121</b>
<b>Appendix C: Transcript Release Form .....</b>	<b>124</b>

## LIST OF TABLES AND FIGURES

Table 1: Saskatchewan Trade Centre Classifications 1961 & 2001 .....	23
Table 2: 1996, 2001 and 2006 Populations and Percent Change (1996-2006) of Prince Albert and the PACA Branch Communities .....	53
Table 3: MIZ and Southcott (2003) Classifications for PACA Branch Communities .....	54
Figure 1: The Co-operative Structure .....	31
Figure 2: Map Showing the Location of the PACA Co-op Branches and the Functional Classifications of the Communities. ....	51
Figure 3: Prince Albert Co-operative Association (PACA) Membership Structure .....	59

## CHAPTER 1 INTRODUCTION

### 1.1 BACKGROUND

The concentration of both private and public services into larger communities has been a major trend in rural Saskatchewan over the past fifty years. The co-operative response, however, has not been the complete withdrawal from smaller centers. In some instances, co-operatives may provide the last remaining services in a smaller rural community. To remain viable in locations where other businesses do not operate, co-operatives have had to undergo their own form of restructuring. In Northern and Central Saskatchewan, retail co-operatives in nine towns<sup>1</sup> have amalgamated with the larger urban-based co-operative in Prince Albert to form a regional association.

Although the impetus behind these amalgamations has been primarily economic, co-operatives must also consider the impact these changes have on decision-making. In a regional co-operative, member and community needs may be more disparate, the locus of decision-making may shift to the central body and member participation may decline. However, some scholars (Butler, 1988; Pestoff, 1991) argue that these concerns can be overcome if an effective membership structure is established that encourages member participation in governance, maintains some degree of member control in decision-making, and enables members and management to identify and communicate needs.

One adaptation for larger and more geographically dispersed co-operatives has been the delegate system. Delegates are the elected members who represent their

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<sup>1</sup> During the writing of the thesis in 2007, two more co-operatives in the communities of Marcelin and Canwood, voted to amalgamate with the PACA. By the time this thesis is published both co-operatives will have officially amalgamated. However, as they were not part of the PACA during the data collection, they are not included in most of the analysis.



branches at regional meetings. The extent to which these co-operatives can be said to be democratic and locally controlled is largely dependent on how much say delegates are afforded in the decision-making process in the regional association. As liaisons, delegates must be knowledgeable about the needs of their local co-operative and also the needs of the other co-operatives in the partnership, as each branch potentially brings unique strengths, perspectives and expectations to the larger organization.

Because of the unique role that delegates have in larger co-operatives, they were selected as the entry point into understanding the relationships that exist within a larger consumer co-operative. Through interviews with the delegates and managers of the Prince Albert Co-operative Association (PACA), this study examines how a multi-branch co-operative has adapted to the present rural and retail milieu. It investigates the new relationships that have emerged among the major stakeholders including members, delegates, and managers, and between the primary structures, specifically the branches and the larger co-operative in Prince Albert. The research is a starting point for understanding how member and enterprise interests are mediated, communicated, and coordinated within a regional co-operative. The findings suggest that while new relationships do form within a multi-branch system, the primary relationship between members and their local co-op remains essentially unaffected. This study of the PACA, with its combination of branches, delegates and central governing body, adds to Fairtlough's (2005) seminal work on business forms called triarchies. It is argued that integrating hierarchies, heterarchies and responsible autonomy, and adopting principles of federated networks reinforces the staying power of the co-op in smaller communities.

## **1.2 THE PROBLEM**

The Prince Albert Co-operative Association is one of a small, yet growing number of retail co-operatives in Western Canada that have developed into multi-branch but nevertheless somewhat decentralized structures. Branches introduce new relations and new ways of doing business within a co-operative. Formerly independent co-operatives are now managed somewhat remotely from a central organization. Local boards have been replaced with a regional board comprised of members from the nine branches and the central co-operative. As a co-operative, which emphasizes democratic decision-making, the PACA must address the shift in associational ties of members. How has this shift taken place within the Prince Albert Co-operative Association? What are the new relationships? And what lies behind the cooperative's ability to not only maintain services, but also to grow and thrive in a seemingly hostile environment?

## **1.3 OBJECTIVE OF THE STUDY**

The objectives of this study are threefold. The first objective is to present a general overview of some of the predominant external drivers that have led to the reorganization of retail co-operatives in Northern and Central Saskatchewan and to highlight some of the major implications these changes have had for the internal workings of co-operatives. The second objective is to investigate a number of the relationships that exist within the Prince Albert Co-operative Association drawing on co-operative theory and using delegates' perceptions as the starting point for the analysis. The third objective of the study is to increase our understanding of the relationships within multi-branch co-operatives and to further our capacity to conceptualize such arrangements by introducing and discussing a heuristic model.

## 1.4 METHODS AND METHODOLOGY

The research adopts a critical realist approach, which sees the social world as an open system where human agency interacts with social structures (Sayer, 1992). Critical realism is useful in that it is a ‘third way’ between empiricism and relativism.

Unlike relativism/idealism, critical realism contends first that there is a real world independent of our knowledge about it and second, that it is possible to gain knowledge about the real world. Against empiricism and objectivism, critical realism further claims that the method of obtaining knowledge cannot be reduced to the observation of events (Danermark, Ekstrom, Jakobsen, & Karlsson, 2002:202).

The ontology of critical realism depicts a stratified reality with three realms or domains—the real, the actual and the empirical (Danermark et al., 2002). In the domain of the real are objects with causal powers or mechanisms that may or may not produce an event. When a mechanism does generate an event it comes under the actual; if the event is experienced it falls into the empirical domain. The events that we are experiencing and observing are the outcomes of a multitude of interacting mechanisms (i.e. they are occurring in an open system as opposed to a closed system where mechanisms act in isolation). As Danermark et al. (2002) state, “Social events are the products of a range of interacting mechanisms”. Further, objects such as institutions are not reducible to their parts (Sayer, 1992) or as Jaffe (2006) states the whole is greater than the sum of its parts, but the parts also have meaning. Following this, an event such as the formation of a regional co-operative via mergers cannot be entirely understood through studies of members, management and structures because the co-operative is operating in an open system and because co-operatives, as complex organizations, have their own character and dynamic.

Key organizational events of interest, such as the amalgamations of the co-operatives under study, have occurred in an open system. A range of underlying factors has induced smaller, local co-operatives to merge with the larger co-operative based in Prince Albert including: the characteristics and practices of the co-operative (as a co-operative institution and as a particular multi-branch co-operative enterprise), the reorganized retail sector, and the changes taking place in rural communities, economies, and infrastructure. Together, they constitute a complex system—a system of multiple structures, mechanisms and events. In complex open systems, causal connections are not always obvious nor are outcomes highly predictable (or pre-determined). For Sayer (1992: 116), “According to conditions, the same mechanism may sometimes produce different events, and conversely the same type of event may have different causes”. Co-operatives in rural Saskatchewan for example, operate in the same general rural and retail environment, but not all co-ops have responded by amalgamating with neighboring co-operatives. Moreover, managers and boards may be faced with similar pressures to find economies of scale yet co-operative responses have not been identical. In particular instances, co-ops may close, pursue rationalization of services, or establish new partnerships rather than integrating as branches of a larger system. Even within the PACA, the paths that each local co-operative followed to become a branch have been varied.

Critical realism also takes a relational approach to investigation. As might be expected, a complex system features multifaceted relations. By delving into the nature of these relations, the structure of a system can be discovered (Sayer, 1992). For this study, this implies learning about working relations among delegates and board members, and between the delegates and other actors in various parts of the regional co-operative (e.g.

between delegates and members, and between delegates and managers). One cannot understand delegates without considering their relations with other actors in the co-operative. Indeed, the delegate system is unnecessary if there is no separation between members/owners and management as there is in a co-operative. The added internal delegate structure forms a conduit for communication between the parties. The principal-agent problem, a central concern of co-operative scholars, is a relational problem and is affected by factors within, and outside, a co-operative. As Ish (1997: 4) states, “How truly representative the agents are depends on a multitude of interrelated factors. The relations between members and their agents (the board), or between the board and its agents (salaried managers) are governed by constitutions, by custom and by law”.

The use of a delegate structure is itself contingent on the co-operative’s structure. Delegates are rarely seen in a single-entity, stand-alone co-op with a small number of members. Only when co-operatives develop into larger, multi-branch co-ops or federated structures are delegates integrated into the co-operative enterprise. Consideration must also be given to co-operative ideology. Delegates are deemed necessary because co-operatives subscribe to the principle of democratic decision-making. The special relationship between members and their enterprise motivates, in large part, the implementation of representational bodies.

Relationships and relational identities are important for, and help to define, organizations as well as individuals. Asymmetrical relations (in terms of power, size, influence, and information) exist between co-op branches and the central co-operative enterprise (defined here not as the whole affiliated network but as the co-operative unit—and associated management team—that is the strongest, largest, and typically the

lead enterprise in a multi-branch co-operative organization). Under most circumstances, the larger (urban) co-operative enterprise could likely survive and operate effectively without the smaller (rural) branches; the branches meanwhile are more dependent on the dominant co-op in the regional network (the hub in a hub-and-spoke network) for their viability and future development. This is true even in the Prince Albert region where, as a group, the branches account for over fifty percent of the sales of the regional co-operative. Together, the branches constitute a considerable economic entity but as individual local outlets, their position in the industry is considerably weaker. By drawing the co-operatives together under one system, the central preserves and builds and is able draw on and “mine” the accumulated strength of the region and the regional co-op.

In comparison to private firms, co-ops also have a special relationship to the retail industry in which they operate; they are, for example, affected differently by changes in scale and organization. Co-operatives may be compelled by industry norms and competition to introduce management structures similar to those of corporations (including hierarchical decision-making), but this can have negative repercussions for the associational character of the enterprise, i.e. the relations with and among members. Furthermore, compared to conventional firms, co-ops tend to have a special connection to community, which stems directly from the unique relationships that exist between a co-operative enterprise and its members who are its owners as well as its patrons.

To better understand the implications of mergers (key events) and the organizational working relationships that have developed in their wake (the actual), the experiences and perspectives (the empirical domain) of delegates are investigated using qualitative research methods. In qualitative research, the researcher is interested in people’s interpretations of, and the meanings that they give to, their experiences and to

their constructions of the world (Merriam and Associates, 2001). Practitioners of qualitative research, “seek to discover and understand a phenomenon, a process, or the perspectives and worldview of the people involved” (Merriam & Associates, 2001).

The case study was selected as the method for the research. Merriam & Associates (2001: 8) define a case study as, “an intensive description and analysis of a phenomenon or social unit such as an individual, group, institution or community”. More specifically, the method employed could be described as an instrumental case study, which is designed to provide insights into a particular issue (Stake, 1995). Some may call this a strategic case study. The research also follows an iterative process common to case studies. This refers to the researcher collecting and analyzing the data simultaneously throughout the study (Zucker, 2001).

#### **1.4.1 Data Collection**

Empirical evidence was gathered using in-depth, semi-structured interviews that employ a mix of closed- and more open-ended questions that allow the interviewer to probe deeper into areas of interest (Payne & Payne, 2004). A list of approximately sixty questions covering four overarching topics was compiled and guided the researcher through the interviews. The questions were modified slightly depending on whether the interviewee was a manager or a delegate. Of the ten interviews, nine were phone interviews and one was conducted face-to-face. Interviews lasted anywhere from one to two hours and were recorded using a MP3 player.

### **1.4.2 Sample**

Purposeful sampling was used for this study. The population of interest for the investigation was the delegates from the eight branches (Air Ronge and La Ronge delegates are combined) and from Prince Albert. Potential subjects were contacted from the delegate list that was obtained from the PACA. Over one month, the researcher attempted to contact all the branch delegates to invite them to participate in the study. Of the twenty-four delegates, three were never reached, and of those contacted, eight agreed to do an interview. Four delegates declined to participate in the study, offering the explanation that they felt they did not do anything within the co-operative. Additionally, from the list of fifteen Prince Albert delegates, four were contacted and two of those took part in the interviews. In total, ten delegates and two managers were interviewed with an almost equal number of men and women participating. Although representation from each of the branches was sought, all the delegates from three of the branches declined to be interviewed. The timing of the study may have been an important reason for some delegates not wanting to participate, as the interviews were conducted at seeding time. It is probably not a coincidence that the three branches not represented are in agriculture-dependent communities.

### **1.4.3 Measures**

Interview questions focused on how delegates view their roles as intermediaries, including their capacity to be effective promoters of projects that reflect the interests of local members and of the larger co-op. Both delegates and managers were also asked about their views on amalgamations, as well as communications, information-sharing and decision-making processes within the regional co-operative.



#### **1.4.4 Additional Data Collection**

In addition to the above interviews, the researcher also had access to approximately twenty interviews that were conducted in the summers of 2004 and 2005 with board members, branch managers and supervisors, committee members, and former delegates. The researcher either participated in or conducted five of these interviews. The interviews were part of the larger research project entitled *Co-operative Membership and Globalization: Creating Social Cohesion through Market Relations*. Of the twenty, approximately ten relevant interviews were used in the study. For purposes of comparison and to gain further insights into co-operative branch systems, the researcher also conducted one interview with a key informant from Pioneer Co-operative in Swift Current. Pioneer is also a multi-branch retail co-operative with a business volume and size comparable to the PACA. In total, twenty-three interviews were used in this study. Community census data from Statistics Canada, and a PACA business plan were used to compile a profile of the region.

#### **1.4.5 Analysis**

The analysis of the data followed seven steps outlined by Creswell (2003). First, preparation involved transcribing the interviews and organizing the data. By transcribing all the interviews, the researcher became quickly immersed in the data. Step two involved reading through transcripts, recording thoughts and becoming more familiar with the data. Step three is the process of coding the data, which assists in the identification of themes. Coding was expedited using the qualitative data analysis (QDA) software called Weft QDA. Weft is a simple but effective tool for categorizing transcripts. The program is especially useful for graduate students who have neither the

time nor the money to invest in more complex QDA software. The software allows the user to identify important categories, which then can be used in ‘theming’. Themes are larger and more inclusive than the categories that emerge during coding. The categories were summarized into approximately four to five themes. The last two steps involved thinking about how these themes interrelate and interpreting the data in relation to the various topics.

#### **1.4.6 Rigor**

The researcher took a number of steps to enhance the rigor of the study. By using additional interviews that were part of the larger research project, the sample size was increased to twenty-three participants. To achieve data source triangulation, the researcher attempted to include: (i) more than one participant from each of the branches (ii) delegates from Prince Albert, (iii) responses from both managers and delegates, and (iv) a comparison of the PACA with another multi-branch co-op in Saskatchewan. While conducting the interviews, the researcher was aware of his own participation in the process and tried not to lead the interviewees towards particular responses<sup>2</sup>. In presenting the data, many of the interview responses are given as verbatim quotations to ensure the reader that the researcher was not tailoring the answers to fit a particular argument. Further, using multiple respondents and quotations to address the same theme was useful to demonstrate that it was not just one person’s opinion being expressed but that there was a shared perspective among participants. Finally, in order to become intimately familiar with the data the researcher personally transcribed all of the interviews, re-read transcripts and conducted the data analysis using QDA software.

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<sup>2</sup> Obviously, establishing a list of questions is already leading the participants. However, during the interview the researcher let the interviewee expand on issues if they so desired.

## **1.5 ORGANIZATION OF THE STUDY**

This first chapter introduces the reader to the problem to be investigated and the methodology employed in the study. Background reading, theoretical considerations and context for the study are presented in the literature review in Chapter 2. The literature cited for the study focuses on the major, and more recent, developments in both the retail industry and rural areas, which are relevant to the Saskatchewan context. Theory relating to the implications of co-operative growth in geographical scale and membership is also presented. Chapter 3 describes the study area of the research and the regional co-operative under investigation. Communities are compared using the rural community descriptors presented in the literature review. Chapter 4 presents the analysis of the field research, where interview data are presented under specific thematic headings that emerged through the researcher's analysis and interpretation of the data. The concluding chapter presents a summary of the findings, discussion of implications both for co-ops and for co-operative theory and suggestions for future research.

## **Chapter 2 LITERATURE REVIEW**

### **2.1 INTRODUCTION**

From a critical realist perspective, context is very important to our understanding of events. This chapter first introduces literature on some of the more prominent generative mechanisms impacting consumer co-operatives and small retailers in rural Saskatchewan. To set the context for the study, both the current rural and retail environments are considered. With respect to rural restructuring, the discussion focuses on a framework developed by Millward, Harrington, Ilbery and Beesley (2003) that identifies some of the potential drivers of change in rural areas. Two typologies are employed to introduce possible rural descriptors and to highlight the heterogeneity among rural communities. For the retail grocery sector, major contemporary trends are identified and scholarly work looking at how service provision is shifting from rural to urban areas is examined. This shift in service delivery could be described as the regionalization of services and literature examining these developments is presented.

The second part of the chapter discusses co-operative theory, emphasizing some of the key differences between co-operative enterprises and other business forms. Specific attention is given to co-operative growth and the potential challenges co-ops face as they develop into larger enterprises. Included in this section are such issues as member heterogeneity, participation and control. Following this, theory on the co-operative response to growth is presented, including writings on delegates, committees and federated networks. The final part of the literature review introduces the concept of

triarchies and discusses its relevance to co-operatives, and particularly, multi-branch co-ops. The chapter concludes with a discussion of some of the gaps identified in the literature.

## **2.2 RURAL RESTRUCTURING**

Rural restructuring is a multidimensional process and much of this complexity is captured in a framework developed by Millward et al. (2003). The authors chart the dimensions of change on three axes: (i) spatial viewpoints, (ii) processes of change and (iii) the societal milieu.

Spatial viewpoints, which include the local, regional, provincial, national and global, reflect the need for defining the point of analysis while being aware of the impacts from other spatial scales. Change at one level can influence development at other levels or cause a blurring of spatial scales. The significance of scale, or the reorganization of scale, cannot be overstated. The regionalization of enterprises is a scalar reorientation in response to (mostly) external pressures and could be conceived of as an attempt to (re)gain social or economic power in the face of larger, globalized competitors. As Swyngedouw (2004:26) states:

...it has been suggested that the social power that can be mobilized is dependent on the scale or spatial level at which social actors operate. Consequently, the success or effectiveness of social and political strategies for empowerment is related to the ways in which geographical scale is actively considered and mobilized in struggles for social, political or economic resistance or change.

The provision of services is increasingly being organized at a regional level. For retail co-operatives and members this may suggest that the new “local” is regional and subsequently local control must shift on a scalar level as well to effectively meet the

challenges of a global market. While scalar reorganization is not a launching point for retail co-operatives in Northern and Central Saskatchewan to become globally integrated, it is an attempt to find a niche in the new environment, and in so doing, to prevent homogenization in terms of retail enterprise form.

On the second axis of the schema proposed by Millward et al. (2003) are four overarching conditions or societal milieux. These include: natural resources, material wealth, land values and policy intervention. Natural resources are a primary factor in the development of any region. Having land that was suitable for growing crops was a major determinant for the early development of southern Saskatchewan but a long-term decline in the relative value of wheat and other crops has had major repercussions for rural communities. The physical or environmental “wealth” of a region affects how the area adapts to nature’s limitations and how much of nature is exploited. In comparison to poorer regions, affluent areas will have more resources to overcome limitations presented by the environment. Closely related to affluence are land values, which also affect rural trajectories. Cheaper land values can attract companies seeking lower start-up costs; higher values may signal some producers to exit the agricultural sector but prevent entry of young or new farmers into the industry. The fourth influential environment, according to Millward et al., is policy intervention. Some scholars have argued that government policies for rural Canada have initiated *inter alia*, the reduction of rural services, deterioration of public infrastructure, and the development of large intensive livestock operations (Epp & Whitson, 2001).

The third dimension in this analytical framework is processes of change, which the authors divide into drivers and meta-themes. The drivers include environmental, technological, and socioeconomic changes. Environmental drivers can be localized

changes such as soil erosion or larger changes such as global warming. Technological drivers have reduced the need for labour in the farming, forestry and mining sectors, altering these rural industries and their associated communities. Improved transportation has contributed to the lengthening of the commuting patterns of people in rural areas; refrigeration has altered consumption patterns and decreased consumer reliance on local retailers (Woods, 2005). The socio-economic changes include shifting gender relations, an aging rural demographic, and the evolving values and goals of rural society, all of which can vary greatly from one community to the next. In rural Canada, the two dominant socio-economic trends have been out migration and the aging of the population (Bryant & Joseph, 2001).

Larger meta-themes of change include globalization, post-productivism and core-periphery shifts. Millward et al. (2003) describe globalization as the increasing integration of world economies and the economic restructuring associated with it. Increased international trade, emerging global markets and other economic and political dimensions of globalization have varied impacts on local farmers. For rural communities, economic globalization has meant, in some cases, a further erosion of control over their economic futures (Woods, 2005). The second meta-theme, post-productivism, refers to a shift from the rural as primarily a place of extraction and production to one that is based more on consumption (e.g. the countryside repackaged as a tourist destination). The core-periphery shifts refer to the movement of people out of rural communities and into urban areas (there are also periphery-core shifts, or counterurbanization, in some regions), and subsequently, the further marginalization of the peripheral areas through the loss of human resources and services. Not every community has been equally impacted by these shifts. Rural depopulation and urbanization have meant that even as

many rural communities have lost services some others have grown in terms of population and business activity (Olfert & Stabler, 2000). The core-periphery could also describe the fate of agriculture in many rural communities, moving from a place of prominence in the rural economy to the periphery in terms of employment and economic importance (Woods, 2005).

The framework of Millward et al. (2003) helps to reveal the complex and interrelated generative mechanisms that influence (or at least have the potential to influence) communities and local retailers. Co-operatives have developed in the context of various forces and processes that interact and affect the co-operative enterprises but also their members and host communities as well. As discussed below, these external influences inevitably contribute to changes in the internal structures of co-operative enterprises.

### **2.2.1 Temporal Analysis**

These drivers of change also have a temporal dimension. For a historical understanding of rural restructuring and its relation to community institutions, Fuller's (1997) "arena society" concept offers useful insights. The arena society is conceptualized as being the accumulation of three stages of rural development—the short distance society, the industrial society, and the open society. The conceptualization addresses the evolution in the links between people and their communities.

At the earliest stage, the short distance society was characterized by relatively isolated settlements that were central to the lives of the inhabitants. Essentially, all the social, economic and political spheres of activity transpired within a single community. With the development of industrial society these linkages became more tenuous as the



spheres of influence extended over a greater geographical distance. Today, in the open society, human activity is even more complex with greater mobility, more information and more choice. Fuller explains that remnants of each earlier phase combine with contemporary patterns to form the arena society, and it is the socio-spatial conflicts between these phases that communities must now come to terms with. For rural Saskatchewan, the settlement patterns of the short distance society still remain and yet people's activities reflect the open society where they have a much larger array of communities and networks to draw from to fulfill their needs and aspirations.

Under the present circumstances within the arena society, disparities emerge among citizens because as Fuller (1997) states, not everyone has equal opportunity. Those who do not own vehicles and the rural poor are essentially excluded from network building. Their attachment to local communities is significantly different than those who are connected and can build networks outside the communities in which they reside.

### **2.2.2 Rural Differentiation**

Rural communities are often thought of as having similar characteristics. It could be argued that most of the early European-dominated settlements in southern Saskatchewan had comparable functions and structures. Communities emerged as rural service centres and as points of collection and transport for commodities (Olfert & Stabler, 2000). Agriculture was the primary driver of local economies, and communities prospered or declined in relation to the health of the industry and the restructuring that went on within the sector. However, the developments that have occurred over the last few decades, as illustrated in the work of Millward et al. (2003) and Fuller (1997) have further differentiated the countryside. Change has “promoted a flowering of multiple

communities in rural space” (Woods, 2005: 108). The two rural typologies introduced below take diverse approaches in their analysis but both of them portray highly differentiated rural areas.

#### ***2.2.2.1 Socio-historic Typology***

For Southcott (2003), rural differentiation in Canada is a consequence of the interrelations of the commodities that a region produced, the socio-historic conditions of the region and the predominant industrial relations of the time. Given these factors, Southcott arrived at six region types: urban, urban fringe, agriculture-dependent, resource-dependent, fishing-dependent, and Northern Native. These regions represent ideal types and are not mutually exclusive. The agriculture-dependent regions of the Prairies, where wheat was the main staple, emerged in the early 1800’s when competitive capitalism was predominant and were later influenced by Fordist relations. Resource-dependent regions are described as the most Fordist as they developed predominantly in the twentieth century when Fordism was prevalent. Post-industrial relations, which include a shift from manufacturing to the service sector and an increase in information technologies, characterize the urban and urban fringe regions. The influence of Europeans on Aboriginal traditions and a hunting and gathering economy, form the basis of a Northern Native region.

#### ***2.2.2.2 Spatially-based Regions: MIZ***

A more contemporary rural typology has been developed based on the percentage of a community’s population that commutes to an urban center and the socio-economic and demographic characteristics associated with each area. The Metropolitan

Area and Census Agglomeration Influenced Zones (MIZ) typology depicts a diverse rural landscape (de Peuter & Sorensen, 2005).

The analysis yielded four zones in Saskatchewan: Strong MIZ, Moderate MIZ, Weak MIZ and No MIZ. At one end of the continuum, the Strong MIZ has between 30 and 49 percent of its employed workforce commuting to an urban core and at the other end, the No MIZ has no workers who commute. The MIZ findings reveal that greater disparities often occur within rural and small town Saskatchewan than between urban and rural regions. The most marked distinctions can be found between the Strong MIZ and the No MIZ. The Strong MIZ had the lowest unemployment rates; highest levels of education; highest median incomes; the greatest population increase; and the newest and most expensive housing. In contrast, the No MIZ had the highest unemployment and lowest worker participation rates; the lowest incomes and greater dependency on transfers for their income; the lowest number of health care providers per 1000 people; and the highest numbers of lone parent families.

Together the typologies provide a basis for understanding modern rurality. Southcott introduces some of the historical mechanisms that created a differentiated countryside. The MIZ typology characterizes the present conditions of rural life and the importance of geographical location for communities. The availability and quality of essential services for one, is largely dependent on where one lives. For retailers, the typologies are significant as they may look to relocate to areas where consumer demand and purchasing power are higher, particularly to urban centers where rural residents are commuting. Compared to co-operatives located in No MIZ areas, co-ops operating in high commute areas may be under significantly more pressure to compete with stores located in and around the urban core.

## **2.3 RETAIL RESTRUCTURING**

The retail industry is also experiencing significant changes that impact stores operating in rural areas. One of the more discernible trends in retailing is concentration with fewer, larger companies controlling a larger portion of the market (Bromley & Thomas, 1993; Vias, 2004; Zafiriou, 2005). Margins in retailing are typically low and larger retailers are able to spread out costs (some globally) to achieve economies of scale. Superstores and supermarkets can sell goods at significantly lower costs than smaller local stores (Vias, 2004). The pressure to reduce costs is felt by smaller retailers who must find ways to compete on price. The competitiveness of the industry has resulted in a substantial decrease in the number of smaller stores across Canada. For example, the number of food stores across the country fell from 33,000 in 1990 to 23,000 in 2003 (Zafiriou, 2005).

The increase in off-farm employment and in the number of people commuting to work, particularly women, also alters shopping habits in rural areas. People may find it convenient to shop in the same community in which they work (Woods, 2005) and this has differential implications for retailers depending on the MIZ in which they are located. With less time for meal preparation, more people are interested in frozen foods and products offering more convenience. Developed countries such as Canada are also witnessing a growing demand for healthier foods and organic products (Zafiriou, 2005).

Demands for lower prices, larger selections, and more convenience, along with improved transportation have been the main drivers in shifting consumer shopping patterns. The impact these broad changes have had on rural retailing has not been equal or entirely negative (Vias, 2004). Central place theory offers a starting point for

understanding why some communities see their services decline while other communities have a growing population and an increase in services (Olfert & Stabler, 2000; Stabler, Olfert & Fulton, 1992). The theory features two important concepts—demand threshold and range. Stabler and Olfert (2002b:6) state, “The threshold is defined in terms of the minimum level of population and income required to support a particular activity, while the range refers to the maximum area that the activity in question can serve from a particular place”.

Services requiring a large population base will be located in a relatively few larger central locations while services such as a gas station, which requires only a small population base to support it, will be found in most communities. As populations shift from the rural to the urban, services follow the population. Populations also follow the relocation of businesses and government services to urban centers.

In Saskatchewan, from 1961 to 2001 there was a substantial drop in the number of communities in the middle categories (between the large centres offering a full range of services and the smallest communities offering only a minimal array of goods and services), with a commensurate increase in the number of communities reclassified as minimum convenience centres (Stabler & Olfert, 2002a). The statistics suggest that more communities in the province now offer only a small range of services and more and more of these services are concentrated in the ten major cities across the province.

**Table 1: Saskatchewan Trade Centre Classifications 1961 & 2001**

Type	Number of Communities	
	1961	2001
Minimum Convenience Centers (MCC)	271	502
Full Convenience Centers (FCC)	189	72
Partial Shopping Centers (PCC)	99	6
Complete Shopping Centers (CSC)	29	8
Secondary Wholesale Retail (SWR)	8	8
Primary Wholesale Retail (PWR)	2	2

(Source: Stabler & Olfert, 2002a)

Central place theory, however, largely ignores the political economy. For one, government policy was a significant impetus behind the centralization of services in Saskatchewan (Widdis, Dale-Burnett & Greenham, 2005). Moreover, central place theories do not specifically detail the types of businesses that continue to offer services in smaller communities and fail to capture the nuances of local responses. Customer-business relations for example, are not identical. Dalal, Al-Khatib, DaCosta and Decker (1994) found that ‘in-town shoppers’ and ‘outshoppers’ differed in their attitudes towards the local clerks and merchants, and towards the services and activities within their communities. As might be expected, in-town shoppers were more positive about both. They were also likely to be older, homeowners, and long time residents.

Another nuance not captured in central place theories are business ideologies. Co-operatives do not necessarily respond the same way as corporations do to similar pressures. Theories based on rational business decisions are not entirely effective in describing co-operative behavior. Co-ops place less emphasis on short-term profits, and have a special connection to place, which enables them to have longer “planning horizons” compared to corporations (Gertler, 2001). Co-ops will tend to keep operating in communities even after profit-seeking businesses have left (Fairbairn, Bold, Fulton,

Hammond Ketilson & Ish, 1991). Since co-operative emphasize use value over exchange value (Mooney, 2004), members may assess the utility of the co-op beyond narrow commercial considerations.

Further, retail co-ops in Western Canada own their inter-provincial wholesaler known as Federated Co-operatives Limited (FCL or Federated). This relationship has allowed local co-ops to remain in operation in hundreds of smaller communities. FCL offers its members the purchasing power and retail expertise required to compete in the sector while maintaining local autonomy for co-op retailers (Fairbairn, 2003a). FCL's patronage system and management expertise has been important to the survival of some co-ops confronting difficult economic periods (Fairbairn, 2003a). Nevertheless, the federated system, with its local autonomous stores, generates a 'co-operative dilemma', which emerges from the inconsistencies between the decentralized organizational structure and the external pressures from the retail industry for centralization (Hammond Ketilson, 1990).

## **2.4 RESPONSE: REGIONALIZATION**

One of the responses of businesses and governments to the shifting characteristics of rural communities has been a restructuring of private and public services (Desjardins, Halseth, Leblanc & Ryser, 2002). For some governments, the reorganization and rescaling of public services has meant that many of the economic, administrative and institutional arrangements are no longer national but regional (see Keating, 2001; Swyngedouw, 2004; Deas & Ward, 2000). Regional development agencies (RDAs) for example, reflect the shift towards 'region building' by nation states (Deas & Ward, 2000).

For provinces in Canada, the reorganization of public services has played a role in regional development. A study looking at service availability trends from 1998 to 2005 in rural communities across the country found a reduction in access to health care and education services (Halseth & Ryser, 2006). When considering the regional availability of these services however, the authors found nearly all communities had access to services within a 30-minute distance. Thus, services are still available for people in rural communities, but only if they are mobile. The study also highlights the significance of location, as non-metro adjacent communities were more likely to have access to local services than metro-adjacent communities. That is, the closer people live to a city, the greater the likelihood they must travel to that city to receive essential services.

The regional approach to service provision is in part a response to inadequate resources within a community such as the lack of entrepreneurial and community leadership, insufficient funding, and low populations (Diaz, Widdis & Gauthier, 2003). With fewer resources, many services are administered using a ‘cost-effective model’, resulting in the concentration of services in larger communities (Desjardins et al., 2002). The loss of services has forced communities to overcome these challenges using a variety of methods including “co-operation between services, application of generalized services models, clustering of services and innovative public-private-volunteer partnerships” (Desjardins et al., 2002:18).

While regionalization for many private and public businesses has meant moving from smaller to larger communities, regionalization for co-operatives has not necessarily followed the same pattern. Fulton and Hammond Ketilson (1992) note that co-operatives and credit unions in Saskatchewan are concentrated in the minimum convenience and



full convenience centers. Rice and Lavoie's (2005) study showed that co-operatives are more evenly dispersed throughout Saskatchewan than private businesses. Similarly, Marshall, Willis, Coombes, Raybould, and Richardson (2000) found that in England, mutual societies were more likely to remain in what they called socially deprived communities and more apt to establish branches in these locations compared to private banks.

These studies imply that if a service (at least with respect to retailing and financial services) is being provided in smaller communities, it is likely that it is provided by a co-operative. However, staying in these communities has put certain pressures on co-operatives. These pressures relate to member differentiation and the internal structures of co-operatives, both of which are discussed below.

On a final note, it should be pointed out that not all services are equal in terms of how easily they can be centralized. Berry (2006) identifies four components of any service—an information function, an expert function, a social function and a physical function. The author notes that whereas the information, expert and some of the social functions can be delivered via telecommunication networks, the physical and some of the social functions require an actual location. Most financial services can be readily centralized, as these services and financial products can be provided online or over the phone. For retail services, Berry (2006) distinguishes between soft (or convenience) goods versus hard goods. Fresh produce and clothing would be examples of soft goods, which consumers may prefer to see, touch or try on before purchasing. Hard goods are products such as books or electronics that can be selected from a catalogue or online, (i.e. the product does not necessarily need to be seen before the sale). Retail or supply co-ops offer hard products that can be centralized relatively easy. For example, farmers can

purchase fertilizers or bulk fuel without ever needing to enter a store. On the other hand, consumer co-ops stock perishable goods, such as milk, which require a physical location, as people want to check the expiry date and buy it immediately. The author also notes that some people prefer to pay cash, which is more physically oriented, compared to non-cash payment methods. Given these circumstances, if a food co-op pulls out of a community, it is potentially detrimental to the local residents. Not only do they lose the physical and social functions associated with shopping, they also lose the expertise and information functions of the service, which are unnecessary without the physical location. That is, relevant information and expertise will typically only have value to consumers in the locations where they shop for specific soft goods.

## **2.5 INTERNAL TENSIONS**

The focus of the paper now shifts from the ‘external’ context to the ‘internal’ environment of co-operatives. Co-operatives and private firms are faced with both external and internal pressures (Egerstrom, 2004; Fulton & Gibbings, 2000). The internal tensions arise from the structures and strategies within the co-operative while the external pressures originate from the industry (Egerstrom, 2004). Egerstrom (2004) states that regardless of the ownership structure, firms must implement strategies that confront the external obstacles, and although the obstacles are external, the strategy for dealing with them must come from inside, as the firm must have a majority of its stakeholders supporting the new initiatives. For firms to be successful they need to balance the strategies for dealing with the two sets of challenges.

The drive for economies of scale has necessitated amalgamations within the retail sector, resulting in co-operatives with more members and with operations spread out

over a larger geographic area. The complexities of the retailing industry have meant that stores require qualified managers and access to specialists who can make informed decisions about the co-op. Although both consumer co-operatives and private retailers face similar pressures from the external environment, the firms' internal environments may differ widely.

### **2.5.1 What Makes a Co-operative's Internal Structure Unique?**

Definitions of co-operative stress the democratic nature of the enterprise and the centrality of meeting members' needs. The International Co-operative Alliance (ICA) defines a co-operative as "an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise" (MacPherson, 1996). From the definition, the dual role of co-operatives as democratic organizations and economic enterprises is evident. The importance of democracy to the co-operative identity cannot be overemphasized—Ostergaard and Halsey (1965) have called it the cardinal principle.

Members as users is central to Dunn's (1988: 85) three basic co-operative principles:

*The user-owner principle:* Those who own and finance the co-operative are those who use the co-operative.

*The user-control principle:* Those who control the co-operative are those who use the co-operative.

*The user-benefit principle:* The co-operative's sole purpose is to provide and distribute benefits to its users on the basis of their use.

Here the emphasis is on the users as owners, decision-makers and beneficiaries. Members are the key decision-makers in the co-operative. Control of the co-operative by the members takes the form of democratic control manifested in the one-member one-

vote principle (Dunn, 1988). Dunn's definition also highlights the importance of participation. In order for members to control the co-operative they must actively participate in the decision-making process; to receive benefits, members must be active users of the co-op. Member participation sets a co-operative apart from corporations. If there is no member participation (through the use of the co-operative's services and/or participation in governance) then there is little that separates a co-operative from a private firm (Pestoff, 1991).

It follows that communication is also an essential part of the co-op. Co-operatives are established to meet members' needs. This necessarily implies member participation to communicate those needs (Craig, 1993). How needs are conveyed and how decisions are reached are key concerns in any co-operative. Further, members do not act in isolation but must negotiate and reconcile their own wishes with the wishes of the other members. Fairbairn (2004: 38) describes this cognitive process:

Members need not just a mental image of their own relationship to the co-op but also a mental image of other members' relationships to the co-op. They need to see what different services are required by different member groups, how these are assessed and paid for and whether important cross-subsidizations occurs; otherwise they may not fully trust their co-operative to be a good agent for their interests.

### **2.5.2 Conceptualizing the Co-operative Structure**

The dual role of the co-operative presents contradictory logics that must be accommodated within a co-op. In fact, some researchers argue that competing logics is a defining characteristic of co-operatives (Mooney & Gray, 2002; Pestoff, 1991). Pestoff (1991) includes four logics in his conceptualization of the co-operative organizational structure: the logic of membership; the logic of efficient competition (and the market);

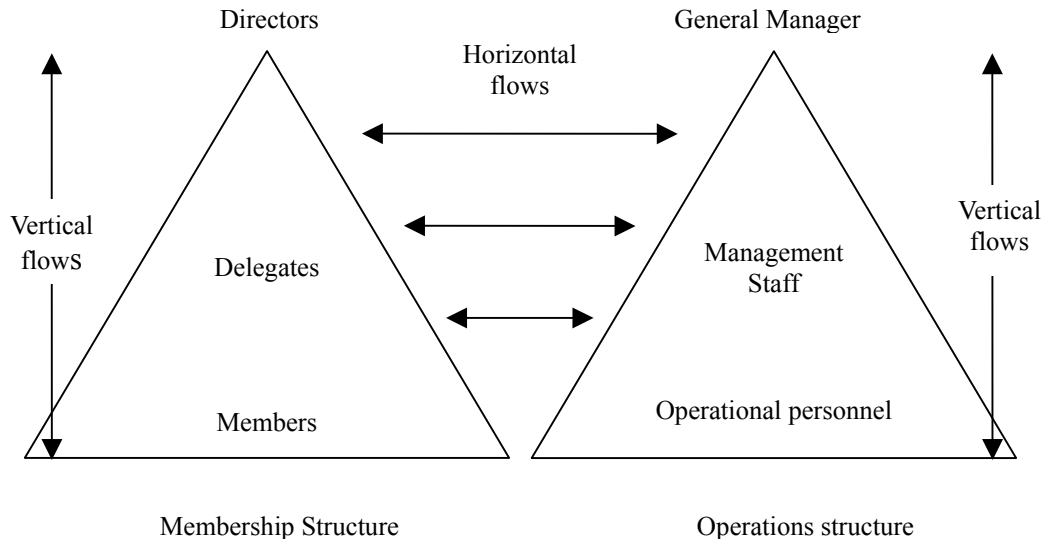
the logic of (political) influence; and the logic of personnel management. The logics of membership and personnel management comprise the internal environment of the co-operative; the logics of efficient competition and influence are part of the external environment (Pestoff, 1991). A co-operative is developed through the balancing of the four logics; if there is an emphasis on just one then a co-operative is transformed into a different kind of organization (Pestoff, 1991). The focus of this study is on the logic of membership and the logic of competition.

Butler (1988) offers a useful conceptualization of the structure of co-operatives in comparison to corporations (Figure 1) and highlights the internal tension between the logic of co-operation and the logic of bureaucracy. The operational structure on the right hand side of the figure depicts a simplified view of a corporation. As the business grows, the complexity of the structure increases as it expands horizontally with more departments and greater specialization. Along with horizontal expansion, the business develops vertically to better coordinate the departments. The operations structure is guided by the bureaucratic logic where decisions are predominantly made from the top down.

For co-operatives, an additional membership structure (as shown on the left-hand side) is added. It is here where member control originates. In contrast to the operations structure, the membership structure is typically more heterarchical in its decision-making. This presents an internal tension or ‘institutional friction’ as what emerges is democratic decision-making in a capitalist economic form (Mooney, 2004). The co-operative logic emphasizes local responses, participation and decentralized decision-making whereas the bureaucratic logic is about efficiencies, hierarchies, and top-down decision-making (Torgerson, Reynolds & Gray, 1997). Some scholars have argued that

in a competitive business environment it is the co-operative logic that most often succumbs to the logic of bureaucracy and the market (Craig, 1993; Laycock, 1989; Torgerson, Reynolds & Gray, 1997).

**Figure 1: The Co-operative Structure**



(Butler, 1988)

Although co-operatives have developed their operations structure to meet the changing environment (i.e. improved information flows both horizontally and vertically, employed specialists, and standardized reporting and procedures), membership structure development has lagged behind (Butler, 1988). Pestoff (1991) found in his studies on Swedish co-operatives that the amalgamations were economically motivated and did not consider the impacts restructuring would have on democratic structures.

Other scholars have observed the paucity of innovation in the membership structures of co-operatives. Ostergaard and Halsey, (1965) noted, “a lack of experimental temper” towards co-operative governance in the British Co-operative

Society in the 1960's. Even with "deplorable" turnouts to member meetings the structure of the co-operatives was never questioned and the solution became one of understanding why members did not participate (Ostergaard & Halsey, 1965). Fairbairn (1989: 176) also questions why co-operatives in Western Canada have not developed more "elaborate democratic structures" adding that most were still dependent on one annual meeting for voting and to convey information to members. Both Pestoff (1991) and Butler (1988) suggest that member control can be improved with an emphasis on a greater sophistication in membership structures of which more will be discussed below.

### **2.5.3 Size**

External drivers and the internalization of conventional management thinking have prompted co-operatives to grow themselves in terms of membership numbers and geographic scale. How larger co-ops can operate effectively is a central issue in co-operative research. The tensions between the two logics of membership and competition, or the logics of co-operation and bureaucracy, are intensified when co-operatives increase in scale. An increase in size has been found to reduce member participation in some instances (Pestoff, 1991). Size can add to the complexity of decision-making, and the resulting tendencies to push key decisions to higher levels in the organization and away from members (Mooney and Gray, 2002 & Pestoff, 1991). With more members, there is the strong tendency for co-ops to move away from participatory democracy to a representative democracy (Pestoff, 1991; Utterstrom, 1974 cited in Schomisch and Mirowsky, 1981). In larger co-operatives with more members there is a greater likelihood that members will have more diverse needs (Fulton & Gibbings, 2000). There is also increased risk that members may lose sight of the goals of the overall

organization (Schomisch & Mirowsky, 1981). All of these changes are interrelated. Three of these — member heterogeneity, participation, and control will be discussed in greater detail.

### ***2.5.3.1 Member Heterogeneity***

One of the potential outcomes of co-operative amalgamations is that a more diverse membership will need to be accommodated within one larger organization. Diversity in membership can be a strength, but may also constitute another of the internal tensions within co-ops. As local co-op stores merge and form larger co-operatives, the needs of member-users (and user non-members) may become more disparate. Member heterogeneity and its impact on co-operative enterprises, and in particular decision-making, has been an area of much interest in co-operative research (Bijman, 2005; Fulton, 1999; Gripsrud, Lenvik & Olsen, 2000; Iliopoulos & Cook, 1999; Reynolds, 1997). It is frequently argued that because members are the owners, decision makers, and users of a co-operative it is their needs that should and must drive the operations. When members needs become more disparate, decision-making is disrupted and the co-operative may become plagued with inefficiencies. Bijman (2005) summarizes some of the potential obstacles that co-operatives may face:

Decision-making may become more laborious, coordination between member firms and the co-operative firm may become more difficult, member commitment may decrease and member willingness to provide equity capital may be reduced. In sum, the membership heterogeneity affects the efficiency of the co-operative organization.

A heterogeneous membership may also create an “add-on mentality” within the co-operative (Hogeland, 2003). Members press for services that suit their needs and if



the co-op accommodates them it will mean adding on more services. The increasing number of services that a co-op provides may eventually exceed its managerial capabilities. Hogeland (2003) argues that this mentality has contributed to the demise of some of the larger agricultural co-operatives in the United States.

Most of the intellectual effort has focused on agricultural producers and their co-operatives. Despite research describing the increasingly disparate demands of consumers in North America (Zafiriou, 2005), few studies have looked at issues surrounding member heterogeneity in consumer co-operatives. Rural consumer co-operatives deal with many of the same aspects and sources of heterogeneity. They may serve a dispersed membership, with significant differences in terms of purchase volumes, place of employment (rural/urban), as well as divergent business objectives. This is in addition to differences based on age, educational level, lifestyle and philosophies of production and consumption. Other possible sources of diversity include temporal dimensions such as when a member joined and the intensity or scope of member engagement with a co-operative (Gertler, 2004a).

A second absence in the academic work is the impact of the heterogeneity of communities, not just individual members. Mooney and Gray (2002) assert that the neoclassical models of co-operatives fail to include the interests of community in their analysis. Larger co-operatives inevitably expand into more communities that differ in socioeconomic characteristics, size, values and socio-historic conditions. Additionally, some communities might have been, or still are, bitter rivals. Co-operatives also differ from one community to the next as one manager contends, “Every co-op has its own culture” (Fairbairn, 2003a: 177). Stores can differ if they are urban or rural; large or small; or diversified or specialized in their products (Fairbairn, 2003a: 177).

Further, Fulton and Hammond Ketilson (1992) suggest that co-operatives react differently depending on the size of the community in which they operate. Co-ops in larger communities must deal with large competitors while stores in medium-sized centers may seek to avoid forcing other businesses out of the local market; in the smallest communities the co-op may not have any direct competition (although competition likely originates from outside the community). Additionally, in smaller communities the co-operative frequently plays a more central role in both the economic activity and the cohesiveness of the community (Fulton & Hammond Ketilson, 1992).

While many have maintained that heterogeneity is a problem for co-operatives, other scholars have argued that co-operatives can and should use this diversity to their advantage. Fairbairn (2003b: 17) states, “Co-operatives need to resist an understandable tendency to homogenize their memberships, to ignore or downplay difference.” For Mooney (2004) the goal should not be to remove or eliminate tensions but to create opportunities for dialogue. He states, “Rather than a utopian vision of an ultimate end to struggle between social groups, what is needed are mechanisms and institutions that permit the sustainability of struggle in legitimate institutions” (2004: 77). To engage diverse members, co-operatives may need to think of new forms of membership (Gertler, 2004a).

### **2.5.3.2 *Member Participation***

Co-operatives offer their members several ways to participate. Ostergaard and Halsey (1965) use three measures of participation—use of the co-operative (consumer loyalty), attendance at meetings and voting in elections. A fourth measure that could be included is running for positions in the co-operative.

As co-operatives grow, member participation may become more of a challenge as numbers and geographical size make it more difficult for all members to be involved. Studies of voluntary organizations (Warner & Hilander, 1964) and co-operatives (Pestoff, 1991) have shown that a larger size frequently has a negative affect on member participation. In contrast, Stoel (2002) found that group size had no influence on group identification, communication frequency and relationship effectiveness for retail hardware co-operative groups in the US. These retail co-operative groups consist of smaller retailers that form a wholesale buying co-operative. Stoel theorizes that it is precisely because members are separated geographically and have less interaction that growth in size impacts them differently from other groups. Members may still perceive their relations to be personal as they only interact with management and a small portion of the total membership. In this context, size can become less of a concern for co-operatives in relation to the benefits of economies of scale. This conclusion supports the assertion of some researchers who have argued that the focus of larger co-operatives should be the local co-op outlet (Pestoff, 1991). If people feel comfortable at the local level they are more willing to participate.

Butler (1988) contends that the size of agricultural co-operatives may not be a problem if careful attention is given to membership structures. These structures refer to the arrangements that co-operatives offer to members to facilitate participation. She argues that much of the analysis on member participation has focused on the social-psychological aspects. She suggests that a new paradigm is needed which not only considers the social-psychological reasons for members participation but also takes into account the organization's structure as a vehicle for increasing participation and member control.

Pestoff (1991) offers a similar argument asserting that structural factors can explain the presence or lack of member participation in co-operatives and suggests that there are ways to encourage greater participation. He posits that, “Membership activity is not merely an expression of individual preferences or predisposition to participate but also in part a response by members to the options for participation offered by the organization through its structures” (Pestoff, 1991: 63). Birchall and Simmons (2004) argue that larger co-operatives should focus on the “true believers” of the co-operative. They are a small subgroup of members who are genuinely interested in the development of the co-operative and would be willing to put in the time and effort needed to make the co-operative work as a democratic and economic enterprise.

#### **2.5.3.3 Control**

For Gray and Butler (1994) co-operative control falls into three categories—representation, policymaking and oversight. Representation is associated with the membership structure while policy-making and oversight constitute control within the operations or management environment (Gray & Butler, 1994). The authors argue that a larger co-operative will tend to have more difficulty in maintaining a measure of member control in policy making and oversight. One reason is that although the operational structure increases in scale and complexity, there is generally very little done in the way of developing adequate and appropriate membership structures (Butler, 1988). Board members are frequently asked to provide oversight and implement policy on issues beyond their expertise. Boards may feel overwhelmed and pass the majority of the decisions off to management. Amalgamations can also swing the locus of decision-making away from local communities to the central management-dominated

organization. Independent decision-making at the level of local co-operative branches or societies is restricted as policy is decided at higher levels (Pestoff, 1991).

For greater member control, the creation of appropriate horizontal and vertical departments or committees could be considered (Gray & Butler, 1994). Gray and Butler (1994: 37) suggest, “Oversight and policy-making can be enhanced by using specialized committees that deal with single commodities, markets or single aspects of operations (e.g. finance, member relations, marketing)”.

Dunn (1988) states that there needs to be effective and functional control, “The mere existence of control mechanisms is meaningless unless those mechanisms are used” (Dunn, 1988: 85). Pestoff (1991: 67) draws a similar conclusion:

An organization with structures that include a fair share of democratic procedures and representative bodies for decision-making may be formally democratic. But unless its structure also facilitates membership participation, there is not guarantee that this decision-making process will take the interests of the members into account on important issues.

Even where member structures are democratic, if there is no effective connection to the operations structure then member participation is a mere formality and decisions will be made elsewhere. The mechanisms put in place to assure that members have a say in the operations of their co-operative are often found to be inadequate when members attempt employ these procedures (Axworthy, 1990).

## **2.6 THE CO-OPERATIVE RESPONSE**

As co-operatives have grown, structures have been implemented to preserve at least some measure of member participation and control. Local committees and delegate structures affiliated with branches of regionally based co-operatives have been

introduced into many larger co-operatives (Schomisch & Mirowsky, 1981). Larger co-operatives tend to develop a delegate system either within a centralized or federated structure (Craig, 1976). In centralized co-operatives “individuals are members of the central organization but patronize local facilities which are under management of the central organization” (Schomisch & Mirowsky, 1981: 9). The membership of a federated co-operative is made up of local co-operatives who own and control the second tier co-operative. Each local co-operative elects representatives to attend annual meetings of the federation and these delegates elect a board of directors.

The advantage of a federated structure is that it can facilitate unity among the locals while retaining local autonomy (DeClercy, 2001). Subsidiarity, which is the principle of ensuring that decisions will be made at the local or most immediate level wherever possible, guides many federations and contributes to the retention of power within the local organizations. Subsidiarity implies that the federation does not dominate over local initiative or responsibility, and can help to ensure that undue centralization of power does not occur (Développement International Desjardins, 2005). DeClercy (2001) notes that a workable federation entails a sharing of power between the center and the locals, maintaining a level of diversity and decentralized initiative within the system. An unworkable federation, on the other hand, is one where communication is problematic, and too much control either in the center or in the locals.

Développement International Desjardins (2005) contends that there is growing interest in federated networks in the financial sector. They identify four criteria for successful federated networks: shared resources; standardization of operations; contractual solidarity; and strategies for internal regulations on governance. Each is described briefly below:

*Shared resources:*

The entities of the federation unite to share information and services they would not have access to as individual units.

*Standardization:*

In federated networks, operational systems (accounting, control systems, etc.), policies and norms, and products are standardized. However, the base units decide what products are relevant to their members and draw accordingly from a common pool of products.

*Contractual solidarity:*

This refers to the formal agreements between the various entities in the federation and may include delegating decision-making power with respect to distribution of surpluses, and decisions on outlet locations and size to the apex organization.

*Setting up internal rules and strategies to strengthen governance:*

The final criterion for a federated network is to ensure that there is a structure for democratic representation. They state, “A federated network will centralize many of its functions while ensuring ongoing validation of its decisions and orientations by the base through consultation mechanisms and effective democracy” (Développement International Desjardins, 2005:10). Also, this step involves respecting the principle of subsidiarity as discussed above. Développement International Desjardins (2005:10) states, “The principle constitutes a safeguard for balancing responsibility and democratic representation in order to avoid the abuses of centralization”.

### **2.6.1 Delegates**

Delegates, as representatives in larger multi-branch and federated co-operatives, play a central role in balancing powers and in communicating the needs of members to the central body, and the needs of the central body to the co-operative members.

Delegates are part of an intermediate level structure (between members and directors) in co-operative governance and act as the agent for members in decision-making (Reynolds, Gray & Kraenzle, 1997). Common functions that delegates typically perform include: nominating directors, providing advice to the board, developing policy, and member relations and education (Craig, 1976). The number of responsibilities allocated to delegates, the length of service of the delegates, and the number of meetings per year were found to differ widely among agricultural co-operatives (Craig, 1976).

Schomisch and Mirowsky (1976) divide delegate responsibilities into three broad categories:

- (i) Internal maintenance of the organization which includes: electing directors, making changes to bylaws; approving changes in services, products or marketing outlets; setting policy; approving reports and financial statements.
- (ii) Liaison between members and the board: providing a voice for members regarding co-operative performance; being a local source of information for members wanting to learn more about the co-operative.
- (iii) Act as an extension of the co-operative in the business environment and advocating on behalf of the co-operative to government.

While the primary responsibility of delegates is to represent members, some scholars have pointed out that in order for a delegate system to operate effectively, total



responsibility cannot rest on the delegate. Following the delegate theory of representation, McCrone and Kuklinski (1979) stress the mutual responsibility of the representative and the represented. Representation is weakened where either those who are the represented fail to provide feedback about their preferences to the representative or where the representative fails to act on behalf of the represented.

Agency theory has also been used to describe delegation (Lupia, 2001). The agent (the representative) acts on behalf of the principal (the represented). The disparity between the interests of the principal and the action taken by the agent is called agency loss. Loss is minimized if the principal and agent share common interests and if the principle is knowledgeable about the agent's activities (Lupia, 2001). Here again, the emphasis is on the need for both the represented and the representative to be fully informed. The issue of size is relevant as it may be more difficult for members to have knowledge and information about each other in larger co-operatives (International Joint Project on Co-operative Democracy, 1995).

Representation through delegates can potentially create multiple, and sometimes conflicting, identities for those members elected to represent the locals (DeClercy, 2001). Although elected by their local co-operative, in their decision-making these representatives may be increasingly expected to take into account—and even to focus primarily on—the needs of the entire organization. They may also be under pressure to view the co-operative from the perspective of the managers at the top of the second tier co-operative enterprise. A key issue in the structure of decision-making is for these delegates to find a balance between their two identities as representatives of local (retail) co-operatives, and as a central member body focused on the needs and interests of the

larger firm (e.g. a co-operative wholesaler) with many individual co-operative stakeholders (DeClercy, 2001).

## **2.7 DELEGATES AND COMMITTEES IN PRACTICE**

In England, as early as the 1950's co-operative societies were implementing measures to deal with the emerging challenge of expanding without sacrificing democratic control. One method was creating local committees that operated within larger societies. Ostergaard and Halsey (1965) describe the establishment and operations of the local committee of the Peterborough and District Society located north of London. It had become a regional co-operative when the co-operative society in the city amalgamated with co-operatives in several smaller towns and villages. In 1958, the entire co-operative society encompassed an area of 2,200 square miles and had 76,000 members. The area was predominantly rural with nearly half of the members living outside of Peterborough. To maintain the interest of these smaller centers, and to facilitate democratic participation, the Society established local committees in each of the eight branches. Four members were elected to the committees and one of the committee members was required to attend bi-annual meetings in Peterborough. At the local level, the committee met once a week with the branch manager to discuss sales reports. The committees however did not see themselves as supervisors to management nor were they relaying the complaints of members to the board, mostly because such input was a rarity. Some local committees developed into another mechanism through which local managers could bring pressure to bear on the board on specific matters.

Ostergaard and Halsey (1965:66) state that the most successful local committees were the ones that were given some level of authority:

From general experience it appears to be true that advice and consultation do not provide an adequate basis for viable organs of government. To be in a position to give advice is not very satisfactory unless one is assured that the advice given will, in most cases at least, be taken. And if that assurance is made, then the advisory body becomes virtually a controlling body and an organ of government.

Of the successful societies that Ostergaard and Halsey (1965) studied—the West Somerset Society—stood out in that there were clear distinctions between the responsibilities of the central body and the district bodies. It was also significant that district committees enjoyed a level of authority and legitimacy both within their own local co-operatives and in the central committee.

## **2.8 TRIARCHIES: A NEW PERSPECTIVE ON CO-OPERATIVES**

Much of the co-operative literature has focused the dual logics of co-operatives with both heterarchies and hierarchies as part of their structure. Hierarchy is the more common organizational form in business and refers to top-down decision-making. Heterarchy relates to multiple or dispersed rule or a group with multiple decision-makers (Fairtlough, 2005). As co-operatives continue to grow in geographical scale, in business volumes and in membership, new relations are emerging to maintain the democratic nature of the organization. In federations for example, subsidiarity preserves the local autonomy of stores and maintains member participation and control.

The integration of local autonomy, and heterarchical and hierarchical decision-making in one organization has been characterized as a triarchy. A triarchy refers to the three ways of getting things done in an organization that include hierarchy, heterarchy

and responsible autonomy (Fairtlough, 2005). Responsible autonomy exists when a local group is given the opportunity to make decisions on their own but is held accountable for their actions by the larger organization. “Encapsulation” or the rules and procedures that the autonomous units must follow, and “critique” or the ways in which the group is evaluated (including auditing and reporting) are important conditions that allow for responsible autonomy to work effectively. This is in parallel to what Développement International Desjardins (2005) identifies as surveillance or a method for internal supervision. It allows a co-operative federation to intervene in a timely manner when units are in difficulty.

Fairtlough describes a growing trend in business to experiment with and adopt governance structures that incorporate all three forms of decision-making. Significant advantages can accrue when a business becomes less hierarchical and includes the two other complementary methods of decision-making. Co-operatives already integrate some heterarchical decision-making in their organizational structures by virtue of the fact that members are included in decision-making processes through the principle of one-member one-vote. Responsible autonomy may not be a relevant concept in smaller, stand-alone co-ops but may be a useful approach in larger co-ops. For example, branches within a larger co-operative organization may exercise some independence in day-to-day management but nonetheless be responsible for meeting certain targets and for operating within a given budget. If targets are not met or if the business declines, local managers will be held accountable by higher management. Federations and the principle of subsidiarity, in many ways, encapsulate the idea of responsible autonomy. Decisions are made at the lowest appropriate level and only when the lower units are unable to perform certain tasks will the higher units intervene.

Subsidiarity and responsible autonomy relate closely to what co-operative scholars argue is the need for emphasis on the local co-operative branch or outlet. With more attention focused on the local co-operative establishment, members may justifiably feel that their participation is more meaningful and worthwhile. By following principles of responsible autonomy and subsidiarity, co-operatives may better promote and integrate member participation into their regionally structured enterprises. They may also gain from a greater measure of responsible yet flexible and locally adapted initiatives from local managers and staff.

## **2.9 AREAS OF RESEARCH AND IDENTIFIED GAPS IN THE LITERATURE**

The literature review highlights four primary areas of research that serve as the basis for this study. Two of the key areas set the context in which the PACA operates. Rural and retail restructuring, in large part, explain the motivating factors for co-operative restructuring. The literature describes the complexities of these two overarching and interrelated processes that are occurring in rural Saskatchewan. In response, co-operatives have had to reorganize to meet the new and growing challenges these changes present.

A third key focus of the research, delves into some of the typical responses co-operatives have used to remain viable in the new environment. One of the strategic adaptations for both agricultural and retail co-ops is to grow in size to take advantage of economies of scale and scope. Following this, the research delves into the implications and opportunities that growth presents for co-operatives and what co-ops do to preserve the key principles that make them co-ops. One solution for larger co-operatives is to introduce delegates into their membership structures. Delegates serve as vital link in the

democratic structure of the co-op as distances between members and management increase (both literally and organizationally). Because the delegates assume a key role in larger regional co-ops such as the PACA, delegation theory is the primary focus of the section on co-operative response and adaptation.

Finally, the fourth key area of the literature review focuses on the discussion of federated networks and triarchies. Both topics provide greater insights into the structure of the PACA. It will be shown in the following chapters that the PACA shares many of the same relationships and characteristics as these two organizational forms. It is hoped that further analysis of the principles of federated networks and triarchies will add to the understanding of multi-branch and semi-decentralized co-operatives such as the PACA<sup>3</sup>.

The literature has provided a good basis for understanding the PACA. However, some gaps in the research were identified. First, although much of the literature deals with agricultural co-operatives and their particular membership structures, very little of the academic research considers retail co-operatives and how they negotiate and work through the same challenges. The agricultural co-operative literature is useful but may fail to capture the particular nuances that are a part of the food retailing industry. Most of the literature that deals with consumer co-operatives is somewhat dated and comes predominantly from the UK. Second, little work has been done on community heterogeneity and its impact on co-operatives and co-operative membership. As co-ops

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<sup>3</sup> Robert Dahl's work in political science on polyarchy and democratic theory provides additional background. He is especially interested in democratic participation in large, pluralistic societies. For an overview of Dahl's theories, see Bailey and Braybrooke (2003). To study relationships among actors in these communities one could also use network analysis. For a discussion on social networks, see Tindall and Wellman (2001).

become more regional, community differences will have a greater influence on how the co-operative operates.

Finally, no literature that I am aware of analyzes the regional co-operative structure using triarchy theory and conversely, no scholar in triarchics has yet to study co-operatives. It is surprising that although Fairtlough (2005: 79) contends there is “mass evidence” that organizations will move away from hierarchical structures in the twenty-first century, no mention is made of co-operatives as being a potential option for reorganization, despite the fact that co-ops already employ hierarchies and heterarchies in their decision-making.

## Chapter 3 STUDY AREA

### 3.1 OVERVIEW

The theoretical and practical considerations outlined in the previous chapter are relevant to the study of the Prince Albert Co-operative Association (PACA). Co-operatives in this northern and central prairie region continue to be affected by the ongoing changes in the economy and social life of rural areas and by restructuring within the retail sector. Olfert and Stabler's (2000) investigation into the evolution of the retail sector in Saskatchewan reveals the significance of retail reorganization over the past fifty years. The shift in service outlets from small towns to urban centers has been unrelenting. As a result of downgrading, the number of communities designated as minimum convenience centers nearly doubled from 1961 to 2001 (with an analogous drop in the number of mid-level centers) (Refer back to Table 1). With the overall number of communities remaining constant the numbers suggest that, for the most part, the majority of higher-level services are now only concentrated in ten major centers across the province. Most of the communities that are a part of this research fall into the lower order centres (either minimum or full convenience), and in some cases, co-ops are providing the last remaining retail services<sup>4</sup>.

The trends towards retail service and population concentration in urban centers has, in part, led the Co-operative Retailing System (CRS) in Western Canada to consider new initiatives to improve retail viability in rural areas. The CRS consists of Federated

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<sup>4</sup> Note that La Ronge and Air Ronge were not included in Stabler and Olfert's (2002a) classification.



Cooperatives Limited (FCL), a wholesale and distribution co-operative and its 275 member-owner retail co-ops located across Western Canada. In recent years, the CRS has emphasized the need for co-operative retailers to consider regionalization, consolidations and restructuring operations under a strategy of “area development” (Fairbairn, 1989, 2003a). The strategy pursues efficiencies in the co-operative retailing system by encouraging amalgamations and centralization of services among co-ops in neighboring communities. However, unlike most businesses that make merger decisions from head office, decisions within the CRS are the prerogative of individual co-ops. This “voluntary regionalization” has been a relatively slow process (Fairbairn, 2003a). Co-op members are often reluctant to consider amalgamations on the chance they lose what has become a core institution in the community. In light of this, alternatives to mergers are being sought to keep co-operatives in communities while at the same time recognizing that changes are necessary given the restructuring of rural areas and the retail sector.

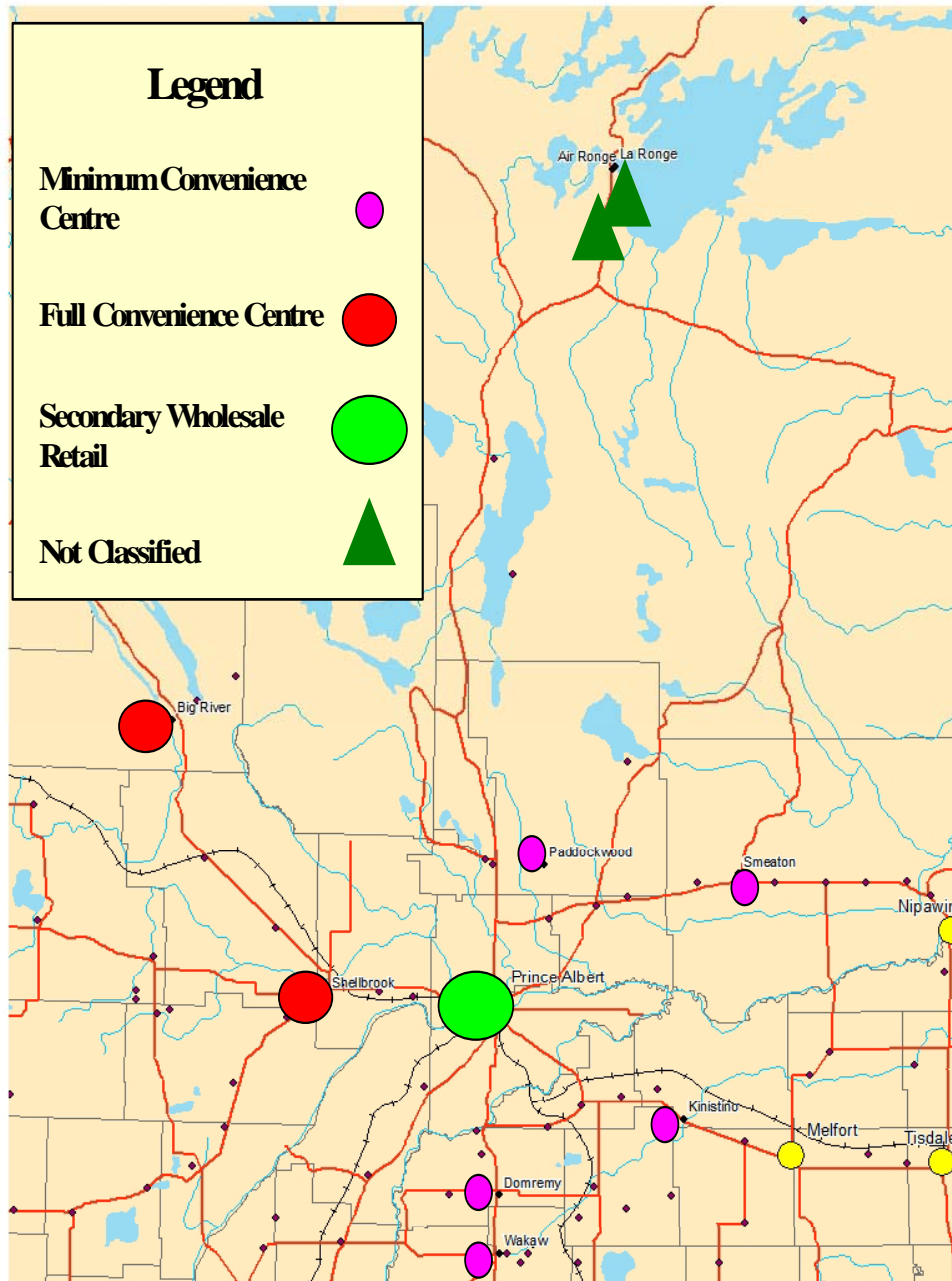
The co-ops that are part of the PACA have obviously decided to amalgamate and this chapter looks at the types of co-ops and communities that now make up the PACA. It will become apparent that the region in which the PACA operates is diverse. The communities and the co-ops cannot be easily categorized under common themes—they are not strictly agriculture; not all are growing, nor are they all in decline; and the services provided vary throughout the region. It is this diversity that makes the PACA an interesting study.

### **3.2 PRINCE ALBERT AND REGION**

Between the late 1950’s and 2001, the Prince Albert Co-operative Association (PACA) amalgamated with, or established, a number of co-ops in the surrounding region.

As of the middle of 2007, it had branches in nine other smaller communities in an area spanning approximately 300km north to south and 250km east to west.

**Figure 2: Map Showing the Location of the PACA Co-op Branches and the Functional Classifications of the Communities.**



The diversity of these communities is pronounced, each with particular historical and socio-economic origins. The region includes the urban and urban fringe areas of

Prince Albert and surrounding rural municipalities; the mostly agriculture-dependent communities of Domremy, Kinistino, Paddockwood, Shellbrook, Smeaton and Wakaw; and the three forest-dependent communities of Big River, Air Ronge and La Ronge. Air Ronge and La Ronge could also be classified as Northern Native areas. Some of the towns also fall into the category of tourist, resort or recreational communities including Big River, La Ronge, and Wakaw due to their proximity to lakes.

Prince Albert is the third largest city in Saskatchewan with a population of 34,138 in 2006 and has the highest percentage of Aboriginal people of any city in the province at 30 percent. Despite a slight decrease in population between 1996 and 2006, Prince Albert has grown by nine percent since 1986. This contrasts with many other moderately large communities in the North including Tisdale, Melfort and Nipawin, which saw declines in population over the same period (Sask Trends Monitor, 2004).

Situated north of Prince Albert is Air Ronge, which is the only study community to experience an increase in population over the past 10 years (Saskatchewan Bureau of Statistics, 2007). Both Air Ronge and the neighboring town of La Ronge are predominantly Aboriginal communities with local economies strongly based on the forestry and tourist industries. This region, labeled by some as part of the “Far North”, is also highly dependent on government transfers and public sector employment (Sask Trends Monitor, 2004).

In contrast to the growing population in the north are the population losses experienced in the seven more southern communities. The largest changes have occurred in the agriculture-dependent areas of Domremy, Smeaton and Paddockwood. Domremy and Paddockwood have the smallest populations of all the branch communities at 124 and 125 respectively. Domremy had the largest population drop over the last decade at

33 percent (See Table 2). Both Domremy and Paddockwood are identified as Strong MIZ communities while Smeaton is classified as moderate (See Table 3).

Kinistino, Wakaw, Big River and Shellbrook are somewhat larger communities with populations ranging from 643 in Kinistino to 1215 in Shellbrook. All of these communities have experienced a small drop in population over the last 10 years (See Table 2). Big River, a forest-dependent community, had the largest decline at 11.9 percent, some of which may be related to the sawmill shutting down in 2006. All the communities are classified as Moderate MIZ except for Kinistino, which is in a Weak MIZ (See Table 3).

**Table 2: 1996, 2001 and 2006 Populations and Percent Change (1996-2006) of Prince Albert and PACA Branch Communities**

Community	Year	Year	Year	Percent change
	1996	2001	2006	1996-2006
Paddockwood	187	171	125	-33.2
Domremy	156	135	124	-20.5
Big River	826	741	728	-11.9
La Ronge	2964	2727	2725	-8.0
Kinistino	691	702	643	-6.9
Smeaton	192	178	183	-4.7
Shellbrook	1234	1276	1215	-1.5
Wakaw	869	884	864	-0.6
Air Ronge	957	955	1032	+7.8
Prince Albert	34,777	34,291	34,138	-1.8

(Statistics Canada, 2006)

Differentiation among these communities also exists in terms of their proximity to Prince Albert. Paddockwood, Domremy and Shellbrook are 30 minutes by automobile outside of Prince Albert; Wakaw, Smeaton and Kinistino all are approximately a 45-minute drive from the larger centre; Big River is one and a half hours away; and Air Ronge and La Ronge are two and a half hours north of Prince Albert.

The direct relation between population and services of all kinds is evident as these communities struggle to maintain public institutions and commercial establishments. All the communities are classified into the lowest levels of the central place hierarchy (See Figure 2). As minimum convenience or full convenience centers, these communities provide only basic services. All but Shellbrook and Big River are minimum convenience centers meaning that the majority of people in the area must travel to Prince Albert to obtain high order services.

**Table 3: MIZ and Southcott (2003) Classifications for PACA Branch Communities**

Community	Typology	
	MIZ	Southcott
Paddockwood	Strong	Ag-dependent
Domremy	Strong	Ag-dependent
Kinistino	Moderate	Ag-dependent
Wakaw	Moderate	Ag-dependent
Shellbrook	Moderate	Ag-dependent
Smeaton	Moderate	Ag/Forestry-dependent
Big River	Moderate	Forest-dependent
Air Ronge	Weak	Forestry/Mining-dependent & Northern Native
La Ronge	Weak	Forestry/Mining-dependent & Northern Native

(Adapted from Statistics Canada (2006) and Southcott, (2003))

### 3.3 THE PACA

The development of the PACA has been a gradual process. Paddockwood was the first co-op to become a branch in 1959. It had operated as an independent co-op since 1929. Wakaw, Domremy and Smeaton became branches in the late 1960's and early 1970's and all had been independent co-ops. La Ronge Co-op joined in 1978. The only co-ops not to have operated independently before joining the PACA were Air Ronge and Big River. Prince Albert Co-op established the branch in Air Ronge when it constructed

a convenience store, gas bar and cardlock gas station. In Big River, the co-op bought out a privately owned lumberyard, which the co-op continues to operate. A grocery store was added later. The last branch to join was Kinistino. Its co-op store was established in 1939 and merged with the PACA in 2000. During the time of writing, two more co-ops in Marcelin and Canwood merged with the PACA increasing the number of branches to eleven.

In 2006, the Prince Albert Co-op had annual sales of \$114 million and assets of \$57 million. The nine branches account for fifty-three percent of the total sales. The association employs approximately 400 people and has 21,800 members. The Prince Albert Co-op in PA operates a large store providing groceries, electronics, hardware, pharmaceuticals and furniture. Throughout the city the co-op also operates consumer and card-lock petroleum services, a home and agro centre and a number of car washes. Most branches provide food, petroleum and hardware (Prince Albert Co-operative Association, 2007).

### *Economic Environment*

The largest employer in Prince Albert is government, which includes education, social services, health and federal penitentiaries. The largest public sector employer in 2001 was the school division, which employed 800 people; the Health District had approximately 500 employees (SaskBiz, 2004). The largest private employer was Weyerhaeuser, which had over 800 employees until it closed its pulp and paper mill in April of 2006. Northern Lights Casino, which is owned and operated by the Prince Albert Grand Council, is the second largest employer with 400 staff members. Prince Albert has relatively few employers compared to other cities in the province. In 2006,

there were just over 1100 employers in the city and just 26 had more than 100 employees; almost half of the employers had fewer than four employees (Sask Trends Monitor, 2006).

Retail trade is the industry with the largest number of employers with 229, accounting for one fifth of the total employers in the city. The big-box stores are a huge draw for PA residents and out-of-town shoppers, particularly shoppers from northern communities (City of Prince Albert, 2003). Wal-Mart is the most obvious and was most discussed one-stop shopping facility among interviewees. In addition to Wal-Mart, the PA Co-op's major competitors include Superstore, Sobeys, Safeway, IGA, and the Real Canadian Wholesale Club. Of these, Superstore is the largest employer with 250 employees in 2001 (Saskbiz, 2004). The PA Co-op was second with 177 employees (excluding branch employees). Other stores that offer some competition in food retailing include Shoppers Drug Mart, Zellers, Giant Tiger and M&M Meat Shop—none of which are locally-owned businesses. Canadian Tire, Rona and Home Hardware were mentioned as the major competitors for the co-op in hardware and home building supplies. In the petroleum industry, the co-op competes with Shell, Imperial Oil, Petro-Canada, and Husky.

The influence of the large retail stores located in Prince Albert was felt in all of the branches. Delegates and managers saw these box stores as the co-op branches' largest competitors as well. There is relatively little competition for the co-ops within the smaller communities, however. For the minimum convenience centers of Domremy, Kinistino, Paddockwood, and Smeaton, the co-op store is the only retailer in the community. Each co-op branch operates a small grocery store and gas station, and may also provide additional services in particular communities. The Kinistino branch, for

example, also runs an agro centre that stocks feed, farm supplies and chemicals. The Paddockwood co-op branch operates the post office and sells liquor. The only co-op branch that has retail competitors is La Ronge. There the large new PACA store shares the market with four other grocery stores including North Mart, Robertson Trading Ltd., Food Town, and a store on the reserve. The presence of four stores in the community reflects the size of the local and regional population served, the longer distance to Prince Albert, and the fact that these stores also cater to the mining companies and outfitters in the region. Shellbrook is the only community that does not have a co-op grocery store. The co-op branch there deals primarily in farm supplies, farm chemicals and bulk fuel delivery. Shellbrook has two privately owned grocery stores, one of which is a Bigway Food Store.

In most of the branch communities, the largest employers are the school divisions and regional health authorities. These communities typically have a school, some sort of health facility, and a residential centre for seniors. At the time of writing, each of the communities had a credit union offering financial services, a hotel and restaurant, and a few other small local businesses. Smeaton, for example, has an elementary school with classes from K-6 (slated for closure in 2008), a recreation facility and a health centre. In addition to the co-op grocery store and gas bar, other businesses include a hotel and restaurant, a credit union, a craft shop and an insurance agency.

The number of services in these minimum convenience centers is contrasted with the full convenience centers. Shellbrook has over fifty merchants including two grocery stores, three department stores, five restaurants, a hotel and bar, a business offering computer sales and repair, a flower shop, a clothing store, a travel agency, three gas



stations, a lumber yard, etc. The largest employers are the Parkland School Division and the Parkland Health Region with 150 and 129 employees respectively. Shellbrook also has two fairly large car dealerships which together employ close to 30 people. For community facilities, the town has a skating rink, curling rink, golf course, swimming pool, sports grounds, senior's centre and library (Prince Albert REDA, 2005).

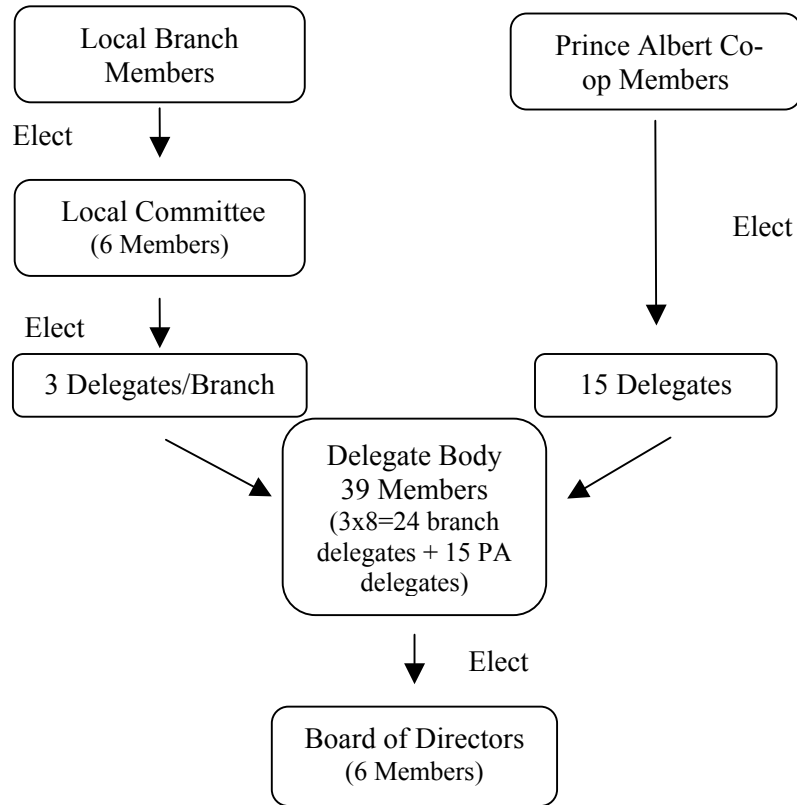
### **3.3.1 Membership Structure**

The PACA has a centralized control structure, which has been defined elsewhere as, "individuals are members of the central organization but patronize local facilities which are under management of the central organization" (Schomisch & Mirowsky, 1981: 9). Upon joining a local co-operative branch, members are considered part of the PACA and their membership number is good for all the co-op stores that belong to the PACA. As result, branches no longer keep records of the number of members or patronage allocation. Most centralized co-operatives do not have local annual meetings for members (Cropp & Ingalsbe, 1989). In the case of the PACA, local annual meetings are held in which local members may participate. However, only delegates of local co-ops participate in the annual meeting in Prince Albert.

Members of branch co-operatives elect six members to a local committee. The committee members meet with the operations manager and the local branch manager at a local branch meeting. The operations manager oversees all of the branches of the PACA and is based in Prince Albert; the local branch managers run the local retail store or gas bar on a day-to-day basis. Three of the local committee members are selected as delegates and attend meetings with delegates from Prince Albert and the eight branches.

From among the delegate body, the board of directors and president are elected (See Figure 3).

**Figure 3: Prince Albert Co-operative Association (PACA) Membership Structure**



### **3.3.1.1 Local Committee**

Local committees meet on average two or three times a year. One of the meetings is designated as the annual meeting where local branch members are invited to attend. Some of the PACA Board of Directors and the General Manager usually attend as well. Although one delegate from a smaller branch reported they could have as many as twenty people at an annual meeting, typically branch annual meetings are not well attended. It is not unusual for only the six committee members and a few staff to be in attendance.

The agenda for the committee meetings is set by the operations manager, who travels to each of the branches to report on the entire enterprise and the operations of the local branch. Information from the operations manager consists of a detailed financial report on the grocery store, hardware, bulk petroleum sales, etc. Members get an overall picture of how the regional co-operative is functioning and learn about some of the main activities that have occurred in each of the branches. Local concerns, including topics such as staffing problems and complaints about the store and pricing, are brought up by the committee and discussed with the operations manager.

### ***3.3.1.2 Delegates***

Using Craig's comparative framework, the PACA delegate system could be considered (on paper at least) a "complete control structure". Craig (1976:10) defines such a structure as "delegates are elected to a term of office and are expected to carry out functions several times during the year". This is in contrast to the incomplete structure, where delegates meet only once a year (or not at all) and their only function is to elect the board of directors and listen to reports. In practice, the PACA appears to have a delegate system that falls somewhere between Craig's two types of control structures. Although delegates meet several times a year, many of them feel that their role is just to listen to reports and elect the board. Delegates are elected to a three-year term and attend two regional meetings a year in Prince Albert. These delegate body meetings are held on Saturdays to accommodate those who have a long distance to travel. Delegates are reimbursed for their time and travels.

At the delegate body meeting, one delegate from each of the branches presents a report on their local branch, at which time they will bring up questions or concerns not

fully dealt with at the local committee meetings. Most of the delegates interviewed said they had presented their branch's report and had brought up member concerns during the meeting.

### *The PACA Delegate Body*

The delegates that were interviewed were asked to characterize the delegate body as a whole. Most of the delegates were approximately 40 to 50 years of age, with the youngest being in her 30's and the oldest being 70 to 75 years old. All of the current delegates were "white", with almost an even representation of men and women. The longest-serving delegates had begun in the mid 1970's; the newest delegates had started their term in 2007 and had served for less than one year at the time of writing. The average time served as a delegate was approximately nine years. Approximately half of those interviewed said they were retired and those working were predominantly farmers. The majority of interviewees were longtime members of their communities, and also longtime members of the local co-op and credit union. A few stated they had been co-op members for over fifty years and two were former employees of the co-operative.

Interviewees agreed that the delegate body meetings consistently had a good turnout with anywhere from 30 to all 39 delegates in attendance. Committee meetings were also well attended by the delegates, suggesting that the delegates saw participation in these regional and local meetings as part of their responsibility. It may be that most of the delegates enjoyed being involved in community activities; most of the interviewees were quite active in their communities, participating in community events and sitting on various boards. One member said she sat on about four different boards in her

community and believed that most of the delegates from the other communities probably did the same.

### ***3.3.1.3 Board of Directors***

The Board of Directors is elected directly from the delegate body. Responsibilities include hiring the general manager, and setting policies for the co-operative. Board members make up any of the ad hoc committees. Current and previous board members who were interviewed stated that the board makes a point of not interfering with the day-to-day operations of the co-op. Time commitments for the board include attending delegate body meetings and board meetings. The PACA also encourages all of its board members to attend at least some of the local committee meetings throughout the region. Board members may also be selected to represent the PACA at FCL meetings. The PACA is now one of the largest member-owners of FCL and sends five delegates to the FCL annual meeting.

The PACA does not designate a given number of seats for delegates from PA or any of the branches. Although there is the potential that the board could be made up entirely of branch delegates, there appears to be some attempt to have representation from the Prince Albert Co-op, as it is the central and largest co-op in the PACA. Currently the President is from Shellbrook, the Vice President from Candle Lake (PA), and the Secretary is from PA. The other board members are from Wakaw, Paddockwood and Domremy. There have been no delegates from La Ronge/Air Ronge on the board to date. Many of the respondents suggested that the travel time required to attend additional board meetings in Prince Albert was the primary reason why no delegate from these two committees has sat on the board.

### **3.4 SUMMARY**

The region in which the PACA operates is diverse. The key industries in the area include agriculture, forestry, mining and tourism. While most of the communities are agricultural-dependent, towns such as Big River and the northern communities of Air Ronge and La Ronge are predominantly forestry and tourism-dependent. These communities do not share the same socio-historic conditions or the same trajectories. Further, the PACA branch communities vary in size from a few hundred people to a few thousand, which has an impact on branch development. As revealed in the next chapter it is the smaller communities that are having the most difficult time hiring qualified managers. The MIZ and functional classifications reveal that branch development is also influenced by the proximity to Prince Albert. It is not surprising that the smaller co-op branches are in close proximity to Prince Albert and in communities that are classified in the lowest order of the central-place hierarchy. The more active and prosperous co-op outlets are in locations such as La Ronge that are only moderately or weakly influenced by Prince Albert.

The PACA has grown to be one of the largest co-op retailers in Saskatchewan. It now has eleven branches that cover a substantial area in the northern part of the province. The membership structure of the PACA with local committees, delegates, and board of directors was developed to ensure that each branch is represented at the meetings in Prince Albert and looks to preserve in some way the democratic nature of the co-op.

The development of the PACA and its membership structure will be analyzed in greater detail in Chapter 4. The analysis takes a closer look at the diversity of the northern prairie region and its potential impact on the PACA. The chapter considers the

size of the regional co-op and asks whether delegates perceive this to be a concern.

Other questions investigated center on the membership structure and the delegate system of the PACA.

## **Chapter 4 ANALYSIS**

### **4.1 INTRODUCTION**

Building from a critical realist perspective, this chapter looks at the Prince Albert Co-operative Association (PACA) in an open system—itsself an outcome of interconnected generative mechanisms—and studies the unique relationships that emerge in a regional structure. Questions explored in the research first deal with the environmental context and motivating factors that lead to co-op amalgamations. What do the delegates see as the primary reasons behind their local co-operative amalgamating with Prince Albert? Are the reasons consistent with the literature on rural and retail restructuring? The second area of interest is the co-operative structure with particular emphasis on the relationships. What type of relationship has developed between delegates and branch members? What is the relationship between delegates and the regional structure (i.e. What roles do the delegates see themselves playing and what roles do managers perceive)? Another important relationship is the one between the branches and the larger central co-operative in Prince Albert. The analysis is also designed to reveal the degree to which the relationships between the branches and the central (hub) co-op in this network share characteristics and principles with other examples of federated networks and with other types of triarchies.



## 4.2 MOTIVATIONS BEHIND AMALGAMATIONS

Interviewees were asked their opinions regarding the motivations behind the regionalization of the co-operative. Most of the delegates and management understood the transition to be an adaptation to the particular context in which the co-operative is operating. The motivations that respondents cited were decidedly business oriented. If there were any other possible reasons for amalgamating, these were not apparent to, or were not brought up by, the participants. The primary explanation given for the amalgamations was the circumstances surrounding small town retailing. However, it was not necessarily economic difficulties that induced smaller co-ops to join Prince Albert as one might expect. The majority of branches within the PACA, and those co-operatives in the process of amalgamating, were not in any serious financial crisis. In fact, as stand-alone co-operatives, some were relatively prosperous. The central problem, as illustrated by the following remarks, was in finding qualified management. One board member stated:

All of the amalgamations that I have known since I have been on the board, the co-ops have all been profitable and the reason they have approached us is they are having a tremendously difficult time finding managers.

A former board member also noted:

... The biggest problem they have in smaller co-ops is they are changing managers all the time so the direction they are going is never in the same direction for any length of time. I know with Kinistino when they first came to us... they had [gone] through five managers in ten years. [It was] really hard on the Board of Directors because they were always looking for a manager.

The co-operatives at Canwood and Marcelin, which voted to amalgamate with the PACA in 2007, faced a similar dilemma. Marcelin, for example, had been looking to hire a new manager over a period of six to eight months. An informant from the Pioneer

Co-op in Swift Current noted that management challenges were a catalyst for co-operative mergers in Southwestern Saskatchewan as well, though the issue of competition (including competition from Pioneer itself) was also mentioned.

The PACA interviewees saw that a larger co-operative could attract more skilled and experienced managers. One informant said that attracting young skilled managers to rural Saskatchewan was nearly impossible, as they tend to concentrate in larger centers for entertainment and socializing. However, the opportunity to work with a large co-op retailer is reason enough for some qualified people to relocate, given that there is the prospect of gaining experience and moving up within the organization. Younger managers looking for experience and opportunities for promotion within the system are more willing to start out in a branch as opposed to a small stand-alone co-op. In this context, branches become the training grounds for new managers.

Nonetheless, amalgamations have not been a panacea for staffing. Currently in the PACA, two branches employ a staff person who is placed in a supervisory position rather than the co-op hiring a manager. The two most recent additions (Marcelin and Canwood) will also employ a staff member to perform some of the tasks of a manager. The larger regional structure of the PACA, which employs an operations manager, (a second operations manager will be hired in 2008) permits this type of arrangement. The operations manager offers more support to those co-operatives in need of assistance. Interestingly, although finding qualified managers was identified as one of the major obstacles for co-ops, only one of the respondents (and this was only after being asked directly) suggested that an expanded region with more members would also improve the likelihood of finding qualified board members. An argument could be made that boards may also improve in ability as co-ops increase in size.

Respondents noted other inducements for amalgamations including: bulk purchasing, economies of scale, larger capital investments, elimination of redundancies, and reduced competition between PA and smaller co-ops. One manager stated:

... If you are a small location and you need to replace a truck or a bulk tank or something like that you simply can't afford to do that. ... Replacing assets in a small community is hard to do so amalgamations make sense... And whether it is merchandising, or whether it is training – all those kinds of things [explain] why people look at amalgamations.

A former board member said:

[Members] liked the service and the way the co-op operated and so they'd become a member of PA Co-op and start buying from us so we'd be overlapping in the same area. So we'd say "Hey why are we doing this? We're going into their territory and so why. So this is one of the reasons it started happening the way it did. So then we talked to their board and everything. It happened in other branches like that too. There was no sense in overlapping because it was just costing the co-ops money.

Although there was much discussion of major competitors such as Wal-Mart, Superstore, and Rona, only one delegate mentioned competition within the industry as a driver behind regionalization:

In my opinion we have to be as big as possible because the competition is big. I mean you can't have a whole lot of little guys when the trend seems to be going like Wal-Mart. There are fewer and fewer outlets and they are getting bigger and bigger... The bigger [the co-ops] are like Wal-Mart, the better clout they have for buying power so they can pass on a bit of the savings to the consumer...

#### **4.2.1 The Amalgamation Process**

An important consideration in co-operative amalgamations is how the talks proceed between the two principal actors. It is evident that the Prince Albert Co-op, the largest co-op in the PACA, is conscientious of not moving in on another cooperative's 'territory'. Interview participants pointed out that the Prince Albert Co-op never instigated the amalgamations but talks were driven by the smaller co-operatives' concerns over viability in light of finding qualified managers. An invitation from the

smaller co-op needs to be extended to the central organization before any negotiation begins.

Some of those interviewed described the amalgamation as a gradual and sometimes lengthy process. For many of these rural co-ops it was a type of progression. Prince Albert had assumed the bookkeeping or management duties and/or provided additional services such as bulk fuel delivery for neighboring co-ops over a number of years. These different types of arrangements continued until members of the smaller co-ops eventually voted to amalgamate with the PACA.

For both the PACA and Pioneer, consultation between the larger and smaller co-ops constitutes a major part of the process, as a key concern is making sure that both sides are interested in a potential merger. Upfront work involves presentations and meetings that in many cases continue over a span of four to five years. After consultations and question and answer sessions, a vote is taken in both the larger central co-op and the smaller local co-operatives. Managers, at least some of whom have received training from FCL, may also play a role in the process. This was the situation reported by a PACA manager:

...If the managers in those locations are doing their job right, probably for the last five or six years they have been talking to their board and their members at their annual member meetings indicating that it is getting harder and harder to hire qualified staff, to replace assets...Through amalgamation you can decrease some of your costs in administration and you can hire more qualified staff and people with more experience. So if they have done that then [the local co-op] invited us to come out. Our boards first met and discussed if there was a mutual interest. We traded information and had a look at it and met with the Board again and agreed we are both mutually interested. And then we were invited out to their last annual meeting and at that meeting we made a presentation comparing side-by-side, different ratios and assets, account receivables and dating and all those things so people could compare. And then we did pros and cons. We then opened it up for discussions and had a vote on it... At our regular delegates annual meeting in Prince Albert—which of course involves all the branches and PA—we did the same thing there... We went through the financial information with our delegates and the pros and cons and then had a vote.

#### **4.2.2 Realized Benefits of Amalgamations**

Given staffing limitations, the smaller co-operatives were, for the most part, enthusiastic about joining the PACA, with little resistance coming from the membership. Both delegates and management identified added benefits of amalgamation for smaller co-operatives including larger patronage refunds, more services, and the sharing of risk.

The growing size of the PACA was obviously not a major concern for delegates given that a larger co-operative could attract qualified managers and be more competitive. Most delegates were not opposed to the co-operative expanding even more. They thought expansion was a good thing as long as it was done in a controlled manner. A number of the members brought up member relations, suggesting that as long as the co-op could keep the member contact then it would not be a problem for the organization to continue to grow.

#### *Stability*

Delegates talked of the stability of a regional co-operative. One of the prime examples of strength at the regional level was the new La Ronge store. The La Ronge Co-op is one of the larger branches within the PACA and is located north of Prince Albert. A new grocery store was built in 2006 that rivals any store in larger communities. Without the support of the PACA, delegates and managers agreed that the grocery store would not have been built. As one manager stated:

I think some of our strengths actually lie in how we treat people in the outlying areas. You know, the people of La Ronge were deeply moved and touched that we built such a nice store there and they knew that it wasn't possible on their own and it was the strength of the whole.

Branch managers were particularly cognizant of the added benefits of a regionally based co-op for providing expertise and support in management. For one branch manager:

Being a branch and belonging to the PA Co-op and the PA Co-op belonging to Federated, we have a lot of resources there. If I run into something here that I'm not aware of I can go to PA Co-op or I can go to Federated. There's expertise there.

Others managers noted that with more branches there more opportunities to share resources. Numerous examples were given of sharing that occurred within the region. Older products not selling at one location might be needed at another branch. If a truck broke down or a driver got sick, one branch covered for the other by sending over trucks to deliver fuel. Used equipment such as freezers that were not needed in a larger store could be installed in the smaller stores to replace older equipment there. Managers could also share the cost of a semi-load of barbwire or fertilizer, which could be purchased at a volume discount and distributed to the branches as needed.

### *Spreading Risk*

A common theme that ran throughout the interviews was the capacity of the organization to share risk. Risk is spread across communities (urban and rural), sectors (agriculture, forestry, mining), and products (wholesale and retail). It was found that diversity within the PACA region was in no way considered a major obstacle in the operations of the co-operative. In fact, many of the interviewees thought that the diversity of communities was a positive for the co-operative. Having communities with different economies was seen to reduce the risk within the co-operative. A board member stated:

When agriculture was very bad some years with the droughts and whatever – if that part of the business wasn't doing very well at that time well the logging business was doing exceptionally well for us, or tourism in La Ronge was...So being diversified

seemed to spread our risk...Agriculture is a little bit stressed this year but they also were telling me that at nearly the same time, [the co-op] lumberyards can't keep up. The lumberyard in Prince Albert said that if anybody was to phone and ask for a quote on a new house or could we provide lumber for a new house, they said the best we could tell them was call us about this time next year. They are sold right out and they can't keep up. They are just running trying to keep up with the house sales. So it always seems like being diverse, you know hopefully not everything will go down at once. They will kind of offset one another.

Similarly, a manager commented:

Agro is down and sometimes food is up or lumber is doing strong or tourism or sawmills are doing well and other years they are not so I think our overall diversity helps us in off years in certain commodities.

The diversity of individual member needs in communities throughout the region was dealt with or embraced by allowing local variations in service provision and the stocking of products. The La Ronge Co-op, for instance, stocks trapping supplies for trappers in the area. The store also has a plane that delivers supplies to outfitters in the North while co-ops in agricultural areas sold more fertilizers and chemicals. In smaller communities the co-operative is expanding into other services. For example, the Paddockwood grocery store offers postal services and liquor sales. Having this type of flexibility in the types of products that are sold enables branches to meet the demands of their particular community. A type of responsible autonomy is evident here, as local managers are trusted to supply the products desired by local consumers.

Additionally, the diversity of products that the co-operative provides (groceries, lumber, agro-products etc.) allows smaller communities to maintain access to essential goods and services. As one respondent explains:

Domremy is a good example. Our petroleum does so well that ... it would never make sense right now to close the store...so we operate that store even though it is a very, very small volume and if you were an individual trying to run that business you probably couldn't operate it. But yet we can because we have a good petroleum business there. A lot of those members probably shop at Wakaw [Co-op] and we appreciate that and a lot of them maybe shop in Prince Albert as well.

Further, branches have links to multiple levels of the federated co-operative system and these levels can spread out risk across the province and even throughout Western Canada. Managers can also access relevant knowledge and expertise throughout the co-operative network:

But the expertise is the big thing where we have got everybody helping everybody type of thing and so you are not an island by yourself out there struggling and making mistakes and nobody is picking up on it and these types of things. That is the huge advantage—the way we are operating versus being a co-op of your own.

### *Part of a Winning Team*

Some delegates alluded to the fact that people liked to be on a winning team. The PACA has shown itself to be successful, having never closed a branch since the first one joined around the 1960's. Members are excited about becoming larger and possibly more successful. The growth the co-operative is experiencing might be one of the few positive stories that rural communities are a part of:

[Branch members] like the idea that the PA Co-op is continuing to grow in that area because you always hear of everything being centralized in some businesses where they are closing places so this kind of gives them encouragement that we are... keeping branches open and expanding in fact.

### *Member Relations*

Another reason why co-op members may be receptive to amalgamations is because the relation between themselves as consumers and the local branch appears relatively unaffected. It is almost a “behind-the-scenes” type of merger where the administrative components are rationalized but the more visible components such as buildings and staff remain.



Even though the PACA as a whole grows in size and membership, branch members see few changes in their relations to the central hub in Prince Albert. Members still have access to the board and managers, and their local co-operative continues to send three delegates to the regional meetings. What does increase for the smaller co-ops are patronage refunds and the number of services available. This seems to support Stoel's (2002) work which suggests that size becomes less of a concern where there are tangible benefits from economies of scale. Moreover, local co-ops have benefited from the fact that most of the retail services involved are difficult to rationalize. As Berry (2006) contends, soft goods such as groceries cannot easily be delivered without a physical location, and therefore, the geographic centralization of these kinds of retail services may not be as easy as it is in the financial sector.

#### **4.2.3 Disadvantages of Amalgamating**

Interviewees did not have many negative things to say about the regional structure. Those that did comment emphasized some of the problems associated with rural communities such as feelings of isolation and a focus on urban interests. One branch manager commented:

I suppose like any other larger corporation a weakness could be sometimes that you get removed from the local. I don't feel as a branch we do but I know just dealing with PA and Federated sometimes some of the things that come out of there are more geared for a large urban centre than it is for the rural, and there is a difference.

A former delegate commented:

I see [being part of the PACA] as a positive thing. However, a little bit stronger communication between the board and the delegates and the committee members, I feel, would be an asset. We are not far from Prince Albert but on occasion we do feel quite isolated.

Although amalgamations are perceived to be positive in the long run, members do make tradeoffs in the early stages. Members must decide what the benefit is of having a locally owned and controlled co-op with its own board if the co-operative does not have the wherewithal to meet members' needs. On the other hand, they may choose to join the larger co-operative that has the resources to meet members' needs but with the understanding that these resources are shared throughout the region. Although smaller stores were perhaps profitable, it was questionable as to how much capital they had available to reinvest in buying fuel trucks or updating the store, for example. The following comments from two managers explain the new relations from the perspective of a local co-op:

If [an independent co-op] decided they wanted to get into fertilizer, their local board could do that – spend the money and set it up and full speed ahead. Now if you are part of the branches it has to become part of the business plan and while they can recommend it to senior management and the Board of Directors, that is all it is – it is a recommendation to the Board of Directors, and senior management. And then [the PACA] would put it in the business plan, do a feasibility and see if it made sense. And depending on what resources are available then they would go ahead with it, and if the timing is right.

I guess the biggest concern is usually control issues. Because they can't say that they are going to build a new store because it just doesn't work that way. Now they have to depend on Prince Albert to agree with that and to have the money and it should be a priority with us...

Another possible tradeoff is in how services are to be delivered:

We have reduced services in some areas, but we're providing the service maybe in a different fashion. For instance, in Smeaton, it just wasn't cost-effective to stock chemical in that small place, so we're saying, "We're going to change the way we're doing this. We're going to provide you with chemical, but it's going to be provided through Prince Albert by truck or whatever". Of course there's all kinds of opposition to that, but the end result was that it worked fine. It helped the branch because they're not worrying about carrying that inventory or having the specialist on staff and it can be serviced from 50 miles away and it worked out great.

Relating to Berry's (2006) work on service provision, branch members are witnessing the centralization of the information, and expertise function of fertilizer

provision, as these services can be provided remotely. Also, as Berry (2006) states, hard goods are more readily centralized than soft products, as they do not need to be viewed before purchase. Although the PACA has maintained a physical location in most of these communities for groceries and gas, they are reorganizing the provision of hard goods such as fertilizers, chemicals and bulk fuel.

### **4.3 PRINCE ALBERT/BRANCH RELATIONS**

The regionalization of a co-operative inevitably creates new relationships. Co-op members begin to associate with members from other communities that they would not otherwise have a chance to interact with. As noted above, managers in particular are in contact with people across the region, establishing important networks and identifying sources of information and expertise. As representatives, delegates experience firsthand the new co-operative structure and begin to develop a kind of regional consciousness as they interact with members from other communities. It is this mental imaging by members that Fairbairn (2004) maintains is important in developing trust within the organization. An important dimension of this cognitive process occurs when delegates share their concerns at regional meetings and listen to other delegates. Delegates who become board members also play a special role in these processes, as they are encouraged to travel to branch meetings and visit the co-op branches for themselves. Because delegates play a central role in building, maintaining and strengthening relations within the region (whether they are aware of it are not), they were asked about the types of interaction they had with other delegates.

Compared to managers, delegates had fewer opportunities to associate with their counterparts from other branches. The delegate body meeting was the only time

available for networking. Some of the respondents found the branch reports useful for learning more about the other co-operatives. Photographs of equipment and buildings that needed repair or replacement were especially helpful in better understanding the needs of the other co-operatives. A number of the delegates stated that they did not have the time to meet with other members during meetings and subsequently were unable to develop relationships beyond making acquaintances. In light of this, two delegates suggested having some kind of social event outside the formal meetings for delegates to get to know one another. They acknowledged, however, that other delegates might not be particularly interested in such an event, as it could be perceived to be an encroachment on the delegates' personal time.

#### **4.3.1 Community Relations**

Overall, interviewees saw the PACA operating as a cohesive group. Delegates commented that they believed that the development of the PACA was a positive step for all branches:

Everybody feels good about it because they know there are going to be opportunities because they have seen it happen on a regular basis.

The co-op tries to look after the co-op as a whole and pretty much anything you do for the co-op as a whole is going to be good for the individual communities. Keeping the total healthy.

Delegates were also asked if they found it difficult to make decisions knowing that they were representing their local branch but also making decisions for all the branches in the PACA. None of them saw this dual role to be a problem. They believed that generally what was good for one co-op was good for the entire region. Seeing the co-op as a regional co-operative also seems to mitigate the challenge of heterogeneity: group needs are typically put ahead of more individualistic demands but local needs are not ignored.

The success of this arrangement depends on the building of trust, as delegates understand that their own local co-operative's needs will be met in due time.

The management and board have worked at creating an equitable relationship among the branches of the co-operative. It appears that the tensions and small town rivalries one might expect to find among these communities have not affected the co-operative. Prioritizing branch requests and consistent communication are at the heart of the PACA's success. Delegates seemed accepting of the fact that each co-operative had specific needs and were willing to wait their turn. Again, delegates were aware that their own co-operative's needs would eventually be met although not necessarily on their preferred schedule.

Some of the delegates did, however, perceive an urban bias, with the central operation in PA being evaluated using different criteria than the branches. One of the delegates noted that while the branches had to pay close attention to their bottom line, the Prince Albert store was given more leeway and incurred greater debts.

#### **4.3.2 Local Identity**

Part of the success of the organization with respect to community relations also comes from maintaining a local identity. This became apparent in discussions about whether people still feel as if it is the "Wakaw Co-op" or "Smeaton Co-op", for example. Respondents pointed out that there were certain attempts to preserve local identities such as answering the telephones using the branch name rather than Prince Albert Co-op. Further, any new co-op trucks were decorated with the generic co-op insignias but there was no indication that it was a PACA vehicle. One of the delegates

thought keeping the local name was important to maintain local business. Without the local feeling he felt that people would be less interested in buying at the local co-op outlet and begin to support competitors. Emphasis is also placed on getting local branch managers and staff involved and interested in the local community. The co-op encourages its staff to develop close relationships with the community in which they work and reside. Interestingly, this emphasis on branch identity contrasts with the strategy implemented in southwestern Saskatchewan by the Pioneer Co-operative, which decided to focus on a regional identity whereby all the branches carry the Pioneer name (e.g. “The Cabri Branch of the Pioneer Co-op”).

#### **4.4 ROLES AND RESPONSIBILITIES**

The study investigated the responsibilities charged to delegates and committees. From the literature that was reviewed, the researcher assumed that the more responsibilities the committees and delegates have, the more control is afforded to the membership. For the PACA, a recurring phrase used in the interviews to describe the role of the delegates and committee members was that they were the “eyes and ears” of the community. One manager explains:

Well I see the role of the committee members for the most part being a bit of a sounding board for the community. You know if there are any local issues they would be aware of those. And then they can relate that to our management if it is a management type of situation or to our board of directors if it is something to do with the other end of the business such as policy and things like that.

Similarly a committee member explained:

We are asked to give people fairly accurate information and also, if there is a problem or issue to direct them to who they need to be speak to. I tell them to talk to [the managers] at the local co-op or if it is something maybe involving the managers then they can speak to the [operations manager]. That’s how I understand it and to just bring concerns of the general public to the meetings as well.

Committees were also seen as a type of volunteer reserve for community fundraisers and social events. Committee members were asked to organize and participate in barbecue fundraisers or other types of co-op events. However, no real authority resides with the local committees. One manager commented:

It would be nice to think of more ways to make it more interesting for the committees...Because they don't really have the power to make decisions. They can make recommendations. You can never really change that because it ultimately has to be the board of directors that make the final call.

Delegates as representatives have responsibilities in the regional structure in addition to those of committee members. They are required to attend and present local reports at regional meetings in Prince Albert. However, in comparing their duties and responsibilities of with those listed by Schomisch and Mirowsky (1981)— including internal maintenance, liaison and extension—it becomes evident that the delegates perform only a few of the roles that could be assigned to them<sup>5</sup>.

### *Internal Maintenance*

The main duties that the delegates discharge are electing the board of directors and approving board reports and financial statements on behalf of members. It appears that delegates were not significantly involved in most of the other functions listed by Schomisch and Mirowsky (1981) such as changing bylaws, approving services, products or marketing outlets, nor were they involved in setting policy. Most of these responsibilities were left to the board.

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<sup>5</sup> Extension, as defined by the authors, is not relevant to most consumer co-operatives today and is not discussed in this analysis. In their definition extension refers to lobbying governments and public outreach.

Besides electing the board, the only issue that was brought to a delegate vote was amalgamations (with other stores in the PACA region). Although delegates said they had a chance to vote, some believed the process was pro forma and that they were essentially agreeing with what was presented to them rather than being involved in any meaningful discussions. One delegate was of the opinion that they could not make any informed decision about the amalgamations simply because they knew little about the communities and the co-operatives. He said they had to rely on what management presented to them in order to make the decision.

Delegates are also asked to listen to financial reports, which some of the respondents said took up the majority of the time at the delegate body meetings. Again, interviewees surmised that they were simply listening to the reports and had no active involvement in the discussions. One delegate said the meeting would be more productive if they could receive information beforehand to be able to read it and formulate questions. The respondent also added that the same thing would be accomplished if management in Prince Albert mailed out the reports for delegates to read rather than having everyone meet in Prince Albert.

It may be that the delegate body meetings perform latent roles in the co-operative. Holding meetings sends a statement to members that the co-op operates differently than other businesses by welcoming consumer input through a formal communication process. Additionally, management might also pay closer attention to the repercussions of its actions, knowing that it will need to explain its decisions directly to nearly forty people. Finally, the meetings may be an opportunity for managers to shape the perspectives of delegates in a manner that leads to greater acceptance of FCL policies or initiatives.



### *Liaison and Communication*

The co-operative seems to have developed a fairly strong line of communication from members to directors and management. The number of avenues available for communication is equal to, or greater than, would typically be available in a stand alone co-operative. However, in a regional co-operative a member will have to be fairly deliberate and assertive to be heard:

If [branch members] want to talk to the general manager, if they want to talk to the board, if they want to get their message across they can write, they can email, they can come in and visit. They can run themselves for a board position... They can get their message across very easy if they choose to do so...In the long run where [there are] more branches and larger areas, unless those individuals are forceful and make those phone calls or go to the managers and ask for input and ask the questions, it is not going to happen...

Members can bring forth concerns to three delegates and three committee members. They can also attend one of the annual committee meetings or contact the local manager or operational manager directly. Local committees are able to meet formally with the operational manager on average three times a year, but members are invited to contact managers at anytime. Delegates can take complaints or concerns from the membership to the board of directors if it is an issue that cannot be resolved at the local level.

Delegates were asked about their role in the communication process. Most of the delegates interviewed saw their role as a communicator—forming a bridge between the local communities and the administrative hub in Prince Albert. As liaisons, they are regarded as the eyes and ears for management and board and this seems to be functioning well. They also provide a channel for members to voice their opinion, although all the delegates interviewed said they receive fewer than ten comments a year.

Further, delegates were not proactive about soliciting members' opinions or concerns. In most cases, members approached the delegates:

It is a small enough community that most people know who sits on the board and if they have got something to say they'll usually let you know.

The investigation revealed that the lines of communication are somewhat asymmetrical. It appears that more information flows vertically upwards from membership to the board and management but less information is passed from management to members. A possible explanation for not relaying information to members is that some delegates found they did not learn anything new at delegate meetings. One commented that the information they received, such as the financial statement, was available to anyone via the local paper. It may also be the case that there is less information management can share with all its members. Information about managerial candidates, certain management decisions, contractual agreements, market surveys and analysis, etc. may all need to be kept confidential.

However, if members are not receiving information, this raises questions with respect to representation. Agency theory suggests that in order for representation to be effective both the principal (the members) and the agent (the delegates and management) must be fully informed of what is taking place within the organization. In the case of the PACA, delegates have no means of formally relaying information to branch members. Only informal communication channels are used.

In closing, it should be pointed out that despite the relatively few tasks that were afforded to the delegates, all but one said they did not want to have more responsibility within the co-op. A common thread was the lack of education, training and knowledge:

We are not trained and we are not business people...we are not trained to make those types of decisions.

Another delegate stated:

I don't think that more authority or responsibility would be of any advantage because an average person would have to do more and understand more of how business works and all this kind of thing.

Again, these sentiments are not unique to the delegates of the PACA. Delegates and board members in agricultural co-operatives and in other large retailer co-ops have made similar comments. As decision-making becomes more complex in more competitive, global markets, lay people feel less inclined to make important decisions that concern their co-op. Butler (1998) identifies the same problem in agricultural co-ops. While the management structure evolves both horizontally (more departments) and vertically (more management levels) to meet the complexities of the market, the membership structure remains relatively unchanged. Thus, boards and delegates cannot effectively participate. The proposed solution is to develop the membership horizontally and vertically. The PACA might consider developing specialized committees among the delegates that would focus on particular issues. This way the delegates would have the opportunity to participate and engage in a manner they would find meaningful.

## **4.5 PARTICIPATION**

Whether the present structure encourages or thwarts member involvement depends on the type of participation being discussed: economic participation (use of the co-operative) or member participation (attending meetings, voting and running in elections).

### *Economic Participation*

The branch system maintains the economic participation of its members. Without the branch, members would be forced to travel into Prince Albert or to a neighboring community in order to shop—and there is no guarantee that they would shop at the co-op. One manager felt that having the store in the community increased member loyalty to the co-operative. The regional structure of the PACA may also increase economic participation and consumer loyalty. Members can use their co-op membership number at any of the PACA stores and receive patronage dividends from those purchases at the end of the year. Some delegates that were interviewed liked the idea of being able to buy gas at other branches while still earning dividends on their purchases.

When delegates were asked if they thought members would be more willing to patronize the co-op in Prince Albert given that there was also an affiliated store in their local community, answers were about split fifty-fifty. Some delegates believed that members were more likely to support the Prince Albert Co-op while the other half thought that members would seek out the best deals regardless of what store was offering them.

### *Attending Meetings*

It appears that the regional structure has not significantly altered the participation of members in the decision-making process. A type of reluctant participation characteristic of many stand-alone single establishment co-operatives is evident in the PACA as well. This is not to say that the organization's structure or its size is stifling democratic decision-making. It is unlikely that prior to amalgamating with the PACA, local stand-alone co-operatives had any more success in galvanizing interest in elections

or annual meetings. Moreover, multi-branch systems are also experiencing a similar situation. Pioneer's reaction to the low turnouts at the local meetings was to disband them all together.

We used to [have local meetings] and we found that there was such poor attendance that it just didn't pan out so it was discontinued...In the last number of years, everybody just comes into Pioneer's annual meeting in Swift Current that is held normally at the end of March, and ask questions and get information there. Part of what used to happen was the branches wanted individual information so they were more zoned into their retail in their community. And what we found we kind of wanted them to think of Pioneer as a whole, not just as a small community.

For Pioneer today, which has over 18,000 members, a good turnout at the annual meeting is approximately 100 people. One respondent from the PACA noted the lack of participation but posited that members might be using the delegates and committee members directly to express concerns rather than attending the meeting:

...Unless there is some kind of controversy going on, I don't think there is a lot of very active participation. Each year when we have our annual meeting in every one of our communities, the turnouts there are pretty typical from community to community. There is probably a dozen there and six of those are a combination of committee-delegates. So we don't get a lot of turnout of members to come out to the annual meetings. It might be a case too that if they know if there is an issue or concern and they get a hold of the committee member, a delegate and it gets dealt with anyway...

It is difficult to determine whether the last assertion is accurate without surveying the membership. If it were true then it would suggest that the system is functioning quite adequately from the perspective of members.

For the PACA, the simple process of signing people up to be a committee member or delegate actually compels them to participate in meetings that they might not otherwise attend. Many of the delegates said they had never considered being involved before they were asked. Most had joined the committee because a manager or sitting member asked them if they would be interested. In considering the total active

membership, approximately forty people now attend the annual delegate body meeting in Prince Albert. Along with the eight local committees, each with three additional committee members this yields a total of 64 members who are participating actively. While not large, this number is not insignificant.

Moreover, participation as a delegate may potentially lead to greater interest. If this were true, it would be a group which some analysts have called co-op “true believers” i.e. members who have an interest in the business and will run for elections (Birchall & Simmons, 2004). The PACA could focus on these people to build a solid group of members who are willing to work on developing the organization. The group might be invited to take a more regional approach to “community development” by working together on co-op fundraisers, social events or some other activities. Such a core group of regional members might also be more energized and ready to work on larger projects (with perhaps more funding) that benefit the entire region rather than just individual communities. In this way, members would be more actively participating in the associational aspects of the co-op even if they cannot participate more in the business decision-making.

### *Voting and Elections*

It should be first pointed out is that what appears to be fair representation within the PACA—an equal number of delegates for each branch (with the exception of the Prince Albert hub)—does not in fact follow the one-member one-vote principle. Members elect their local committees, who then elect the delegates. Delegates, however, do not represent a proportional number of members. A small community such as Domremy sends the same number of delegates to PA as La Ronge and Air Ronge that

have a much larger total membership. Schomisch and Mirowsky (1981) state that voting using a delegate system is more equitable if proportional voting is used. That is, the more members a delegate represents the more votes he or she should have. Utilizing a system where all branches have an equal number of votes may appear to be fair in relation to the co-operatives themselves, but it is not entirely equitable if individual members are considered. On the other hand, this type of voting system, which is essentially one-co-op one-vote, may reflect the need for simplicity and the desire to recognize the co-op branches as equals.

None of the delegates that were asked about the issue considered the voting structure to be a problem. They thought that keeping a simplified voting system was effective. A point made by one of the delegates was that if they were engaged in key decision-making it may matter but because they voted on very few issues, the issue of proportional voting was not a concern. Proportional representation would also mean that each branch would be required to keep track of member numbers to determine the correct number of delegates they could send to the regional meetings. The problem of proportional representation may not be significant now but the co-operative needs to consider the implications should a controversial issue arise in the future (such as closing a branch).

That being said, very few elections or votes actually take place within the co-operative. Local branch committees rarely attract any more members than those who are already part of the committee. Delegates generally gain their posts through acclamation. Board members usually go through uncontested. The following comment is illustrative:

Once in awhile we can convince more than one [person to run] for a position...usually we have two vacancies per year and we have difficulty in getting enough interest to get them filled.

Voting on specific issues is a rare occurrence for delegates or committee members. Delegates who have attended the delegate body meetings over several terms only remember voting on amalgamations. None of the delegates talked about any form of voting at local committee meetings either. Local meetings are predominantly a time for listening to reports from the operational manager.

The lack of interest in running for board positions may be partially explained by competing time commitments. As one former board member stated, the position generally suits retired people's lifestyles as opposed to working people or people with families. A second reason pertains to the size of the PACA, as it is difficult to convince delegates from the more distant branches to run for the board. La Ronge, for one, has never had a representative on the board, despite efforts (such as changing meeting times, and providing mileage) to make the position more attractive.

In conclusion, the co-operative has done an adequate job in maintaining economic participation. Stores are generally well maintained, and well stocked; products are relatively well priced and the stores appear responsive to community needs. Membership participation on the other hand is somewhat lacking—a problem not unique to the PACA. Butler (1988) suggests that delegates represent vertical integration in the co-operative, but the PACA has yet to implement any form of horizontal integration (such as special committees), which she argues, can improve member participation.

There is literature that also suggests the wisdom of focusing on the local outlets and developing participation there. This is an area where the PACA has already had some success and could develop further given the relatively autonomous stores it



operates in each of the communities. The co-operative could look at activities in which the local committees could be more involved. These might include, for example, identifying priorities for local community investments, performing social audits, participating in community activities, and sharing local initiatives with other branches in the PACA. There is some evidence of this occurring within the region already. One respondent said that her committee was involved in deciding how the community donations would be distributed but it did not appear that this practice took place throughout the entire PACA region.

#### **4.6 EFFECTIVENESS OF THE DELEGATE SYSTEM**

Some of the members admitted that they had never thought about why delegates were being used in the PACA. Although delegates did not directly raise the issue of democracy they did mention things such as “giving everybody and equal chance to bring forth concerns” encouraging participation and having representation in PA. One manager stated:

I guess because we are so spread out it is probably the most democratic way to do it because each individual location can get their delegates into there so there is a good balance of every community being at the delegate meeting where our board of directors come from.

Two interviewees suggested delegates were being used mostly to meet the formal expectations of a co-op, stating that it was a requirement under the Co-operative Act:

...As far as I am concerned, I am just filling in the requirements of the Co-op Act. Now I have never sat down and read the Co-op Act but I am sure what it says is that you must have two meetings a year with the delegates. So when I go there that is what I am doing. I am fulfilling the requirements of the Act. I don't see my attendance changes anything other than maybe when it comes to over the last few years they have voted in some new local co-ops.

Delegates were asked to consider their role and determine whether they felt as if the delegate body was an effective part of the PACA. Perhaps somewhat surprisingly, the delegates interviewed were split almost evenly. However, if the initial phone calls to potential interview participants (i.e. four declined the interview stating they felt they didn't have anything to share) are included, more respondents indicated that the delegates are ineffective. The discrepancies among the delegates may be explained, in part, as an outcome of interpreting their roles in the organization differently. Those who see themselves as the eyes and ears of the community would in most cases perceive themselves to be fulfilling that role. However, delegates with greater expectations would likely see themselves as being largely ineffective within the organization.

#### **4.7 PACA STRUCTURE: NETWORK FEDERATION AND TRIARCHY**

Although the basic structure of the PACA might be described as a centralized co-operative, the relationships that have emerged within the PACA can be best summarized as a type of federated network, with characteristics of a triarchy.

##### **4.7.1 Federated Networks**

With the regard to federated networks, despite the fact that the branches do not own or control the central in PA, the PACA still meet many of the criteria for a network federation as identified by Développement International Desjardins (2005):

*Shared resources:* The Prince Albert Co-op and the branches share many resources with each other. Obviously one of the primary reasons for amalgamating was to gain access to training, accounting and management services. Similar sharing of resources may occur between individual stand-alone co-operatives (who are members of

FCL) but it may not lead to the same degree of integration or intensity as witnessed in the PACA. The benefits of sharing these services are considerable. For example, two operations managers now work with the eleven branches of the PACA.

Further, the co-op managers are expanding and building on existing service-sharing arrangements. One example is bulk fuel delivery. Rather than each branch outlet and the PA Co-op owning their own equipment, they share delivery trucks and truck drivers. Products are also shared among branches. If one outlet is not selling a particular product it may be moved to a different location where it can be sold. Additionally, the size of the PACA and its purchasing power gives it some leverage in dealing with the wholesale provider, FCL. By combining orders, the PACA can negotiate better deals on its purchases. The same leverage principle also applies to negotiating or offering better contracts to employees, particularly high-level managers. As stated, attracting managers to smaller co-ops and communities is increasingly becoming an arduous task.

*Standardized systems:* Branch and central operations are more standardized including accounting, hiring practices, pricing, marketing and products. The standardization of policies and norms is instituted, in part, by establishing a board that consists of delegates from across the region. The inclusion of local co-ops in at least some policy decisions develops strength across the region. Although the products that are available are standardized, the managers do have some leeway in choosing the products that suit their members the best. There is obviously a fine line between standardization and control. Federated networks must balance the need for standardization and the need for subsidiarity, which is discussed below.

*Contractual solidarity* is also evident within the PACA although not as strongly as the other criteria. The central has control over where new services will be located and

coordinates branch services to reduce competition among the locals. This is probably an easier process in the PACA compared to a federation where the base units maintain greater autonomy and control over their operations. The central co-op in PA also manages the dividends from FCL and the patronage dividends allocated to individual members<sup>6</sup>.

The last criterion is *strengthening governance through internal strategies and regulations*. This includes establishing opportunities for base units (or branches) to participate in the decision-making. Delegates and committees represent specific strategies for including branches in the decision-making of the PACA. Although some delegates question their effectiveness, there is at least an attempt within the PACA to include branch interests in the decision-making.

Federated networks can also follow the principle of subsidiarity. Subsidiarity refers to giving the base units the opportunity to do what they can on their own. The central organization only intervenes if the base units are unable perform. The principle is somewhat harder to follow in a branch system where the base unit (the branch) has joined because they need the guidance or assistance of the larger co-operative in Prince Albert. Nonetheless, there does seem to be a sharing of responsibility between the branches and the Prince Albert Co-op. Examples of subsidiarity occurring within the PACA are presented in the following section on triarchies.

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<sup>6</sup>PACA members receive an allocation based on a percentage of their purchases. The percentage is the same regardless of what store in the PACA those purchases were made. With respect to FCL patronage allocation, the dividends are paid to the central administration in PA as a combined total. What each co-op earned is calculated and this information is shared with delegates and branch managers. The information is used mainly for appraising managers and to assess whether the branch is making or losing money (before and after the FCL patronage allocation).

#### **4.7.2 Triarchy**

With a combination of base unit/branch representation, central coordination and at least a degree of subsidiarity, the PACA may be considered a triarchy—combining heterarchy, hierarchy and responsible autonomy. As with other co-operatives, the hierarchical decision-making is especially evident on the management side of the organization as illustrated in Butler's (1988) model. The management has a clear line of authority and decisions are typically made from the top down.

The delegate structure, local committees and the board of directors comprise the heterarchy, where groups are integrated into the decision-making (but not in the day-to-day operations). Voting is a key mechanism for introducing heterarchy into the PACA. Maintaining a heterarchy can involve more organizational work than is required for a hierarchy. Up until now, the PACA has committed to holding a large number of meetings a year. The effort made in communicating through local committee meetings, delegate body meetings, managerial meetings is indicative of a heterarchy. Management also maintains some level of heterarchical decision-making as branch managers, operations managers and the managers in Prince Albert can all participate meaningfully in the decision-making.

The PACA has also introduced some level of responsible autonomy into its operations. Responsible autonomy is closely related to subsidiarity where base units operate relatively autonomously. Within the PACA, managers have some independence to operate their stores including hiring of staff (below the managerial position), ordering products from FCL, and selecting products for local sales. Most managers and even supervisors interviewed stated they felt as if it was their store and were trusted to make

relevant decisions locally. The following comments by different managers are illustrative:

Each location, including the branches, and the independent locations in Prince Albert all place their own orders directly through Federated and the trucks are scheduled and loaded and run out to the various locations.

They also kind of let us run our own store and let us do what we think is right. In some ways it is almost like it's my store. We do a budget, which is approved by Prince Albert. And I have a fairly free hand on how I achieve that budget. If there is a problem we let PA know about it immediately – in some cases for advice and sometimes to let them know that this is happening so they know what is going on.

[Management in PA] is actually very lenient. They know that I know what my customers would want so they usually just take my word for it. Like I build my shelves. I build my displays. I bring in what I know my customers will buy.

...Currently any of the branch locations are people that are hired in conjunction with the operations manager but it is done locally. So people in La Ronge, do their own advertising, take their own applications, do their own interviewing and hire. And depending on the position, the operations manager might or might not be involved.

Of course they have to stay within our policies but yes they have a very free hand and I would say that is why we keep a lot of our managers for long-term is because they feel that ownership and they know that they do have the power to make certain decisions and so on and feel comfortable with it and then just to advise us. And there are times that they have to advise us before they do it of course depending on what type of a situation it is but generally we are going with their recommendations almost a hundred percent unless it is something off the wall but that doesn't happen very often.

Some delegates also supported these comments:

Our local managers run our store. They wouldn't be able to get a \$500,000 cooler system on their own but our community store is run by our managers here basically 99 percent on their own.

There was also indication that local committees also had some autonomy in deciding how local donations were to be spent:

Sometime at every branch, through the summer we'll host a BBQ for the day, and it's up to that branch committee as to where they want it to go — to a swimming pool or playground or some local event.

However, other delegates believed that decisions about local donations were in the hands of managers rather than committee members. Regardless who has the final say, these comments suggest that at least the decision is local.

One might expect that local autonomy will spark innovation within the region—managers introducing new initiatives and sharing them with other managers in the co-operative. When asked about this, managers agreed that there was innovation but were unable to provide any examples. This might suggest that the local branch managers are not “pushing the limits” and more or less going by the book. It may also reflect an imbalance of power between the central and the branches. Branches are likely to be subject to greater ‘encapsulation’ (internal rules and boundaries) and ‘critique’ (reporting and evaluation) than a co-operative would be as a member-owner in a federation. The lack of innovation may also stem from the fact that branch managers are comparatively less experienced than the managers in PA and are more willing to follow their lead. Finally, it may also be that a lot of the innovations that are taking place are relatively small and managers may fail to notice such initiatives.

## **4.8 SUMMARY**

Most of the small rural retail co-operatives that now make up the branches of the PACA were motivated to amalgamate with the larger co-operative in Prince Albert primarily out of necessity. The realities of small-town Saskatchewan have made it increasingly difficult for small, stand-alone co-operatives to operate without setting up some kind of partnership with neighboring co-ops. The more recent amalgamations came about because the smaller co-ops could no longer attract qualified managers. By joining the larger co-op, these outlets may be able to operate effectively without a local

manager. Instead, one staff member does some of the work that the manager would typically do and is guided closely by the operations manager who oversees all of the branches.

The academic literature on co-operatives discusses problems concerning the size of co-ops and the heterogeneity of membership. However, the delegates and managers that were interviewed did not feel that the increasing size of the PACA was a concern and in fact most saw it to be a positive. The advantages of a larger co-op—stability, economies of scale and the spreading of risk—outweighed any potential concerns about growth. It is surmised that part of the reason why delegates feel comfortable with growth is that local branch co-ops experience few negative changes even as the PACA grows in size and in fact, they are able to recognize a number of positive developments. Also, additional mergers do not significantly impact the relationship between branch members and their branch.

Delegates were the primary focus of this study and they were asked to discuss their role within the PACA. It was discovered that the extent of their responsibilities did not go much beyond attending delegate body meetings in Prince Albert and electing the board of directors. Nonetheless, few of the delegates interviewed thought they should be charged with more responsibilities given the complexities of the retail environment.

Delegates may serve the co-operative in more subtle ways. They play a key role in preserving the heterarchy of the co-op. They at least symbolize the intent of the co-operative to be more inclusive in how decisions are made. All branches are represented and all branches have the opportunity to have greater influence in the decision-making of the co-op if their delegates run for and are elected to a position on the board. Branch members as directors can help to set policy and provide oversight for management. A



combination of branch and PA delegates comprise the current board, and it appears that there is an unwritten policy to achieve a similar balance in the future.

The real challenge for the multi-branch co-operative is to find an appropriate division of power between the branches and the central co-op in Prince Albert. Large federated networks operate effectively when they can find some sort of balance between centralization and decentralization. A branch system operates under a different set of conditions as the central assumes more control than in a federation. The PACA could concentrate on the principles of subsidiarity and responsible autonomy to ensure the continued viability, attractiveness, and local identity of the branch operations.

## Chapter 5 CONCLUSIONS

### 5.1 SUMMARY OF FINDINGS

The Prince Albert Co-operative Association has developed into a regional organization not out of immediate economic necessity *per se*, but in response to a managerial staffing problem that seems to be pervasive throughout the co-operative retailing system in Saskatchewan. Little opposition has come from the membership about their local co-op joining the PACA, as the advantages of amalgamating seem to outweigh any loss of control or autonomy that the local co-ops may have experienced. Specific advantages that have been identified through this study include: stability, economies of scale, risk sharing, and positive growth and development throughout the regional network of co-op stores and service centres.

In addition, the PACA has been able to grow without negatively affecting the local branches. Branch members of the consumer co-operative have witnessed few changes to their relationship with the local store. Although this study does not focus specifically on regular members of the co-op it would seem that for members as consumers, the restructuring has not negatively impacted service delivery. In the case of groceries and gas stations, the service functions (information, expertise, social and physical) all remain within the community. Ultimately, for most of the local co-operatives the sharing of resources and services among the branches has meant that the number of services has actually increased. The associational relationship with the local co-op has remained relatively stable for members as well. Although turnouts to meetings at the local branches are low, this problem is does not necessarily relate to the size of the PACA, as

most co-ops —big or small, multi-branch or stand-alone —have experienced similar problems. Yet, opportunities still exist for members to participate. The PACA has maintained the lines of communication between members and management. The relatively large number of meetings held each year is one example of the commitment made to keeping communications open. The co-op now has to address the asymmetrical flow of that information. The delegates perform their role as the eyes and ears for the board and management adequately but information from the board and management does not seem to flow as well to members. Delegates do not appear to have any formal ways to pass information on to local members.

PACA members see it as a community resource and are buoyed by the success of the organization, which has yet to close a branch. The PACA is now one of the largest consumer co-operatives in the province and represents a positive story for the region. Stores remain open and few services are cut in the smaller communities; new stores are being built and members are excited to see modern buildings constructed in their towns. One might speculate that the success of the regional co-operative network may contribute to the emergence of a regional identity, and may lead to communities looking at other forms of collaboration.

Much of the strength of the PACA has come from adopting some of the principles of federated networks or triarchies. The key principle in both organizational structures is to distribute power more evenly in the organization compared to more standard hierarchical businesses. The PACA has centralized some services and responsibilities with the central co-op in PA taking on specific responsibilities for coordination and supervision. But complete centralization has yet to occur. Delegates still play a key part in providing local branches the opportunity to participate in the

decision-making of the PACA and branch managers have some control over their own stores. The PACA is also working to retain local connections by maintaining the association between the community name and the co-op branch. These policies and practices have allowed the regional co-operative to grow and to take on more local co-ops with little impact on local consumers and branch members.

However, unless delegates are more integrated into the co-operative governance (beyond the largely symbolic participation that delegates perceive to be the current reality), the present membership structure may be forced to undergo changes in the future. If the PACA wants to maintain a somewhat decentralized branch system and avoid centralization it should find opportunities to involve delegates in more meaningful ways. Training and education should focus on this core group of members who are willing to play an active role in the co-op. Special committees that focus on particular social, member or business-related issues may also encourage members to become more active.

Since the PACA is at the vanguard of co-op amalgamations and multi-co-operative development in Saskatchewan, it serves as an example for similar developments that will inevitably occur across Western Canada. It is hoped that this study provides some insights for co-ops that are looking for ways to adapt to the changes occurring in the retail sector and in the complex rural environment.

## **5.2 IMPLICATIONS**

There is high probability that co-operatives in Saskatchewan and across Canada will continue to amalgamate with neighboring co-ops well into the future. Therefore, this research has wider implications for future co-op development. This study supports

Pestoff and Butler when they assert that large co-operatives do not necessarily preclude democratic decision-making. Branches can be included in the overall development of the co-operative if there is the desire and concerted action, and branch members can play a useful and constructive role in oversight and policy development. The study also supports the suggestion that larger co-operatives should focus especially on the local co-op outlets if they wish to avert many of the dilemmas that normally confront large co-operatives. In order to promote and integrate local branches, co-ops need to find a reasonable balance between centralization and decentralization. This implies adopting and adapting the principles of federated networks and triarchies.

Co-operative members appear to be generally ready to relinquish some local control in order to gain control and sustainability at a regional level. For many people, the region has become the new local and co-operatives must now reconsider the local/regional relationship. The PACA is building an integrated system, in the operational sense, among the branches and the central hub in PA, and among the various managers, but it appears that relationship building on the associational side of the co-operative has not developed as far. Because building relationships is important for building sustainable network structures, it seems more could be done to link members together. The PACA may wish to look at how delegates can be used to strengthen members' interactions at the regional level. The regional structure also brings up questions of power and how it is divided at the regional and local levels. The multi-branch co-operative, as a federated network, requires the ability to share responsibilities between the local co-op branches and the larger co-operative situated in Prince Albert, and this division of power must be continuously revisited and negotiated.

### **5.3 CONTRIBUTIONS TO THEORY**

Although there have been numerous studies done on the membership structures for large agricultural co-operatives, there are few studies dealing with consumer co-operatives and their use of delegate systems. This research provides a better understanding of how some regional consumer co-operatives operate on a larger scale.

I am not aware of any scholarly writing that has employed the theory of triarchies in analyzing co-operatives. This is significant since, I would argue, this conceptual tool could advance our understanding of co-operatives as complex organizations. With the increasing number of branch systems used in consumer co-operatives and credit unions across Canada, triarchy theory can provide a useful framework for further analysis. Moreover, though Fairtlough (2005) maintains that there are growing numbers of organizations looking to institute heterarchical decision-making and responsible autonomy it is notable that there was no mention of co-operatives in his book on triarchies. The present study suggests that co-operatives could be a model for integrating all three ways of getting things done (i.e. hierarchies, heterarchies and responsible autonomy) in many kinds of social and commercial enterprises.

### **5.4 LIMITATIONS AND AREAS OF FURTHER RESEARCH**

With any masters thesis there are limitations to the scope of the study. The field research focused exclusively on delegates and managers. If more “ordinary” members (who may not identify with the regional co-op as much as delegates) were interviewed, or if a region-wide survey of members were conducted, it would have increased the rigor of the study. How do regular members view the regional co-operative and their local branch? Is the co-op seen as just another store? Are members aware that their co-op

belongs to a multi-branch regional co-operative? Including more members would also have provided a better understanding of member heterogeneity. Although the study suggests that community diversity in the region provided some stability for the co-op, it was less clear what kind of impact member heterogeneity had on the development and governance of the regional co-operative.

Another limitation of the study was not being able to recruit more delegates to be interviewed. It would have improved the study if at least one delegate from each of the branches could have been included. Although farmers were interviewed in the study, only a few delegates from agricultural-dependent communities were represented. Their insight could have added much to the discussion, as farm members not only purchase groceries and gas but also bulk fuel, fertilizers and chemicals, equipment and other farm supplies from the PACA. As stated, timing might have been a key factor as interviews began at the peak of seeding time.

Despite the limitations, the study presents a number of promising areas for future research. While this research offered only a cursory look at another multi-branch retail co-operative based in Swift Current, it would be informative and revealing to do a comparative analysis of the Prince Albert Co-operative Association and the Pioneer Co-operative, which now has branches in several communities in southwestern Saskatchewan. The two co-ops are comparable in size and in the number of branches, but have taken different directions in terms of membership/governance structures. Pioneer has elected to forego the delegate structure and use only a regional annual meeting. It also has a very different approach in terms of philosophy. Whereas the PACA focuses on maintaining individual branch identities, Pioneer is striving to have all branches operate as one cohesive unit under one name.

An added dimension for this study (or as a separate project) would have been to investigate the pre-amalgamation process by studying the newest members of the PACA—the Marcelin and Canwood co-ops. The time when a co-op elects to amalgamate represents a critical juncture in its history. The decision sets an entirely new trajectory for the co-op, for the members, and for the community as well. Learning more about the decision-making and negotiations that go on among members of a stand-alone co-op would provide a valuable service for other co-ops contemplating a merger.

Another avenue for future research would be to compare a community that has voted down a decision on amalgamation with one that voted in favor. This would help to increase our understandings of motivators and detractors for mergers and we could gain insights into the cognitive process of members. Moreover, it would have been interesting to compare the PACA delegates' responses today with their perspectives before their own store amalgamated with the Prince Albert Co-op. Were they as receptive to the idea of amalgamating then as they are now? This is an important question considering that there are still many co-op members in rural Saskatchewan that are opposed to even the thought of their co-op store merging with stores in neighboring communities.

This study looked at amalgamations of a relatively large co-op with comparatively smaller co-op stores. It would be intriguing to look at amalgamations between two or more like-sized enterprises (e.g. two small, stand-alone co-ops) and investigate the types of relations that emerge within the larger enterprise. It may be that such an amalgamation would require more negotiating with respect to the sharing of power and resources compared to the PACA case. Another study could investigate multi-branch co-ops in different geographic settings. Examples might include co-ops that operate entirely within a city or within communities that are all agricultural-



dependent. And certainly the closing of a branch would be another informative area of research. Even though this has never occurred in the PACA, it has happened in Pioneer Co-op.

Although this thesis makes reference to the Aboriginal people in the area, it does not focus on their relationships with the PACA. A targeted investigation could reveal the attitudes of First Nations and Métis towards the co-op. It would be an important step in learning why Aboriginal people have yet to play a significant role in the governance of the PACA despite the fact that Prince Albert and many branch communities have a large Aboriginal population.

Overall, the study presents a vehicle for understanding co-operative development in the context of rural and retail restructuring. It reveals that delegate systems, new forms of governance, and branch networks were developed in response to complex and interrelated environmental influences. The importance co-operatives place on democratic decision-making and commitment to community is also highlighted, as the PACA works to keep local stores open and community members involved and engaged.

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## **APPENDIX A: INTERVIEW QUESTIONS**

## Questions for semi-structured phone interviews

### **Delegates**

How long have you been a member of the co-op?

When and how did you become a delegate (elected, appointed)?

Why did you choose to serve as a delegate?

Are elections held for the delegate position?

What is the length of term for delegates?

Can you describe your role as a delegate? What are your specific responsibilities?

Why do you think the delegate system is being used in the PACA?

Do you feel that the delegates should have more responsibility and authority? If so, what would other responsibilities or powers do you think the delegates should have?

Can you describe the local committee – how often it meets, what kinds of issues are discussed, what kinds of decisions or recommendations are made?

What are some of the barriers or obstacles for people wanting to become a delegate?

Do you receive any kind of reimbursement for your travels or time?

What are some of the challenges of being a delegate?

I understand that as a delegate in the PACA you are asked to make decisions based on what is best for the region. However, as a delegate you are also responsible to represent your local co-op. Have you ever found it difficult to reconcile the two seemingly opposite roles?

### **Questions about the regional co-operative**

What are some of the advantages and disadvantages being part of the PACA for your local co-op?

Could you describe some of the major issues that have confronted the PACA during your term as a delegate? How were these issues resolved?

Do you feel that being part of the larger PACA network encourages innovation or increases the exchange of ideas among co-operatives that wouldn't have occurred if the co-operatives were independent?

Can you tell me about an idea that a branch came up with which was then used throughout the PACA?

Would you like to see more branches included in the PACA? Why or why not?

Would you be willing to keep a local branch open even if it was losing money? Why or why not?

Do you feel there should be equal representation from each of the branches or should larger co-op branches have more delegates?

Could you tell me how much you were involved in the discussions about the construction of the new co-op in La Ronge? In your opinion was it a positive development for the PACA?

Have you ever felt that this PACA structure creates competition among the branches? For example, are do you compete for funds, resources, management's time, etc.?

Have you ever felt that PA has too much say in how your co-op is operated?

Have you ever felt as if the branches had too much say in the operations of the other branches?

Has the PACA allowed for your local co-op branch to keep its identity or do you feel as if your branch is losing its identity?

Would you recommend other smaller co-ops merge with a larger co-op (not necessarily with PACA)? Why?

### **Member/Community Diversity**

Could you describe the members of the local co-operative (e.g. are they farmers/retirees/commuters? How does this differ from other communities that are part of the PACA network with local branches of the co-op?

Do you feel that the delegates represent the diversity of members in the region?

Your local co-op branch is closer/farther from Prince Albert and smaller/larger compared to the other branches. How does this impact your co-op branch?

Do you feel that the needs of your local members differ from the needs of members from the other communities in this PACA network?

How does the PACA encourage diverse groups to participate (women, youth, Aboriginal)?

Have you ever thought that there were too many or too few different opinions to make a good decision as a delegate body?

How are diverse opinions dealt with at annual meetings?

Do you feel as if the branches and PA share a common vision?

Do you see any of the following as an obstacle or asset in decision-making/communication within your local co-op: the distance between members, age, education levels, objectives for using the co-op, etc.?

Are there any problems in decision-making based on the difference among communities? Do you see any of the following being an obstacle to decision-making/communication within the PACA: size, proximity to PA, the type of community (agriculture, forestry, etc.)?

### **Communication**

Do you feel there needs to be more communication among the branches and within the PACA as a whole? If so how would like to see the communication take place (e.g. more meetings, phone calls among delegates)?

Do you feel that you are provided with enough information from management that you can make informed decisions about the co-operative? If not how could you receive more information (e.g. more meetings, more reports)?

Besides the local committees are there any other committees that are part of the PACA (e.g. youth, women, Aboriginal)? What types of committees would you like to see implemented, if any?

Would you like to see fewer committees? Fewer meetings?

Do you feel the present membership structure (local committees, delegates) encourages member participation? If not, what could be done to improve participation?

Do you feel that the decision-making process is too slow or too complicated? If so, how could you improve the process?

Has the PACA ever tried other ways of decision-making besides the local committees and the delegate system?

How often do you meet with the GM? How often do you meet with the Branch Manager?

Besides the local committee meetings, what other formal or informal ways of communication do local members have?

Do you feel that the present membership structure allows members to adequately voice their opinions?

How are the decisions made by the PACA communicated to the members of the local branch?

How involved are the delegates in setting policy of the PACA?

How much sharing of information about each co-op goes on at the annual meetings?

Have you ever considered meeting directly with the other delegates of branches to determine common needs?

How often do you talk to the local members about the local co-operative?

How often do you talk to PA management outside the scheduled meetings?

What needs do you feel your local co-operative has that are not being met right now?

What sort of new issues do you bring to the annual meetings?

Could you describe a time when the delegate body was faced with a difficult decision and how that decision was finally made?

Do you feel as if you are adequately consulted before decisions are made by the management?

How many comments/complaints/suggestions do you receive from members a year?  
None 0-10 10-20 more than 20

Do you ever seek out member opinions? If so, how do you do it?

### **Control**

In your opinion, do you think that the present governance structure (i.e. the local committees and the delegate system) maintains a measure of control in the hands of local members?

Where are most of the major decisions made about your local co-op?

Do you ever feel that there is an urban bias in the decisions that are made?

Have there ever been discussions with respect to closing your branch?

Was there ever a time that you felt like a decision that was made by the management was not in the best interest of your local co-operative?

If there were other co-operatives wanting to join the PACA, how would that decision be made?

Could you describe some of the major issues that have confronted the PACA during your time as delegates? How were these issues resolved?

What are some of the advantages and disadvantages being part of the PACA for your local co-op?

**Additional Questions for Managers**

Could you tell me about the relationship between FCL and your local co-op? E.g. does your local co-op send a delegate to the FCL annual meetings/Do you order directly from FCL or do all orders go through PA?

Have the operations, policies and products been standardized across the region or are there differences among the branches? For example are hiring practices the same? Are there differences in marketing (Do you share the same flyer or newsletter)? Do most co-ops stock the same products?

## **APPENDIX B: INTERVIEW CONSENT FORM**



## Interview Consent Form

You are invited to participate in a study entitled “*Governance, Membership and Community: Developing a Regional Consumer Co-operative in Saskatchewan*”

My name is: Dwayne Pattison, MA Candidate University of Saskatchewan  
Centre for the Study of Co-operatives  
University of Saskatchewan

This research is being conducted under the supervision of Dr. Michael Gertler Department of Sociology, University of Saskatchewan. If you have any questions or concerns please contact me at [dwayne.pattison@usask.ca](mailto:dwayne.pattison@usask.ca) or by phone at 966-6660 or Dr. Gertler at [michael.gertler@usask.ca](mailto:michael.gertler@usask.ca) or 966-8501.

### **Purpose and Procedure:**

This research focuses on the branch delegates of the Prince Albert Co-operative Association (the PACA). The delegates can offer a unique insight into a number of questions posed in the study. Specifically, I would like to focus on the decision-making and communication within the PACA that the delegates are involved with. The questions will focus on your role as a delegate, how your local co-op operates in the regional setting of the Prince Albert Co-operative Association and how information is communicated and how decisions are made.

If you are in agreement, this interview will be recorded on a mini-cassette recorder or digital recorder and transcribed at a later date. You will be sent a copy of this transcript for you to review and to make any changes. You have the right to add, delete or clarify any part of the transcript. You may also pull out of the research at anytime. Also, please be aware that throughout the interview you have the right ask me to turn off the recording device. You also may refuse to answer any questions you wish not to answer. If at any time you feel uncomfortable please let me know and we can take a break or end the interview. The interview should take approximately one and a half hours to complete.

### **Potential Risks:**

Please note that this interview involves minimal risk to you. Again your participation is voluntary and you have the right to withdraw at anytime. I will make every effort to try to ensure your anonymity and confidentiality throughout the research process.

### **Potential Benefits:**

Your participation in this research will provide valuable information for co-operative development. The PACA is a unique co-operative association in that it has nine branches covering a very diverse geographical region. Your insights into how this association operates will be an important part in future co-operative development of this nature in other regions across Canada.

**Storage of Data:**

In accordance with the university guidelines, the transcript and cassette recordings will be placed in the care of Dr. Michael Gertler and the University of Saskatchewan for a minimum period of five years.

**Confidentiality:**

I will make every effort to ensure your confidentiality throughout the research process. Coding of your interview will protect your identity during the analysis of the data. In the published Masters Thesis and in any other published material any quotes will be introduced in general terms, for example, “One delegate said...” to protect your anonymity. However, please be aware that because the participants for this study have been selected from a small group of people, all of whom are known to each other, it is possible that you may be identifiable to other people on the basis of what you have said.

**Right to Withdraw:**

As mentioned above, you have the right to withdraw at anytime without any penalty of any sort. Upon withdrawal all data that you have contributed will be deleted.

**Questions:**

Please feel free to ask my supervisor or me any questions at any time. The study was approved by the University of Saskatchewan Advisory Committee on Ethics in Behavioural Research on May 23, 2007. If you have questions regarding your rights as a participant please contact the Ethics Office at (306) 966-2084.

You will have access to the completed study at the University of Saskatchewan Library. You may also ask me for a debriefing and feedback about the final draft of the projects. Please contact me at (306) 966-6660. You will be notified of any new information that comes available that may influence your decision to participate.

**Consent to Participate:**

I have understood the description provided. I consent to participate in the study described, understanding that I may withdraw this consent at any time. A copy of this consent form has been given to me for me records. I also understand that I will have the opportunity to review the transcript of this interview.

\_\_\_\_\_  
Participant

\_\_\_\_\_  
Date

\_\_\_\_\_  
Researcher

\_\_\_\_\_  
Date

**APPENDIX C: TRANSCRIPT RELEASE FORM**

**Interview Transcript Release Form**

*Governance, Membership and Community: Developing a Regional Consumer Co-operative in Saskatchewan*

I, \_\_\_\_\_, have reviewed the complete transcript of my interview responses for this study, and have been provided with the opportunity to add, alter, and delete information from this transcript as appropriate. I hereby authorize the release of this transcript to the researcher Dwayne Pattison, University of Saskatchewan, to be used in the manner described in the Interview Consent Form that I signed before the interview, or in the manner indicated below.

If you do not check one of the following, it will be assumed that (a) applies:

\_\_\_\_\_ (a) I prefer to remain anonymous, as described in the consent form. I understand that my remarks will not be attributed to me by name. Instead, they may be attributed to an unnamed individual (for example, an employee, a member, a manager, a Saskatchewan person, a man or woman etc.) or to a pseudonym or a composite profile.

\_\_\_\_\_ (b) The remarks contained in the authorized transcript may be attributed to me by name, or used anonymously, at the author's discretion.

\_\_\_\_\_ (c) I prefer to have all remarks from the authorized transcript attributed to me by name if they are used.

\_\_\_\_\_ (d) Certain remarks I have indicated by initials in the margin are to be kept anonymous as in (a) above; the rest of my comments (unmarked in the margins) may be attributed to me.

I have received a copy of this Interview Transcript Release Form and a copy of the interview transcript for my own records.

If you are in agreement please sign below and send one of the signed forms and one copy of the edited transcript to the address below in the self-addressed, stamped envelope provided.

\_\_\_\_\_  
Participant

\_\_\_\_\_  
Date

\_\_\_\_\_  
Researcher

\_\_\_\_\_  
Date

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