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Abstract

Who counts in co-operatives, and how? In this paper empirical results are presented from recent quantitative and qualitative studies on Belgian co-operatives in which questions about who counts in co-operatives and how were treated (Develtere, Meireman & Raymaekers, 2005; Durjardin, Mertens & Van Opstal, 2008; Van Opstal, Gijssels & Wyns, 2008; Van Opstal & Gijssels, 2008). The exploratory empirical evidence is presented after a brief overview of recent insights in stakeholder theory, inspiring the way co-operatives' stakeholders can be conceived. Although in stakeholder theory multiple types of stakeholders are distinguished, the evidence presented leads us to the conclusion that a continuum between weak and strong models of multi-stakeholdership can be observed in Belgian co-operatives, with most of the co-operatives studied situated in the classical single-member model and weaker models of multi-stakeholdership. We look for explanations for the emerging pattern and try to formulate ways to overcome hindrances for the development of multi-stakeholder co-operative entrepreneurship, especially in the provision of quasi public goods and services, a gingerly growing field in the Belgian co-operative sector.

Keywords: co-operatives, stakeholder theory, multi-stakeholdership, member involvement, member participation, member advantages, corporate social responsibility

JEL Classification: G39, J54, M14, P13, Z13

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1 Introduction

Stakeholder theory suggests that economic organizations are responsible to a variety of groups or 'stakeholders' in society - other than just the organization's owners (see a.o. Bryson, 2003; Clarke & Clegg, 1998; Cornforth, 2002; Donaldson & Preston, 1995; Freeman, 1984; Jonker & Foster, 2002; Mitchell, Agle & Wood, 1997; Rousseau & Shperling, 2003; Tirole, 2001). Stakeholders are often defined to be those individuals and groups who are influenced by or have an influence on the activities of an organization (Freeman, 1984). Apart from the owners of an organization, one generally refers to employees, clients, suppliers, the local community in which the organization is based. Some argue that NGO's representing wider social or ecological interest, the 'wider community' and 'future generations' are stakeholders of an organization. It is a fair question to ask how far one needs to go in identifying stakeholders of an organization as well as to how and how far stakeholders should be allowed to have an influence on an organization (Leys, Van Opstal & Gijssels, 2009).

Whereas for most enterprises, it is not an evident task to find out who their stakeholders are, what stakes should be taken into account and how they should be given voice, co-operatives by virtue of their essential properties have a more natural inclination towards stakeholder management - albeit not evidently multi-stakeholder management.

In co-operatives, ownership rights and control power is usually assigned to one single category of stakeholders, this category however having a double economic function in the co-operative: they are both user and shareholder of the co-operative. This way, they are 'stakeholder by design', as well as 'natural stakeholders' (Tirole, 2001). Thomas (2004) states this participatory character to result in greater stakeholder involvement, next to other advantages such as enhanced efficiency and a large potential to attract volunteers. Levi (2001) and Pezzini (2006) stress the focus on co-operative values and 'concern for community' which make co-operatives more likely to focus on goals beyond their members. The Green book of the European Commission (2007) refers to the reversed instrument-goal relationship to argue that co-operatives are in good books with respect to the integration of stakeholders.

In recent years, forms of multi-stakeholder co-operatives emerge. In this type membership is broadened beyond the traditional one type of member category. This may broaden the scope of objectives of the co-operative, strengthening the public character of the services they deliver. Such a multi-stakeholder co-operative may also take a lead in innovation, as it may fall back on a large network of its constituent partners, while being able to confront and exchange different points of view within one and the same organization (Van Opstal & Gijssels, 2009). According to Pezzini (2006) the multi-stakeholder co-operative is the logical translation of the seventh co-operative principle (concern for community) defined by the ICA. In more and more countries multi-stakeholdership is institutionalized in laws and regulations with respect to social enterprises, based on the co-operative model, i.c. Italy's 'social co-operative', Portugal's 'cooperativa solidariedade social' and France's 'société co-operative d'intérêt collectif' in which a co-operation between workers, users, public authorities and other stakeholders is expected.

In Belgium some leading co-operatives are established as economic vehicles of a social movement, or are supported by civil society actors. The institutional members of these co-operatives represent the interests of societal groups (e.g. workers movements, agrarian movements,...) and even of those stakeholder categories that cannot speak for themselves (environmental movements, third world movements,...).

In this paper empirical results are presented from recent studies on Belgian co-operatives in which questions about who counts in co-operatives and how were treated. Thus, paragraph 3 of this paper is based on studies by Develtere, Meireman & Raymaekers (2005), Durjardin, Mertens & Van Opstal (2008), Van Opstal, Gijssels & Wyns (2008) and Van Opstal & Gijssels (2008). The empirical evidence is presented after a brief overview of recent insights in stakeholder theory, inspiring the way co-operatives' stakeholders can be conceived (paragraph 2). In the concluding section of this paper we look for explanations for the emerging pattern and try to formulate ways to overcome hindrances for the development of multi-stakeholder co-operative entrepreneurship, especially in the provision of quasi public goods and services, a gingerly growing field in the Belgian co-operative sector (paragraph 4).

2 Stakeholder Theory

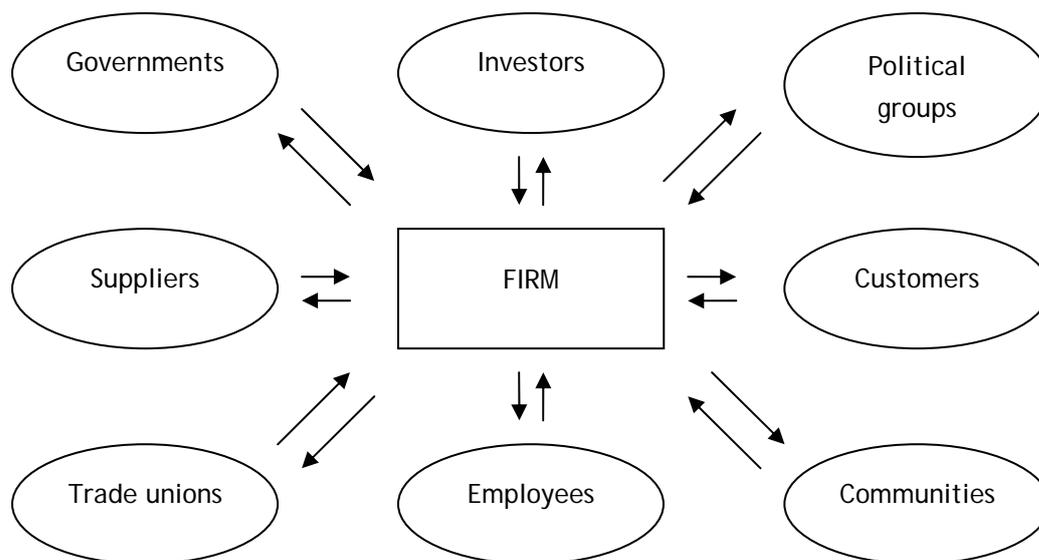
The concept of 'stakeholder' makes allusion to the concept of 'shareholder', i.c. that unique category of individuals or institutions that owns an enterprise and shares the profits and the risks of it. For enterprises quoted on the stock exchange, one sometimes refers to 'stockholder' as the counterpart of stakeholder, pointing to the fact that the only stake that the former have is their 'stock', which they can get rid of rather easily and quickly and in a potentially profitable way, which tends to make their relationship rather volatile and profit-driven, whereas the stake of the latter is broader and more lasting. 'Stakeholder', on the contrary, is a concept that refers to those categories of individuals or institutions that have a 'stake' in an enterprise or an organization. According to Bryson (2003), the contemporary use of the concept refers to a claimant toward whom an organization has fiduciary responsibility.¹ A much cited definition of stakeholder has been formulated by Freeman (1984). According to Freeman, stakeholders can be defined as "those individuals and groups who are influenced by or have an influence on the activities of an organization".

Rousseau & Shperling (2003) make a distinction between internal and external stakeholders of an economic organization. Shareholders, managers and employees are internal stakeholders. External stakeholders are governments, consumers, suppliers, trade unions and pressure groups. Along with Freeman, Jonker & Foster (2002) claim it is the core idea of stakeholder theory not only to recognize internal stakeholders of an economic organization, with whom stakeholder communication has been implemented for a longer time and has become obligatory (e.g. employees councils in enterprises with a certain number of employees, general assemblies for

¹ In contrast to the original meaning of the concept, which referred to the 'person entrusted with the stakes of bettors', who had to deliver the stakes to the winners of a contest and who, therefore was himself *bearer* of fiduciary responsibility (Bryson, 2003).

shareholders of enterprises quoted on the stock exchange,...), or external stakeholders with evident economic claims, but also to recognize external stakeholders whose claims are patently political or social in nature. According to Donaldson & Preston (1995), all stakeholder entities have legitimate and equal interests and a mutual dependency exists between them and the firm.

Figure 1: Stakeholder model by Donaldson & Preston (1995)



Tirole (2001) suggests to make a distinction between 'natural stakeholders' and 'stakeholders by design'. 'Natural stakeholders', such as employees, customers, suppliers, but also communities where the firm's plants are located and potential pollutees, have an 'innate' relationship with the organization. 'Stakeholders by design', such as investors or shareholders, are stakeholders by virtue of the structure of an organization. Tirole defines the 'stakeholder society' as a combination of a broad mission of management (maximizing the sum of the various stakeholders' surpluses) and sharing of control by stakeholders. Tirole sees governments as the ultimate stakeholder-society organizations, "*since they are instructed to balance the welfares of many different interest groups*" (p.24).

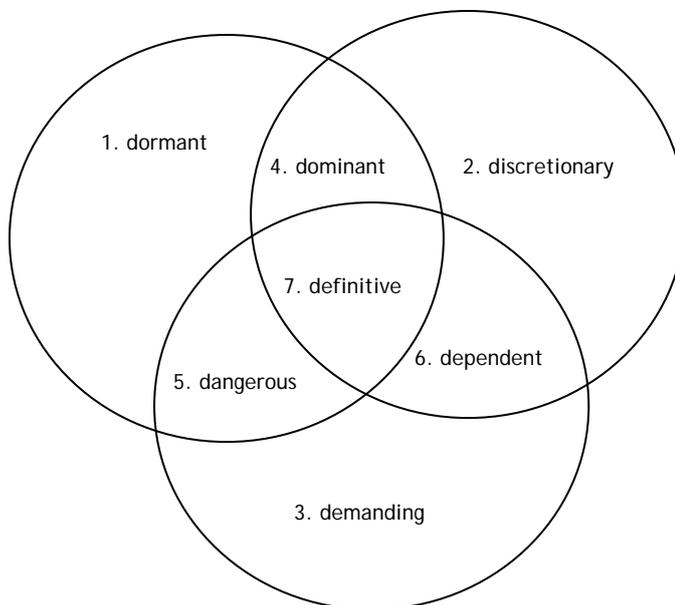
According to Clarke & Clegg (1998) stakeholder management often hardly scratches the surface of ongoing business practice. Most corporations quoted on the stock exchange only adopt a weak model of stakeholder management (Leys, Van Opstal & Gijssels, 2009). Not only because of the vast array of different stakeholder entities, but also because the stakes of these different stakeholders often prove to be contradictory, and because it is not always clear who is to be seen as the legitimate representative of a more universal or abstract stakeholder entity (such as the environment or future generations) that cannot act and speak for itself. It is a fair question

how far one needs to go in identifying stakeholders of an organization as well as to how these different categories of stakeholders should be involved (Leys, Van Opstal & Gijssels, 2009). Who are an organization's stakeholders and what stakes have to be taken into account by an organization?

The answer to the question of who is a stakeholder and what are its stakes varies according to the organization and its context. However, according to proponents of stakeholder theory, identifying and typifying its stakeholders is a crucial and primary step for any organization adopting a stakeholder approach. Without it no efficient stakeholder communication can be set up. Many attempts to put stakeholder management into practice fail because of the lack of a proper identification of one's stakeholders, of their properties and resulting claims, providing the basis for an adequate strategy towards them (Jonker & Foster, 2002).

Mitchell, Agle and Wood (1997) tried to develop handles for the identification and typification of stakeholders. They suggest to identify and classify stakeholder entities according to the power they have on the one hand and the legitimacy and urgency of their claims on the other hand.

Figure 2: Types of stakeholders by Mitchell, Agle & Wood (1997)



- *Dormant stakeholders* do not exercise power because their claims are not or not sufficiently urgent and legitimate. However, they have potency to increase in urgency and legitimacy.
- The claim of *discretionary stakeholders* is legitimate but not urgent, and discretionary stakeholders lack power to exercise an influence on the organization.
- *Demanding stakeholders* do have urgent claims, however they lack legitimacy. They can be demanding towards the management of an organization, but they have no power.
- *Dominant stakeholders* do have power and their claims are legitimate, albeit not urgent. They should be involved in the decision making process of an organization.

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- *Dangerous stakeholders* also have power and their claims are urgent. However, their claims are not legitimate. They might use illegal means to extort their claims from managers. An organization should keep a weather eye open for dangerous stakeholders.
 - *Dependent stakeholders* lack power, although their claims are legitimate and urgent. They depend on others, such as dominant stakeholders, to use power to force their will on managers.
 - *Ultimate stakeholders* are powerful and their claims are legitimate and urgent. Along with the dominant stakeholders they should be part of the decision making structure of an organization.

However, deciding about the legitimacy, urgency and power of stakeholders is not as easy as it seems to be. The most easy to decide upon may be the attribute of power. Power is defined as the ability to exercise an influence on the organization, even against the will of the organization. It is a necessary property of the structural relation between the organization and the stakeholder category and powerful stakeholders can quite easily be defined. Resource dependency theory and institutional theory can be used to explain why organizations respond in certain ways to certain types of stakeholders bearing more or less power. However, according to Jonker & Foster resource dependency and institutional theory are only valuable explanations of reactions to economic and formal/legal pressures respectively, but they fail to account for political power. Moreover, whereas some authors suggest to limit stakeholders to entities that have sufficient power to influence the organization: shareholders, employees, suppliers, customers, it was precisely Freeman's intention to broaden managements' views beyond these obvious and (more or less) powerful categories of stakeholders (Jonker & Foster, 2002).

Legitimacy and urgency are even more difficult attributes to decide upon. They are attributes of the claims of stakeholders. These attributes are social constructs. They cannot be found in the structural relationship between stakeholders and the organization, but are discursive in kind. Some claims are said to be legitimate or urgent whilst others are not. Whereas Freeman used the term legitimacy to refer to the rational appropriateness of spending time with stakeholders, measured in terms of the cost of allocating scarce resources, Mitchell, Agle & Wood propose a more normative evaluation. According to them, the basis for the evaluation of the legitimacy of stakeholder claims has to be more or less deduced from the existing values and norms in society. An organization will suppose that claims are desirable, right or in accordance to the norms, values and definitions of the stakeholder, the organization or society. According to Jonker & Foster however this makes legitimacy such a broad construct that it will be ultimately self-defeating when used to exclude parties from a relationship and will not seriously affect outcomes of stakeholder relationships in the longer run (Jonker & Foster, 2002).

What is meant by the urgency of a claim is not clearly indicated by Mitchell, Agle & Wood. Foster & Jonker propose to use the term 'criticality' instead. 'Critical' refers to a significant, serious issue or a 'defining moment'. This obviously is extremely time- and context dependent. A pressure group that did not exist before but, thanks to lobbying and presence in the press gains support by governments and the public in general, can all of a sudden raise an important and defining issue for an organization and claim to be involved in an organization (Jonker & Foster, 2002).

Inspired by Habermas' Theory of Communicative Action (1984), Jonker & Foster suggest to analyze the expression of the claims made by various parties (if expressed at all, C.G.) in terms of truth (referring to the objective world), in terms of rightness (referring to the social world) and in terms of authenticity and sincerity (referring to the personal world of inner states and feelings of the individuals involved) and to centre stakeholder dialogue around these issues (Jonker & Foster, 2002).

Based on the attributes of power, criticality and rationality of stakes and parties, Jonker & Foster developed a grid that allows enterprises to decide about who is at stake and what their stakes look like. Moreover, if an enterprise manages to identify and typify its shareholders and their stakes, the next question is how they should be involved. This means that an enterprise should develop processes to manage the relationship as well as a form for the connections between the organization and the stakeholders. This results in the following model for analyzing stakeholder engagements:

Table 1 The basic structure of the stakeholder model according to Jonker & Foster (2002)

| | | COMPONENTS OF THE RELATIONSHIP | | | |
|---|-------------|---|---|--|---|
| | | STAKE (What are the key issues in the relationship?) | PARTIES (Who or what are involved?) | PROCESS (What processes are involved in managing the relationship?) | CONNECTIONS (What form do the connections between the organization and the stakeholders take?) |
| E L E M E N T S I N F L U E N C I N G O U T C O M E S | POWER | Does the nature of the claim or stake have implications for the type of power involved? | What type of power do the parties involved use (if required to obtain a result)? | Do some processes result in the exercise of different types of power? | What effects does the form of connections have on the form of power used? OR Is power exercised directly or indirectly? |
| | CRITICALITY | Why is the interest or stake worth investing time and effort on? | What is it about the attributes, behavior, attitudes or beliefs of the parties that makes the issue critical (i.e. important enough to engage)? | Are the processes important to the ongoing life (operations) of the parties? Is it central to the decision-making process? | How critical or important does each party regard the connections? |
| | RATIONALITY | How is the interest or stake expressed (cognitive, social, Personal?) | What are the epistemological and ontological perspectives of the parties and how do they influence their view of the issue or interest? | Do the processes affect the opportunity for the understanding based on a broad or narrow conceptualization of rationality? | Does the form of the connection encourage or discourage dialogue rather than egocentric claims? |

3 Whose Stakes are Taken into Account and How in Co-operatives?

3.1 Empirical Evidence and Methodology

In what follows we explore who is at stake in co-operatives² and how their stakes are taken into account, how stakeholders are managed in Belgian co-operatives. The exploration is based on several recent studies on Belgian co-operatives (Develtere, Meireman & Raymaekers, 2005; Dujardin, Mertens & Van Opstal, 2008; Van Opstal, Gijssels & Wyns, 2008; Van Opstal & Gijssels, 2008). Within the framework of these studies, data have been collected and analysed through quantitative as well as qualitative research methods. A survey among accredited co-operatives³ in Belgium (N=175) conducted by the Higher Institute of Labour Studies, supported by the Centre d'Economie Sociale at the University of Liège (Autumn 2006), fully described by Van Opstal, Gijssels & Wyns (2008). Some general information on these co-operatives, taken from the same publication, can be found in annex 1. Interviews with either presidents or directors of 15 co-operatives have been conducted (Springtime 2005) and were first presented by Develtere, Meireman & Raymaekers (2005). The authors selected the cases in such a way as to gather information from entities with different characteristics in terms of age, scope as well as economic activity. More information about these co-operatives can be found in annex 2. Likewise, focus groups with non-accredited co-operatives, enterprises who act like co-operatives but who do not have the legal personality of a co-operative society (with limited or unlimited liability) and social purpose enterprises have been held in June 2008. The results were first presented by Van Opstal & Gijssels (2008) by Dujardin, Mertens & Van Opstal (2008) respectively. The respondents were selected in such a way as to gather information from co-operatives with different characteristics in terms of scope and economic activity. Because the focus groups were only held in Dutch, no co-operatives from the French and German speaking parts of Belgium have been included. Although the respondents were carefully selected, the

² Although not all co-operatives may be regarded as social enterprises, the co-operative principles have been fundamental to the development of the contemporary definitions of the social economy. Especially the principles of democratic participation and restricted profit distribution are core to both co-operative and social entrepreneurship. The relationship between the principles of the co-operative and social economy has been explored by Marée & Saive (1983).

³ Data of the Crossroads Bank of Enterprises of April 2008 show that in Belgium nearly 40,000 enterprises with one or another form of co-operative legal personality are active. Not all of these co-operatives can be said to be co-operatives according to the definition of a co-operative formulated by the ICA (1995). The Belgian law on co-operatives is very liberal in that it does not mention any of the principles of co-operative entrepreneurship. In order to find out and support those co-operatives who operate according to these principles, a National Council of Co-operation has been established (Law of 10 July 1955). This council accredits co-operatives who request for an accreditation and who satisfy the following criteria (Royal Decree of 8 January 1962), largely inspired by the co-operative principles recognized by the international movement of co-operatives:

- voluntary membership
- equal voting rights for all members or restriction of voting rights in the general assembly
- assignment of the board of directors by the general assembly
- restricted dividend (maximum 6%)
- patronage dividend for members pro rata transactions

Of the 40,000 enterprises with the legal form of a co-operative, 472 were accredited by the National Council of Co-operation (August, 2008).

information gathered from these focus groups and in-depth interviews is purely explorative and does not pretend to give any representative image of the sector.

3.2 Members as Co-operatives Primary Stakeholders

Theoretically it can be argued that out of the specific constitution of co-operatives a specific type of stakeholder management emerges, albeit not necessarily multi-stakeholdership.

Co-operatives are member organizations, voluntarily set up (or joined) by their members, aiming to satisfy their members' need(s). Their members have a double relationship with the co-operative. They are both owners and users, whether consumers, producers, employees. By virtue of their ownership relation to the co-operative they are investor-driven and 'stakeholder by design' (Tirole, 2001). At the same time however, by virtue of their user-relationship to the co-operative, they are user-driven and 'natural stakeholders' (Tirole, 2001). They are 'ultimate and dominant stakeholders' (Mitchell, Agle and Wood (1997), having the power to make their claims heard and to influence the way in which they will be taken care of. Their claims are critical (Jonker & Foster, 2002), being the very reason for the co-operative's existence.

All this means that 'stakeholder dialogue', in the sense of member-dialogue and member participation, at least theoretically, is institutionalized in co-operatives. It emerges necessarily from the properties of the co-operative. However, this does not naturally imply multi-stakeholdership as the evidence will show.

a) Member involvement

From the in-depth interviews with representatives of co-operatives, we learn that respondents think member involvement to be important for a co-operative. Some indeed mention it to be the core characteristic of a co-operative. The only one who did not think members to be important is a representative of a co-operative that sees its members as plain investors. They finance the co-operative because of their personal relationship with the founders, not because of a commonly defined need or idea. When asked to take decisions in the general assembly, these members intend to say they do not know anything about the co-operative and they can't take any decision (Develtere, Meireman & Raymaekers, 2005).

Birchall & Simmons (2001) distinguish the following ways of member involvement in co-operatives:

-
- participation in co-operative decision making;
 - delivering services to the co-operative on a voluntary and non-refunded basis;
 - taking part in the social life of the co-operative.

Respondents of the in-depth interviews (Develtere, Meireman & Raymaekers, 2005) defined member involvement as:

- being regularly in touch with the co-operative
- spreading the ideas of the co-operative
- increasing shares.

All of the respondents of the in-depth interviews stated that giving sufficient, clear and transparent information is a crucial factor for member involvement. Member advantages are equally important to create member involvement. Basically this means that the co-operative should deliver goods and services that satisfy the needs of its members (Develtere, Meireman & Raymaekers, 2005).

b) Member advantages

Not surprisingly top-three advantages in the survey conducted among accredited co-operatives in Belgium were fair price/quality relation (least indicated by the financial co-operatives), realization of economies of scale (mostly indicated by co-operatives in the primary sector), co-operative dividend (mostly indicated by the financial co-operatives). The patronage dividend was mentioned by 25% of the co-operatives in the survey (Van Opstal, Gijssels & Wyns, 2008). Focus groups with non-accredited co-operatives, showed that most of the enterprises give patronage dividends to their members, though it seems not to be evident in workers co-operatives in which more equal payment is considered to be a ruling principle, as well as in multi-stakeholder co-operatives in which multiple types of members have a different relationship with the co-operative (Van Opstal & Gijssels, 2008). Besides the categories given in the questionnaire, 25% of the co-operatives surveyed mentioned other types of member advantages, such as information sharing, sharing logistics, democratic participation, societal profit, price reductions, risk spreading, and legal help (Van Opstal, Gijssels & Wyns, 2008).

Table 2 Members advantages indicated by co-operatives (Survey of accredited co-operatives, 2006)

| | Total | Primary sector | | Secondary sector | Tertiary sector | | |
|--------------------|-------|-----------------|-------|------------------|-----------------|-------------------------|-------|
| | | Machinery rings | Other | | Pharmacies | Financial co-operatives | Other |
| Dividend | 28% | 5% | 5% | 40% | 23% | 75% | 33% |
| Employment | 7% | 3% | 0% | 20% | 0% | 0% | 13% |
| Education | 3% | 0% | 11% | 10% | 0% | 0% | 3% |
| Fair price/quality | 50% | 55% | 63% | 60% | 62% | 15% | 50% |
| Economies of scale | 44% | 65% | 63% | 20% | 15% | 20% | 42% |
| Patronage dividend | 25% | 15% | 16% | 20% | 92% | 15% | 25% |
| Other | 25% | 10% | 11% | 30% | 54% | 35% | 30% |

N: 166 (item non-response: 9)

Source: Van Opstal, Gijssels & Wyns, 2008

c) Democratic participation by members

Democratic participation by members was mentioned as a non-material advantage for members. Indeed, according to the international co-operative movement it is a key principle of co-operative entrepreneurship (ICA, 1995). Birchall & Simmons (2001) hierarchically distinguish the following forms of participation in decision making:

- giving information
- getting information
- consultation
- taking part in actual decision making
- exercising control

As required by the criteria for accreditation set forward by the National Council for Co-operation (cf. supra), members of accredited co-operatives usually participate in co-operatives' decision making via participation in the general assembly and the board of directors. 90% of the co-operatives in the survey on accredited co-operatives in Belgium invites its members for meetings of the general assembly, 62% for the board of directors. The great majority of those who do not invite them for participation at the general assembly are very small co-operatives with few members, leading their co-operative on a day-to-day basis (Van Opstal, Gijssels & Wyns, 2008). In the focus group with non-accredited co-operatives the voice given to members was mentioned as a crucial point of difference. Although not consciously arranged for, some co-operatives with a lot of shareholders de facto had none of their members having more than 10% of the votes in the general assembly. To other co-operatives investigated, the principle of one man-one vote, even if relaxed to a 'not more than 10% per shareholder', was difficult to uphold. Some of the respondents did opt for voting rights pro rata capital investment, another one created a correction to this pro rata capital investment voting rights in the general assembly by

giving more seats (thus voice) to the minority shareholders within the board of directors (Van Opstal & Gijssels, 2008).

In the survey on accredited co-operatives, participation in the board of directors is less indicated by machinery rings, i.e. small co-operatives in the agricultural sector whose main purpose it is to buy jointly and share the use of costly machines (Van Opstal, Gijssels & Wyns, 2008). Focus group information learnt that in small co-operatives there is simply no distinction between the general assembly and a board of directors. In co-operatives whose members are independent enterprises, the composition of the board of directors is crucial. Members are member for economic reasons in the first place. The problem of the different horizon (short term vision of members versus long term vision of the co-operative) is a crucial factor. It is a real challenge to compose a board out of members who share the long term perspective of the co-operative. Besides this, participants of the focus group with non-accredited co-operatives also explicitly mentioned personal problems related to the election of the board. Most of them also state that their board is populated by (a mixture of internal and) external members (Van Opstal & Gijssels, 2008). Some of the respondents of the in-depth interviews confirm that their boards of directors are only populated by external, non-member directors. However, within these co-operatives voices rise to change this situation (Develtere, Meireman & Raymaekers, 2005). Commonly, respondents of the in-depth interviews mention one meeting of the general assembly a year as well as the possibility to hold a special general assembly when required.

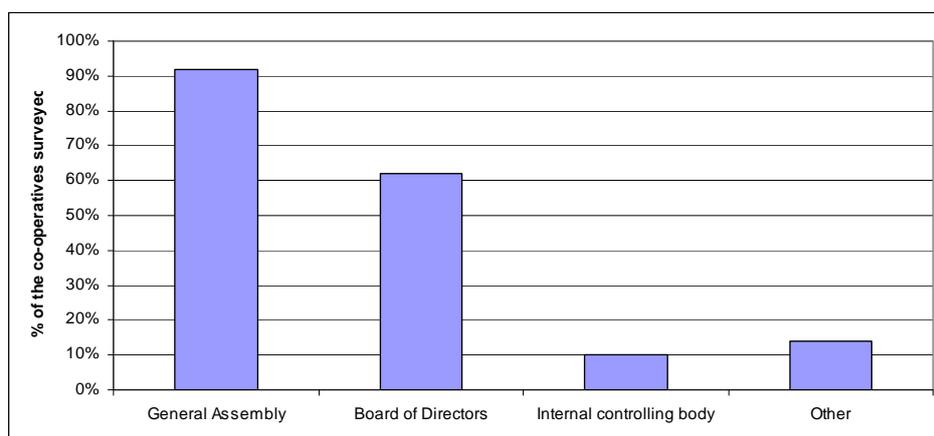
Besides the general assembly and board of directors, 10% of the co-operatives in the survey additionally mention member participation in an internal controlling body (Van Opstal, Gijssels & Wyns, 2008). However, this figure as well as information from the in-depth interviews and the focus groups suggests that most of the co-operatives engage external controllers.

14% of the co-operatives surveyed indicate that they have developed additional channels of participation for members, such as customer circles, advisory committees, informal meetings and other communication channels (Van Opstal, Gijssels & Wyns, 2008).

From the in-depth interviews we know that some bigger co-operatives have set up systems of decentralized member participation. Milcobel for instance established 12 member circles which organize a member meeting at least once a year. They elect their own regional council and assign representatives for the general assembly as well as one representative for the board of directors. Cera established 45 regional advisory councils each electing four members for a national advisory council. Also Mechelse Veilingen and Laiterie Coopérative de Chéoux have set up a decentralized system of member involvement. All find it very useful to enhance members'

involvement. However, not all representatives of big co-operatives share this opinion. Two of them do not think physical distance to be an obstacle for member involvement in a small country such as Belgium. One respondent thinks it does, but only in the short term. The effect would fade away in the long run (Develtere, Meireman & Raymaekers, 2005).

Figure 3 Possibility of participation by members in governance structures of co-operatives, Belgium (Survey on accredited co-operatives, 2006)



N: 166 (item non-response: 9)

Source: Van Opstal, Gijssels & Wyns (2008)

When members are allowed to participate, most of them seem to do so actively. A loglinear regression analysis shows that a 1% increase in the number of members leads to a 0.23%⁴ decrease on average in participation in governance structures. This decrease is the biggest in the primary sector: 0.45% on average⁵. With respect to the actual participation in the board of directors, we see the same albeit slightly smaller tendency: a 1% increase in the number of members leads to a 0.1% decrease in participation on average⁶ (Van Opstal, Gijssels & Wyns, 2008).

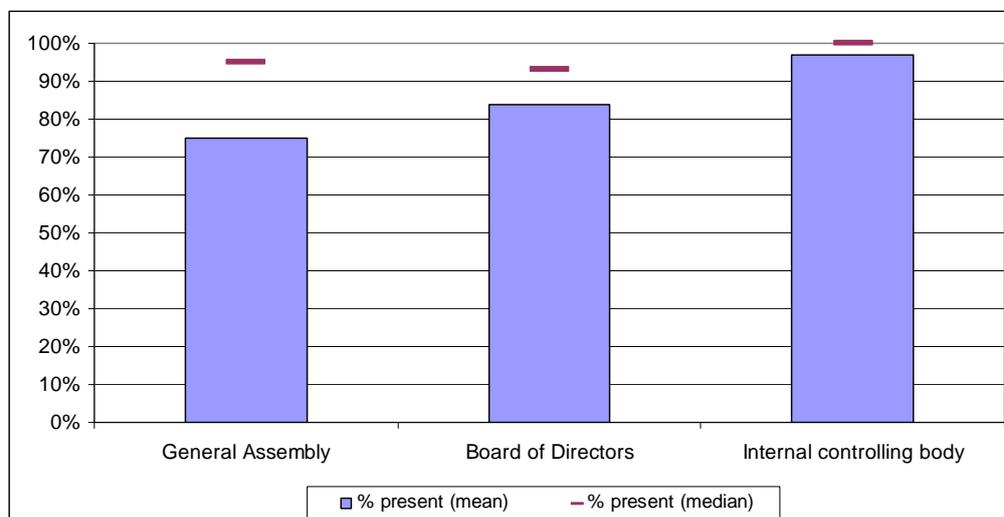
At least, this is what comes out of the quantitative analysis. The respondents of the in-depth interviews mentioned a lack of interest among members to participate. Moreover, participation seems to be predominantly white, male and 50+. Women, people from ethnic minorities and young people are under represented. Only four out of 15 respondents report the establishment of specific programmes to attract young members (Develtere, Meireman & Raymaekers, 2005).

4 95% reliability: 0.18% - 0.28%, $R^2 = 0.4021$ and $p < 0.001$

5 95% reliability: 0.36% - 0.53%, $R^2 = 0.7114$ and $p < 0.001$

6 95% reliability: 0.01% - 0.19%, $R^2 = 0.1158$ and $p < 0.05$

Figure 4 Participation of members in governance structures of co-operatives, Belgium
(Survey on accredited co-operatives, 2006)



General Assembly: N=140; item non-response = 12

Board of Directors: N=93; item non-response = 10

Controlling body: N=17; item non-response = 0

Source: Van Opstal, Gijssels & Wyns (2008)

Interesting to know is what the fields are that members have a say in. Table 3 shows that the financial-economic policy of the co-operative is the first topic (77%). In co-operative pharmacies the focus is on member advantages. 17% of the co-operatives report that members decide about external projects of the co-operative, such as support for social initiatives by non-profit organizations. This is mostly the case in financial co-operatives and co-operative pharmacies, as well as in non-machinery rings in the primary sector. In 10% of the co-operatives with paid employment, mostly situated in the pharmaceutical sector, members have a say in questions related to personnel (Van Opstal, Gijssels & Wyns, 2008).

Table 3 Which domains of decision making are members of Belgian co-operatives allowed to have a say in? (Survey on accredited co-operatives, 2006)

| | Total | Primary sector | | Secondary sector | Tertiary sector | | |
|------------------------------|-------|-----------------|-------|------------------|-----------------|------------------|-------|
| | | Machinery rings | Other | | Pharmacies | Financial co-ops | Other |
| Mission statement | 53% | 23% | 61% | 70% | 36% | 44% | 71% |
| Member advantages | 37% | 23% | 39% | 20% | 91% | 31% | 41% |
| HRM | 10% | 3% | 0% | 10% | 27% | 6% | 15% |
| Financial-economic policy | 77% | 88% | 72% | 80% | 45% | 63% | 80% |
| Support of external projects | 17% | 5% | 22% | 0% | 27% | 38% | 20% |
| Other | 8% | 10% | 17% | 0% | 0% | 31% | 2% |

N: 161 (item nonresponses: 14)

Source: Van Opstal, Gijssels & Wyns (2008)

d) Categorization of members

59% of the co-operatives analyzed grant certain categories of members a key position in the decision making process. 53% gives a stronger voice to founding members. In machinery rings this is the case for 76% (Van Opstal, Gijssels & Wyns, 2008). In the focus group the mechanism of distinguishing between categories of shares and granting voting rights to different categories is mentioned to be common practice. The idea is to preserve the ideology and interests of founding members, working members, social organizations or other types of members considered to have a crucial stake in the co-operative (Van Opstal & Gijssels, 2008).

22% of the co-operatives surveyed mention social organizations as key-members (Van Opstal, Gijssels & Wyns, 2008). This institutional relationship between co-operatives and social organizations has to be related to the specific context of Belgium. In Belgium some major co-operatives are historically linked to social movements. At first these were movements of workers, farmers and retailers. Their aim was to increase their members' welfare and wellbeing through the opening up of credit and saving markets, the creation of economies of scale for distribution and treatment of primary goods and joint purchase for retailers, or the sale of good products, including pharmaceutical products at fair prices and accompanied by good advice about the use of them to consumers. Recently third world movements and environmental movements also established or warmly welcomed co-operatives who promote fair trade, ethical producing and financing. Co-operatives who were established in the wake of these social movements often are institutionally linked with 'their' primary stakeholders, the latter having an influence on the setting of the course the co-operative takes. In some of these co-operatives social organizations (mainly situated in the financial and pharmaceutical sector) are institutional members, whether or not alongside private persons. This means that civil society organizations, by being owner-user of the co-operatives, have a direct impact on the governance of these co-operatives (Develtere & Raymaekers, 2005; Gijssels, Develtere & Raymaekers, 2007).

Develtere (2006) puts forward the hypothesis that each co-operative is in need of 'moral reference shareholders', i.e. certain members (whether natural or institutional persons) who, more strongly than the other ones, identify themselves with the mission and vision of the co-operative and hence might invest more time and money in the co-operative, thus trying to have a major influence on the course the co-operative takes. From the studies of co-operatives in Belgium, we know that often different types of shares and related positions in governance structures are created for different types of members, granting a bigger or smaller voice to certain types of members.

3.3 Co-operatives and Stakeholder Participation in General

Members are clearly seen as co-operatives primary stakeholders. Members' involvement and participation is organized and recognized to be the core of the co-operative as a member based organization. But what about stakeholders in general? When asked how stakeholders, defined

generically as ‘those parties who are influenced by, or have an influence on the co-operative’⁷ were allowed to participate in their governance structures, the following picture emerged from the survey:

Table 4 Participation of stakeholders in governance structures of co-operatives in Belgium (Survey of accredited co-operatives, 2006)

| Stakeholders | General Assembly | | Board of Directors | | Other channels of participation | |
|--------------|------------------|-------|--------------------|-------|---------------------------------|-------|
| | invited | voice | invited | voice | invited | voice |
| Employees* | 57% | 24% | 19% | 9% | 37% | 18% |
| Customers | 15% | 11% | 4% | 4% | 9% | 3% |
| Suppliers | 6% | 6% | 5% | 5% | 6% | 2% |
| Competitors | 3% | 2% | 0% | 0% | 4% | 1% |
| Financiers | 26% | 21% | 17% | 14% | 15% | 7% |
| Other | 35% | 31% | 14% | 14% | 12% | 5% |

(*): Figures on employees relate only to those co-operatives who are employers.

N: 98 (item non-response: 77)

Source: Van Opstal, Gijssels & Wyns (2008)

More than half of the co-operative employers invite employees to the general assembly and a quarter of them lend them voice in this governance structure. Almost a fifth gives them a seat in the Board of Directors. Other forms of participation (mainly the Employee Council - obligatory for enterprises of more than 50 employees and the Committee for Safety and Health at work) and internal information meetings) are also used to inform employees about the policy of the co-operative and to give them the opportunity to influence decision making (18%). 24% of the co-operative employers in the survey, however, does not invite employees to any of its participation structures.

As mentioned earlier, social purpose companies (70% of whom are co-operatives), in case they have paid labour force, are obliged to organize workers' participation, thus institutionally organizing economic participation of at least more than one type of members. The procedures by which workers can become members and loose their qualification of membership in case they leave the company have to be described in the articles of association of the company. In case a social purpose company has employees, each member of the general assembly should not have more than 5% of the votes. Most of the respondents of the focus group with social purpose companies (it is interesting to note that 9 out of 10 participants were representatives of co-operatives who obtained the social purpose label) mention difficulties related to democratic participation of working members. A crucial factor for members participation is transparency. Especially with respect to financial information, most respondents find it a difficult task to provide financial information to workers, many of whom are low educated or at least have a limited background with respect to finances. One respondent said: "when you are situated in a

⁷ Unfortunately, we cannot distinguish between members and non-members stakeholders. Since the questions about 'stakeholders' follow after these about members and collaborators, we cautiously assume that the respondents think about stakeholders other than members.

context of production with some playing the role of employer and others the role of employees participation is a completely different reality than when you are in a situation in which people with the same background co-operate to realize a common goal". Some respondents mention they make a distinction between A- and B-types of members, in order to protect employers from situations in which they are refrained from fulfilling their role of employer. As Coates (2008) states, this might cup the principle of democratic workers' participation. Other members essentially play the role of investor. As members, they have a say in the governance of the company and receive a limited dividend (Dujardin, Mertens, Van Opstal, 2008).

Besides employees, financiers are indicated as another important category of stakeholders invited to participate in the governance structures of co-operatives. 26% of the co-operatives in the survey on accredited co-operatives invites them for the general assembly, 21% even gives them voice in this meeting. 17% invites them for meetings of the board of directors, 14% gives them voice in this meeting. Customers are less invited to participate in the governance structures of the co-operatives surveyed (Van Opstal, Gijssels & Wyns, 2008).

Still other important categories of stakeholders mentioned as such by the co-operatives in the survey are other co-operative enterprises (defined as stakeholder by 30% of the co-operatives surveyed), social organizations (recognized by 29%, mainly those operating in the pharmaceutical and financial sectors), other non-co-operative enterprises (24%), trade unions (16%), governments (14%) and local governments (14%). Neighbors, environment associations and NGO's are least mentioned as stakeholders (Van Opstal, Gijssels & Wyns, 2008).

Participatory structures mentioned are team meetings and employee meetings, Employee Council, Council for Prevention and Health at Work (the latter two councils are required by law for enterprises with more than 50 employees) for co-operative employers, meetings with volunteers (for those co-operatives who work with volunteers), and meetings with buyers. Few mention meetings with neighbors of the co-operative (Van Opstal, Gijssels & Wyns, 2008).

3.4 Indications of 'Corporate Social Responsibility' in Belgian Co-operatives

'Corporate social responsibility' has been coined as a fashionable concept to indicate that organizations, corporations in particular, take into account other objectives than mere economic ones, notably ethical, social and environmental objectives (for an overview of the development of the CSR-concept, see Carroll, 1999). In an indirect way, the question about what CSR-measures are taken can give a hint at what stakeholder claims are actually taken into account. The survey on accredited co-operatives questioned this. To this aim, we made use of the item list that was developed with respect to measuring corporate social responsibility by the Panel Survey of Organizations in Flanders (PASO) (De Vos, Buyens & De Stobbeleir, 2004). A distinction was made between the internal (7 items) and external responsibility of co-operatives, the external responsibility divided into social (7 items) and ecological questions (4 items) (Van Opstal, Gijssels & Wyns, 2008).

Table 5 Corporate social responsibility of accredited co-operatives (Survey on accredited co-operatives, 2006)

| | Measures taken | | | Communication | | |
|---|----------------|--------------|----------------|---------------|----------|-------------------------|
| | None | Occasionally | General Policy | Internal | External | No Formal Communication |
| Internal social responsibility (*) | | | | | | |
| N: 77 (item nonrespon: 2) | | | | | | |
| Health and safety of employees | 25% | 21% | 55% | 81% | 5% | 19% |
| Prevention of collective dismissal | 84% | 1% | 14% | 67% | 0% | 33% |
| Coaching of dismissed employees | 74% | 15% | 11% | 74% | 11% | 26% |
| Employment of target group employees | 63% | 24% | 13% | 68% | 14% | 32% |
| Coaching of target group employees | 76% | 16% | 8% | 83% | 22% | 17% |
| Work-family balance | 39% | 29% | 32% | 77% | 2% | 23% |
| Participation of employees in decision making | 34% | 22% | 44% | 85% | 8% | 17% |
| External social responsibility (**) | | | | | | |
| N: 148 (item nonrespon: 27) | | | | | | |
| Transparancy about policy and impact | 49% | 15% | 36% | 55% | 40% | 34% |
| Support of social projects | 62% | 21% | 17% | 49% | 44% | 31% |
| Support of cultural projects | 68% | 18% | 13% | 37% | 46% | 39% |
| respect for the local community and culture | 71% | 17% | 12% | 50% | 40% | 31% |
| Public health and safety | 68% | 10% | 22% | 55% | 21% | 38% |
| North-South relationships | 80% | 11% | 9% | 59% | 24% | 38% |
| External responsibility: environment (***) | | | | | | |
| N: 150 (item nonrespon: 25) | | | | | | |
| Monitoring of effects on environment | 59% | 15% | 25% | 54% | 18% | 39% |
| Prevention of environmental damage | 62% | 14% | 24% | 52% | 13% | 46% |
| Recycling of waste | 44% | 19% | 37% | 60% | 7% | 37% |
| Reparation of environmental damage | 82% | 11% | 7% | 38% | 8% | 62% |

(*) Percentages about internal responsibility only with respect to those co-operatives who are employers. Percentages with respect to communication about internal responsibility only refer to those co-operatives who mention to have taken measures with respect to these items.

(**) Percentages with respect to communication about external social responsibility only refer to those co-operatives who mention to have taken measures with respect to these items.

(***) Percentages with respect to communication about external responsibility - environment only refer to those co-operatives who mention to have taken measures with respect to these items.

Source: Van Opstal, Gijssels & Wyns (2008)

Items with respect to internal social responsibility basically refer to employees. Therefore figures with respect to these items only relate to employers. The figures show that co-operative employers mostly take measures with respect to the health and safety of employees at work, the participation of employees in decision making and the work-family balance. More than 70% of the employers indicated at least one of these items. 21% said not to take any measures in the field of internal social responsibility. Communication about these measures is mostly internal.

External communication is mostly related to the employment of target groups (Van Opstal, Gijssels & Wyns, 2008).

A little less than half of the respondents (47%) indicate to take measures within the framework of its global policy with respect to the external social responsibility of the co-operative. However, 28% does not take any measures in this respect. Transparency about the co-operatives policy and its impact and support of social projects are indicated by most of the co-operatives as items of external social responsibility. External communication about the measures taken is higher than with respect to internal social responsibility, especially with respect to the support of social and cultural projects, which is not surprising. But also internal communication about these measures is high (Van Opstal, Gijssels & Wyns, 2008).

With respect to measures about the environment, recycling waste is an important item. More than half of the respondents (56%) indicate to take measures in this field and communication about it is the most intense. 39% of the respondents indicate to take measures on at least one of the environmental items. However, 38% says to take no environmental measures at all. Communication about these measures is limited (Van Opstal, Gijssels & Wyns, 2008).

All in all, 61% of the respondents of the survey on accredited co-operatives indicate to take at least one CSR measure as part of a global policy, 15% says not to do so. Half of them are machinery rings. Controlled for economic activity sector and employer/non employer status, it seems that the chance for a co-operative to take CSR measures as part of a general policy increases as the co-operative is bigger in terms of members (Van Opstal, Gijssels & Wyns, 2008).⁸

Socialization of profit is another method used by CSR-enterprises to practice corporate social responsibility. 11% of the co-operatives in the survey on accredited co-operatives in Belgium reported to share profits with other beneficiaries than their members. All but one are co-operatives situated in the service sector. In the first place profit is shared via sponsoring (72%) whereby the co-operative get 'naming' in return, but donations (giving money and getting nothing in return) are also given by 44% of those who share profits (Van Opstal, Gijssels & Wyns, 2008). The in-depth interviews show that in those co-operatives who share profits to outside beneficiaries, this is a members' decision. A big co-operative such as Cera, with more than 440.000 members, has established regional advisory councils specifically dedicated to decide upon the societal projects in their particular region that will be supported and who follow-up the results of these projects. A national advisory council decides upon the support to projects at a national level (Develtere, Meireman & Raymaekers, 2005). Other methods used to socialize profit are granting reduced prices to target groups or organizations, giving special rewards to employees, granting patronage dividend to (non-member) customers, making high risk social investments with a low interest rate. Also sharing equipment and time for volunteering by

⁸ Logistic regression estimating a model in which not taking any CSR measure within the framework of a general policy is explained by the natural logarithm of the number of members ($p < 0.05$), dummies for economic activity sector and a dummy for employer/non employer status. Pseudo R^2 is 0.2189 with LR Chi2 (6) = 35.19, and $p < 0.001$ (Van Opstal, Gijssels & Wyns, 2008).

workers to non-profit organisations has been mentioned as a way to share profits (Van Opstal, Gijssels & Wyns, 2008).

4 The Observed Pattern, Challenges and New Avenues

Thomas (2004) states co-operatives' participatory character is likely to result in greater stakeholder involvement. This, according to him, is one of the central advantages of the co-operative model, next to other advantages such as enhanced efficiency and a large potential to attract volunteers. Levi (2001) and Pezzini (2006) stress the focus on co-operative values and 'concern for community' which make co-operatives more likely to focus on goals beyond their members. The Green book of the European Commission (2007) refers to the reversed instrument-goal relationship to argue that co-operatives are in good books with respect to the integration of stakeholders.

However, co-operatives are not necessarily inclined to grant voice to multiple types of stakeholders. The classical model indeed is one with a single member-type. New forms of multi-stakeholdership also need to be developed by co-operatives, in order to go beyond the internal orientation on members' expectations and interests.

Inspired by the spectrum of levels of public participation, developed by the International Association for Public Participation⁹ in which different forms of public participation are distinguished, ranging from information, over consultation, involvement, collaboration and empowerment, a distinction between four models of stakeholder management in co-operatives can be distinguished:

Model 1: the classical co-operative shareholder model (single type of members being user and shareholder at once).

Model 2: model 1 with additionally external information channels and informal consultation of (some) other non-member stakeholders

Model 3: model 2 with additionally involvement of (some types of) non-member stakeholders in the formal decision making structures of the co-operative

Model 4: a multi-stakeholder co-operative in which different types of stakeholders are members i.c. co-operative shareholders who are granted decision making power

A continuum between a single-stakeholder and a multi-stakeholder co-operative is likely to be observed:

⁹ www.iaps.org/practitioner_tools/spectrum.html

Figure 5 Models of stakeholder involvement in co-operatives

| | | | |
|--|---|---|---|
| Classical co-operative shareholder model (single stakeholder) | + external information and informal consultation of non-member stakeholders | + involvement of (some) non-member stakeholders in the decision making structures | Multi-stakeholder (member) co-op |
| Model 1 | Model 2 | Model 3 | Model 4 |
| ◀ ▶ EMPOWERMENT OF MEMBERS | ◀ ▶ INFORMATION CONSULTATION | ◀ ▶ INVOLVEMENT | ◀ ▶ EMPOWERMENT OF MULTIPLE STAKEHOLDERS |
| WEAK | MULTISTAKEHOLDERSHIP | | STRONG |

From the exploratory evidence presented above, we might cautiously conclude that most of the co-operatives investigated seem to have to be situated in model 1, some in model 2 and 3 giving more information and organizing consultation with other stakeholders. Attempts to open up co-operative membership to multiple types of stakeholders are in a preliminary phase and it will be most interesting to learn how they cope with it.

Indeed, the dominant co-operative model is a model with a single category of members (customers, workers, suppliers,...). By virtue of its constitution the co-operative is a type of enterprises, situated within the market, that is naturally inclined to stakeholder management, although not necessarily multi-stakeholder management. Co-operative's primary stakeholders are their members, being both user and shareholder of the co-operative. As shareholders they are 'stakeholders by design', as users they are 'natural stakeholders' (cf. Tirole, 2001). As shareholders they are investor-driven, but as user they are clearly user-driven. By means of the principle of democratic member control, co-operative shareholders are not only financially but also socially 'owners' of their co-operative. Their financial share entitles them to have a share in the decision making process of the co-operative. Through co-operative decision making the mission and the objectives of the co-operative enterprise are decided upon. The co-operative principle of equal voting rights for all members has as a consequence that co-operatives do not know majority shareholders, impeding their will on the others and on other categories of stakeholders of the co-operative. Indeed, there is not necessarily a linear link between vote and magnitude of the financial shares. The principle states 'one member, one vote'. In multi-stakeholder co-operatives (the ones with multiple types of members) this very principle might

lead to a stronger voice for that category which is the highest in numbers (Lindsay & Hems, 2004).

Multi-stakeholdership is institutionalized in laws and regulations with respect to certain types of co-operatives, set up as legal forms for social entrepreneurship, such as the Italian 'social co-operative' (SC) and the French 'société co-operative d'intérêt collectif' (SCIC). These co-operatives serve social purposes such as the delivery of social goods and services or the work integration of target groups. In these co-operatives a co-operation between workers (often including volunteers), users, public authorities and other stakeholders is expected. This can be realized by broadening the single member type-model to multiple types of members (users-owners), or by having one or a few categories of members and involving other stakeholders in one way or another.

In the Italian SC, usually set up to cover caring or training activities, the following member categories can be distinguished (Thomas, 2004):

- *financing members*, whose aim is largely one of making profit by financing cooperative activities internally through share subscription (de facto these financing members are usually patrons/benefactors, not speculators);
- *legal members*, for whom provision is made in the SC statutes for financing and developing solidarity and non-profit making initiatives;
- *stake-holding members*, who are not directly involved in running the enterprise but whose interest is to achieve profit by virtue of their financial support to it;
- *ordinary or co-operating members*, who want to achieve their aspirations through participation in the co-operative but who are not entitled to exercise rights on mutuality services regarding the co-operative society (they can be employees or volunteers, the latter should not account for more than 50% of the co-operatives workforce);
- *technical and administrative members*, who are restricted to the number required to run the SC efficiently;
- *honorary members*;
- *public bodies* delegating social services by stipulating agreements or contracts with SC's.

There are two types of SC's: Type A SC's provide health, social or educational services. Type B SC's providing other types of goods or services with the aim to integrate disadvantaged people into the labour market. At least 30% of the members of a Type B SC should be from the disadvantaged target groups. All SC's are obliged to operate in a financially transparent manner because of their preferential relationship with municipalities, the tax benefits they enjoy and the fact that new SC's are financially supported by the Marconi Fund, which is financed by annual dedications of social co-operatives (3% of their annual income).¹⁰

¹⁰ Law 381/91 recognizing social co-operatives

In the French SCIC shares can be distributed among private and public sources. A multistakeholder management board must be established, with a minimum representation of employees and customers. Besides employees and customers other possible board members are beneficiaries of social services offered by the SCIC, volunteers, public authorities, donors and any other relevant party. None of the member groups should have more than 50% of the shares or less than 10%, except public authorities who can have no more than 20% of the shares. Voting power can be distributed among each stakeholder group according to the principle 'one member-one vote', or it can be organized at a collegiate level where the voting powers of each stakeholder group may vary between 10 and 50% (Lindsay & Hems, 2004).

However, realizing multi-stakeholdership in a day-to-day basis does not prove to be an easy task. In an analysis of the Italian social co-operatives, Borzaga & Santuari (2000) found that many of them are no longer multi-stakeholder organizations. In their analysis of the French sociétés coopératives d'intérêt collectif Lindsay & Hems (2004) mention the tendency that over time, one group of stakeholders, or groups of stakeholders, with common interests will dominate the organization, to the detriment of the others. This is most likely to be the category of the managers, but it can also be the largest group of members when votes are distributed according to the principle of one man-one vote.

The natural inclination toward stakeholder management in co-operatives might be hampered when managers, board members and commissioners have no member relationship to the co-operative and are chosen on mere professional grounds, and not taking into account their adherence to the co-operative principles. Especially in bigger co-operatives, a trend can be observed toward professionalization of the management, managers being HRM and financial professionals in the first place, not members. This may give way to a decreasing power of the general assembly in favour of an increasingly powerful board of directors (Côté, 2001; Defourny, Simon & Adam, 2002; Develtere, Meireman & Raymaekers, 2005; Gijssels, Develtere & Raymaekers, 2007). Yet, some of these big co-operative enterprises who engaged a highly professionalized board and management have found innovative and creative answers to possible agency-problems¹¹ that could have emerged. For example, they have requested that board members should become members, or they established a mixed board, with an equal share of members chosen by the General Assembly on the one hand, and external professionals put forward by the Board but confirmed by the General Assembly on the other hand (Develtere, Meireman & Raymaekers, 2005; Gijssels, Develtere & Raymaekers, 2007).

¹¹ Agency problems arise when shareholders do not have an insight in the interests of the managers. Managers do not always act in favour of the interests of the shareholders. The agency problem increases when information asymmetries between managers and shareholders become bigger. They can be reduced when mechanisms are put into place that equalize managers and shareholders' interests (Gijssels & Van Opstal, 2008).

Not only managers, boards and commissioners should know and make use of the particularities of the co-operative model. Likewise, members should identify with their co-operative and the co-operative values and principles. Otherwise, the advantages of the institutional relationship between members and their co-operatives can not be fully realized. In bigger co-operatives it is often experienced to be difficult to engage members and make them identify with the co-operative and the co-operative values and principles. The distance between the individual member and the organization is long and the experience of member advantages is limited to material advantages (dividends, patronage dividends, and other sorts of price reductions). Several co-operatives therefore try to establish more decentralized forms of member participation in order to shorten the distance between the co-operative and the members and to be more embedded in the local communities in which their members live (Gijssels, Develtere & Raymaekers, 2007).

The problem with the big numbers-category of members can be solved by granting particular categories that are central to the co-operative a stronger voice. The burden on voting rights mentioned in the Belgian legislation on social purpose companies and accredited co-operatives means a relaxation of the principle of one member. The idea still being that all members should have a say in the decision making process of their co-operative, but to give certain types of members, such as founding members, social institutions etc. a stronger voice.

In the case that social movements are structurally linked to a co-operative and granted a specific position in the management process of a co-operative, they might even come closer to the model of a non-profit organization. It has been claimed that ideologically-driven organizations, such as non profit organizations, who are first and foremost driven by providing good quality goods or services to those in need, are more likely to perform high in terms of quality than organizations that are first and foremost driven by profit maximization. Co-operatives, as member organizations in the market, could be expected to provide better services to their members than non-member organizations (Van Opstal & Gijssels, 2008). When they are structurally linked to a social movement - which, in Belgium is the case for some of the big co-operatives (in the financial, pharmaceutical and fair trade sector, as well as in the provision of sustainable energy) - are linked to social movements, they may be even more inclined to protect the needs of non-members and the wider community. However, from our data we cannot draw too strong conclusions on this. Further research is needed to prove it and see how it actually works, taking into account differences between the types of service provided by the co-operatives in question.

Even in multi-stakeholder type co-operatives and certainly in singly type member co-operatives, there are various non-controlling (non-member) stakeholders. Tirole (2001) argues that contractual protections for non controlling stakeholders can be created by circumscribing the

action set available to the controlling stakeholder by declining those actions that are more likely to have negative impact on other stakeholders. In Belgium for instance the quality and accessibility of health care, care for the elderly, education or other social services is regulated by law. Some services can only be provided for through non profit organizations. Here the legislation can be extended to include social purpose companies (Van Opstal & Gijssels, 2009).

Another way to protect non controlling stakeholders is to try to make the claims of non controlling stakeholders as insensitive as possible to biased decision-making via flat claims and exit options (Tirole, 2001). When more than one provider of goods or services exists, these providers will likely engage in a competition, not only in terms of prices, but also in terms of quality, and especially in terms of a sound price-quality relation, because clients have the option to exit, or not to come in the first place. Establishing information lines about set prices and quality of products (reducing information asymmetry) will strengthen the operation of this mechanism. Flat claims can be organized through setting fixed prices or price margins, granting moderate managers' advantages or restricting dividends as is imposed to accredited co-operatives and social purpose companies.

In Belgium, no legal framework with respect to multi-stakeholder co-operatives has been developed. The Belgian law on 'social purpose companies' is one that comes closest to stimulating multi-stakeholdership, in the sense that it stimulates democratic workers participation for those companies engaging paid employees. In case the social purpose company has working members, each member should not be granted more than 5% of the votes. This way at least two categories of stakeholders are to be represented in the general assembly of the social purpose company: non-working members and working members. But in practice it does not seem to be an easy task to involve working members and let them participate in all topics of decision making. In the focus group 'social purpose companies' reported a difficult point with respect to the participation of member-workers, especially when they are working with disadvantaged groups. Not only because of the expected financial contribution the workers have to make, and the skills they might lack, but also in terms of decision making on questions related to the employer-employee relationship (Van Opstal & Gijssels, 2008).

Initiatives to develop multi-stakeholder models of co-operatives and social purpose companies are gingerly growing in the fields of social service delivery and the production/distribution of sustainable energy. In view of the challenges mentioned, it will be extremely fascinating to see if and how they will succeed in developing and maintaining real multi-stakeholder models. Practice, as well as theoretical modelling will have to learn how multiple stakeholders can best be realized.

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Annex 1

General information on co-operatives in the Survey on accredited co-operatives in Belgium, 2006 (from Van Opstal, Gijssels & Wyns, 2008).

In the Autumn 2006 the Cera Centre for Co-operative Entrepreneurship (HIVA, KULeuven), in collaboration with the Centre d'Economie Sociale (ULg), conducted a survey among accredited co-operatives in Belgium. A questionnaire was sent to 558 accredited co-operatives, listed by the National Council for Co-operation. We received 175 fully completed questionnaires. Methodological details about the survey can be obtained from the author. The information on the co-operatives in the survey is entirely based on Van Opstal, Gijssels and Wyns (2008).

Economic activities of co-operatives in the survey

The majority of the co-operatives surveyed is delivers services (58%). Figures are presented for financial co-operatives (financial holdings, co-operative investors, and co-operative insurance services) and pharmacies separately, because those groups are clearly delineated and are very dissimilar in many respects. The other service delivering co-operatives form a very heterogeneous reality, encompassing co-operatives active in the field of sustainable energy, co-operative auctions, co-operatives of small and independent businesses, consumer co-operatives and real estate co-operatives.

36% of the co-operatives surveyed is active in the primary sector. We make a distinction between machinery rings and other agricultural co-operatives (like fruit tree nurseries and sales co-operatives). The co-operatives in the secondary sector are active in fields such as printing, dairy, furniture and construction. Co-operatives in the Flemish region and Brussels capital region are more likely to be active in the tertiary sector, whereas we find more agricultural co-operatives in the Walloon region.

Age of the co-operatives surveyed

The vast majority of co-operatives in the survey is not older than 20 years. However, the oldest one dates back to 1886. Machinery rings belong to the youngest category (between 9 and 14 years of age). Pharmacies are amongst the oldest ones (median of 30 years of age). It has to be noted that co-operatives may know a longer history than reported through the age variable. The current co-operatives may be the result of mergers or other re-organizations.

Table A.1 Age of co-operatives (Survey of accredited co-operatives in Belgium, 2006)

| | N | Average | Standard error | Q25 | Median (Q50) | Q75 |
|----------------------------|-----|---------|----------------|------|--------------|------|
| Total | 160 | 26 | 2.09 | 9 | 15 | 28 |
| According to sector | | | | | | |
| Primary sector | 58 | 14 | 2.03 | 9 | 11 | 14 |
| Machinery rings | 40 | 12 | 1.22 | 7.5 | 9.5 | 13 |
| Others | 18 | 19 | 5.90 | 10 | 11,5 | 17 |
| Secondary sector | 10 | 27 | 9.68 | 3 | 19 | 42 |
| Tertiary sector | 92 | 33 | 3.03 | 13.5 | 21.5 | 41.5 |
| Pharmacies | 12 | 50 | 10.38 | 23.5 | 29.5 | 71 |
| Financial co-ops | 21 | 33 | 6.45 | 14 | 17 | 41 |
| Others | 59 | 29 | 3.45 | 11 | 19 | 41 |

N: 160 (item non-response: 15)

Hypothesis differences between sectors: $p < 0.001$ (Kruskal Wallis Test: $\chi^2 = 26.121$ (ties), 2 d.f.)

Hypothesis differences within primary sector: $p < 0.1$ (Mann-Whitney Test: $z = 1.949$)

Source: Van Opstal, Gijssels and Wyns (2008)

Legal personality

Most of the co-operatives surveyed (75%) are so-called co-operative societies with limited liability. 4 of them report themselves to be a social purpose company. Most of the co-operative societies with unlimited liability are machinery rings and co-operatives who do not have paid employment.

Number of members

All co-operatives surveyed together have more than 2.1 million members. Most of them are small or very small in terms of members: more than half of the respondents has no more than 10 members. Most of them are machinery rings. Pharmacies and Financial co-operatives have the biggest number of members. Together they represent 97.65% of the members in the database. The biggest co-operatives are Group ARCO (more than 900,000 members) and Cera (440,000 members).

Table A.2 Number of members of co-operatives surveyed (Survey on accredited co-operatives in Belgium, 2006)

| | Distribution | | | | | Total | |
|------------------|--------------|--------|----------|------------|--------|-----------|--------|
| | 3 | 4 - 10 | 11 - 100 | 101 - 1000 | > 1000 | Number | % |
| Total | 30% | 24% | 14% | 11% | 21% | 2,114,691 | 100% |
| Primary sector | 59% | 30% | 8% | 2% | 2% | 19,068 | 0.90% |
| Machinery rings | 66% | 30% | 5% | 0% | 0% | 185 | 0.01% |
| Others | 41% | 29% | 18% | 6% | 6% | 18,883 | 0.89% |
| Secondary sector | 10% | 20% | 30% | 20% | 20% | 8,083 | 0.38% |
| Tertiary sector | 12% | 21% | 16% | 16% | 35% | 2,087,540 | 98.72% |
| Pharmacies | 0% | 0% | 9% | 18% | 73% | 513,260 | 24.27% |
| Financial co-ops | 5% | 0% | 5% | 19% | 71% | 1,551,708 | 73.38% |
| Others | 18% | 33% | 21% | 14% | 14% | 22,572 | 1.07% |

N: 160 (item nonrespons: 15)

Source: Van Opstal, Gijssels and Wyns (2008)

Employment in co-operatives surveyed

51% of the respondents has paid employment. Compared to macro figures on accredited co-operatives (Dujardin & Mertens, 2008), this means a little over representation of co-operatives with paid employment in the survey. Most employees are to be found in pharmacies and financial co-operatives and least of all in agricultural co-operatives. Only 17% of the co-operatives mention volunteers. Subsidized employment is only to be found in 3% of the co-operatives studied.

Table A.3 Categories of employment in co-operatives (Survey on accredited co-operatives in Belgium, 2006)

| | Total | Primary sector | | Secondary sector | Tertiary sector | | |
|-----------------------|-------|-----------------|--------|------------------|-----------------|------------------|--------|
| | | Machinery rings | Others | | Pharmacies | Financial co-ops | Others |
| Paid employment | 50% | 0% | 18% | 78% | 100% | 100% | 67% |
| Independent workers | 58% | 93% | 82% | 57% | 0% | 54% | 42% |
| Voluntary workers | 17% | 10% | 24% | 11% | 0% | 23% | 22% |
| Stagiairs | 4% | 0% | 0% | 14% | 8% | 15% | 3% |
| Temporary workers | 11% | 0% | 0% | 14% | 8% | 31% | 16% |
| Subsidized employment | 3% | 0% | 6% | 0% | 0% | 8% | 3% |
| Others (family, ...) | 1% | 3% | 0% | 0% | 0% | 0% | 0% |

N: 156 (item nonrespons: 19)

Source: Van Opstal, Gijssels and Wyns (2008)

In general the co-operatives surveyed employ 3,700 persons, or 3,129.17 FTE. Most of them are situated within the co-operative pharmacies who account for almost 40% of paid employment reported. More than 60% of the them has more than 50 paid employees. 95% of the agricultural co-operatives have no paid employment.

Table A.4 Number of paid employees

| | Distribution | | | | | Total | |
|------------------|--------------|--------|---------|----------|-------|--------|--------|
| | 0 | 1 - 10 | 11 - 50 | 51 - 100 | > 100 | Number | % |
| Total | 50% | 26% | 13% | 5% | 6% | 3,700 | 100% |
| Primary sector | 95% | 3% | 0% | 0% | 2% | 255 | 6.89% |
| Machinery rings | 100% | 0% | 0% | 0% | 0% | 0 | 0% |
| Others | 82% | 12% | 0% | 0% | 6% | 255 | 6.89% |
| Secondary sector | 22% | 22% | 33% | 0% | 22% | 795 | 21.49% |
| Tertiary sector | 24% | 41% | 19% | 8% | 8% | 2,650 | 71.26% |
| Pharmacies | 0% | 23% | 15% | 31% | 31% | 1,468 | 39.68% |
| Financial co-ops | 0% | 46% | 46% | 0% | 8% | 364 | 9.84% |
| Others | 23% | 44% | 15% | 5% | 3% | 818 | 22.11% |

N: 155 (item non-response: 20)

Source: Van Opstal, Gijssels & Wyns (2008)

Annex 2

Participants of in-depth interviews with co-operatives (from Develtere, Meireman & Raymaekers, 2005)

- Alterfin (investment co-operative)
- Cera (co-operative holding)
- Costentpark (tree nursery)
- Crédal (investment co-operative)
- Gents Ecologisch Centrum (ecological techniques)
- De Groene Waterman (bookshop)
- Ecopower (sustainable energy)
- Het Hinkelspel (biological cheese)
- JZH & Partners (engineers and architects)
- Laiterie Coopérative de Chéoux (milk co-operative)
- Mechelse Veilingen (auction of fruit and vegetables)
- Milcobel (dairy co-operative)
- Ophaco (co-operative pharmacies)
- Opnieuw & Co (recycling)
- Trois Petits Fours (biological bakery products)
- Boerenbond (farmers union)

Annex 3

General information on the non-accredited co-operatives (Van Opstal & Gijssels, 2008) and social purpose companies (Dujardin, Mertens & Van Opstal, 2008) participating in the focus groups held in the June 2008.

Participants of focus group with non accredited co-operatives

- Druk in de Weer cvba (printing co-operative)
- Incofin cvso (social investment company, micro financing in developing countries)
- Living Stone Group (tourism and intercultural entrepreneurship)
- Boweco cvba (co-operative of tree nurseries)
- Magelaan cvba (communication services)
- ACE-IT cvoa (ICT)
- Dexia (bank and insurance)
- ACCO cvba (publisher)
- Colibro cvba (bookshops)
- Menouquin cv (hardware stores)

Participants of focus group with social purpose companies

- Home Wellness cvba-so (home care services)
- Landelijk Dienstencoöperatief cvba-so & Landelijk Jobcoöperatief cvba-so (home care services)
- Kasteelhoeve Poeke cvba-so (agriculture)
- Max Havelaar cvba-so (fair trade)
- De Beitel nv-so (start-up centre)
- De Kempense Brug cvba-so (start-up centre)
- Netwerk Rentevrij cvba-so (investment co-operative)
- Oikocredit cvba-so (investment co-operative, social responsible investment)
- DEBUut cvba-so (activity co-operative)

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