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KNOWLEDGE IN ACTION

## Faculty of Business Economics

Master of Management

### **Master's thesis**

***Challenges faced by the management of large co-operatives in face of the co-operative mission***

#### **Lut Jacobs**

Thesis presented in fulfillment of the requirements for the degree of Master of Management, specialization Strategy and Innovation Management

#### **SUPERVISOR :**

Prof. dr. Frank LAMBRECHTS



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Lut Jacobs  
May 2019



## **Executive Summary**

This Master's dissertation discusses the challenges which are experienced by managers in large co-operatives and formulates answers to the following sub-questions: 'How does the management and the board of co-operatives deal with each other's differences?', 'What is the importance of joint learning, trust and leadership when looking at the interactions within co-operatives?' and, 'Which competencies are indispensable for a good manager in a co-operative?'. Most literature on co-operative governance tends to focus on the relationship between board and members. Apart from adding to the current limited literature on management in co-operatives, this paper closes gaps in literature by showing that information asymmetry is present among management and the board, by showing shared leadership is present in (producer) co-operatives and by finally showing taking a true multi-actor collaboration perspective is needed when researching co-operatives.

In large co-operatives, external experts, who are not members of the co-operative, are hired to form a management and to execute the decisions made by the board of directors. This paper focuses on these large co-operatives where the management consists of non-members and the board consists of members. Literature appoints several challenges faced by large co-operatives: information asymmetry among members and board members, the failure to believe in and to understand the nature of a co-operative, hubris within the management, increasing complexity with size of the co-operative, the business goal, the decision problem (weighing different opinions), the horizon problem (difference in future thinking) and the follow-up problem (difficulty of monitoring). Regarding joint learning, trust and shared leadership, literature states these aspects are considered important in co-operatives. Finally, to have a good manager within a co-operative, literature mentions the following competencies: understanding the co-operative structure, people-oriented, multi-stakeholder communication, strategically conceptual and coalition-building skills.

After the literature study, a qualitative research was conducted. Two large producer co-operatives were used as case studies. Within each company: two managers, two members of the board of directors and, two members who are not part of the board were interviewed through one-on-one in-depth interviews.

The research showed that information asymmetry is also present between board and managers. Both case companies have techniques to limit this information asymmetry: selecting instead of electing the board, including external board members and offering training courses for board members. The failure to believe in and to understand the nature of a co-operative was only a challenge for external board members but not for the interviewed managers. Furthermore, hubris was not a challenge for the interviewed managers. However, other challenges such as the size, business goal, decision problem, horizon problem, and follow-up problem were all confirmed in the research. New challenges that appeared from the research were: difficulties for members to accept changes in society, not misusing jargon or technical knowledge to push things through and, remaining attractive to customers and employees. The importance attached to joint learning varied among the respondents and the case companies have currently no concrete systems in place to

facilitate this learning. All respondents valued trust but both companies lack concrete ways to build trust. The research showed shared leadership was present in both co-operatives. Finally, the most important competencies of a manager according to the interviewees are: understanding the co-operative model and its members, communication skills, and people management.

At the end of this Master's dissertation, some concrete advice is formulated for producer co-operatives: the alignment of the goals and mission of the different actors should receive more attention, the different actors should formulate concrete ways to build trust, producer co-operatives have to realize a co-operative can benefit from in-depth joint learning and have to develop ways to facilitate this learning and, large producer co-operatives need to have efficient communication systems in place.

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# Challenges faced by the management of large co-operatives in face of the co-operative mission

**Lut Jacobs**

Under the supervision of Prof. dr. Frank Lambrechts

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## Keywords

Co-operatives  
Governance  
Management  
Joint learning  
Trust  
Shared leadership  
Multi-actor collaboration

## Abstract

This paper focusses on the management of large co-operatives who are not member of the co-operative and therefore contributes to the literature. A case study research was conducted by interviewing managers, members and board members in two large producer co-operatives. This research confirms some challenges described in literature such as the decision problem and size of the co-operative, and adds challenges such as information asymmetry between management and the board. The importance of trust is confirmed by the research. The research closes another gap by showing shared leadership is present within the two interviewed co-operatives. According to literature joint learning should be facilitated in a co-operative whereas the research shows differing opinions among the different actors. From literature and research, the most important competencies of a manager within a co-operative can be defined as: understanding the co-operative structure communicative skills, people management.

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## **1. Introduction**

A co-operative is defined by the International Co-operative Alliance (ICA) as follows: "A co-operative is an autonomous association of

persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise." (International Co-operative Alliance, 1995,

Definition section, para. 1). The relevance of co-operatives for our economy is significant. In 2015, Belgium had 25.405 co-operatives jointly having a turnover of €22.484.703.498 (Dufays & Mertens, 2017). Note that not all those 25.405 co-operative companies are organized according to the ideal definition of the ICA (Van Opstal, 2012). Apart from that, co-operatives contribute 2,9% to the Belgian GDP (Dufays et al., 2017). Also worldwide the importance of co-operatives is visible: "At least 12% of people on earth is a co-operator of any of the 3 million co-operatives on earth, co-operatives provide jobs or work opportunities to 10% of the employed population" (International Co-operative Alliance, n.d.-a, Facts and figures section).

Within a co-operative, three actors can be distinguished: members, board of directors and managers. In small co-operatives, the board of directors also fulfil the role of the management. In large co-operatives, external experts, who are not members of the co-operative, will be attracted to form a management and to execute the decisions made by the board. This paper focuses on these large co-operatives where the management consists of non-members and the board consists of members. Several early research on co-operative governance, stated that the role of management in co-operatives is little to non-existent (Aizsilnieks, 1952; Aresvik, 1955; Cook, 1994; Emelianoff, 1995). Nevertheless, the importance of the management in a co-operative cannot be ignored. Professor Johnston Birchall (2017) did a research study on "The Governance of Large Co-operative Businesses" where the importance of management within a co-operative is shown: "Good governance has become as important as good management"

(p. 102). To know what good management means in the situation of co-operatives, this paper will take a closer look at the following sub questions in order to answer the main research question "Which challenges are faced by the management of large co-operatives in face of the co-operative mission?":

- 1) How does the management and the board of co-operatives deal with each other's differences (in perspectives, vision, goals, and preferences)?
- 2) What is the importance of joint learning, trust and leadership when looking at the interactions within co-operatives?
- 3) Which competencies are indispensable for a good manager in a co-operative?

Co-operatives use the "one member, one vote rule" to democratically manage the firm which means that all members have equal voting rights disregarding the amount of capital one member has put into the firm (International Co-operative Alliance, n.d.-b, What is a Cooperative section, para. 2). Members can be customers, producers, employees, users or residents. The ICA and International Labour Office (ILO) developed an international statistical description of co-operatives where these types of members are used to distinguish four types of co-operatives: worker co-operatives, producer co-operatives, consumer/user co-operatives and multi-stakeholder co-operatives (International Labour Office, 2018). This research will focus on producer co-operatives, these are self-employed entrepreneurs, companies or organizations, with a main interest related to their

production activity, whom unite one or more parts of their business (Hollebecq, 2017; International Labour Office, 2018). The companies decide themselves the scope of the collaboration. This allows the companies to keep their individual identity and makes this model different from the classic franchise model (Hollebecq & Jacobs, 2018). In producer co-operatives, the relationship between the members, board and management are very intense and direct because the members have a double identity: on the one hand, they are owner of the co-operative, on the other hand, they have their role as producer (CICOPA, 2002). This makes it a very interesting subject for this paper.

This paper contributes to the current literature about co-operative governance by focussing on the management, as most literature focuses only on the board and members. According to Professor Sonja Novkovic<sup>1</sup>, professor at Saint Mary's University, this focus on the board might be the case due to the influence of 'traditional' organisations' literature, where the management plays a different role compared to the management in co-operatives.

*"Managers need to be the ones leading in making co-operative decisions."*

*Professor Novkovic*

Professor Novkovic stresses the importance of a well-trained management whom is able to see opportunities that are interesting for the co-operative.

---

<sup>1</sup> This information was obtained during a Skype interview with Prof. dr. Novkovic.

## **2. Literature**

### **2.1 The co-operative mission.**

Generally speaking, the mission of a co-operative is to strive for a positive influence on both its members and the society (Puusa, Mönkkönen, & Varis, 2013). In contrast to investor-owned firms where profit maximization is the main focus, co-operatives aim to maximize another goal namely, "generating the highest residual level for the members" (Hakelius & Hansson, 2016, p. 24; Nilsson, 2001).

The International Co-operative Alliance (ICA) adopted seven co-operative principles which are meant as guidelines for co-operatives worldwide to put their values into practice (International Co-operative Alliance, 1995). These seven principles can be seen as the DNA of a co-operative and determine the way management and board control the co-operative; these principles are consequently part of the co-operative mission. One of these principles states "providing education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives" (International Co-operative Alliance, 1995, Cooperative Principles section, para. 5).

### **2.2 Governance of co-operatives.**

A co-operative enterprise has members, who jointly own the firm. These members elect some members to be part of the board of directors, whom act as agents or representatives for all the members (Hakelius et al., 2016). As the board is elected by the members, the board should maintain dialogue with these members:

listening to their wants and needs and explaining decisions they have been making (Hakelius et al., 2016). Directors also have to take market developments into consideration when governing the co-operative. This means that the role of the board of directors is dual: representing members and governing the co-operative (Hakelius et al., 2016).

When talking about the governance of co-operatives, it is important to keep in mind that co-operatives are democratically controlled organizations owned by the members (Novkovic & Miner, 2015). Novkovic et al. (2015) add that this has to be reflected in the governance: it has to meet objectives, protect member interests and maintain member control. Also the values of co-operatives need to be safeguarded and the governance and management principles and practices have to reflect these values (Novkovic et al., 2015).

Novkovic et al. (2015) suggest that the governance in co-operatives is based on three fundamental properties: humanism (people-centred approach), joint (distributed) ownership and control, democracy (self-governance). The first property, assumes that people are intrinsically motivated and balance group and personal interests. For organizations this property entails that key stakeholders are involved in the decision-making. The second property includes joint ownership which is indispensable to a co-operative organisation. Linked to this joint ownership, member control is an important factor, where the members have equally distributed ownership rights (Novkovic et al., 2015). The third and last property underlies the importance of self-governance in co-operatives and the democratic decision-

making by its members. (Novkovic et al., 2015)

Turnbull (2002) investigated governance failures in large corporations, including co-operatives, and describes the reasons of failure of hierarchical command and control systems as: "the tendency of centralised power to corrupt; the difficulty in managing complexity; and the suppression of 'natural' – human – checks and balances" (p. 2). According to Turnbull (2002), command and control hierarchies need to be replaced by 'network governance' which he explains as "breaking complexity down into manageable units and decompose decision-making into a network of independent control centres" (p. 2). Jones, Hesterly & Borgatti (1997) describe network governance as "interfirm coordination that is characterized by organic or informal social system, in contrast to bureaucratic structures within firms and formal contractual relationships between them" (p. 911). The Mondragón Corporación Cooperativa<sup>2</sup> is an example of a successful co-operative operating according to the principles of network governance. Mondragón is not organised in a hierarchy but as a self-governing network of firms (Turnbull, 2002). Turnbull (2002) describes Mondragón as "the most outstanding example of network governance in action" (p. 18). Mondragón's stakeholders participate closely through boards and control centres. Four areas (Finance, Industry, Retail and Knowledge) are used to divide Mondragón organisationally, and operate individually within the structure of the overall strategy, all in line with the strategic policies (Mondragon Corporation, n.d.).

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<sup>2</sup> The Mondragón Corporación Cooperativa is a producer co-operative of several worker co-operatives.

One of the advantages of network governance is the creation of interdependence in the relationships because of the divisions of power (Turnbull, 2002). In the case of Mondragón, the four areas need to work together and their relationships depend on each other. Deepening interdependence within a relationship will increase the calculative commitment (i.e. the need to maintain a relationship) of both parties (Geyskens, Steenkamp, Scheer, & Kumar, 1996). This interdependency forms a solid basis for the development of trust (Turnbull, 2002). Absence of trust, would result in a relatively low level of commitment (Geyskens et al., 1996).

### **2.3 Challenges faced by the co-operative regarding governance.**

Information asymmetry is a challenge that arises according to the agency theory: the members of the co-operative, base their signals to the board and management on imperfect knowledge (Österberg & Nilsson, 2009). This information asymmetry also makes it difficult for the members to make ex-post assessments of the boards' and the managements' performances (Österberg et al., 2009). Until today, literature does not mention information asymmetry between the board and management of co-operatives. However, there are reasons to think this might be present and will therefore be investigated in this paper: as the board consists of members, they have thorough knowledge about the industry they are performing in whereas the management may be less familiar with the industry but has thorough knowledge about business activities such as financial management. These specific business activities can be so complex that

the members and board are not able to understand it, which results in alienation regarding these activities (Österberg et al., 2009).

Couchman and Fulton (2015) investigated why big co-operatives fail. According to this study the root for any other problem is "the failure to believe in and understand the nature of a co-op" which occurs when the co-operative structure is seen as a problem and the co-operative identity is seen as a burden which results in "cynicism about co-operative democracy and member engagement" (p. 5). The study also mentions the danger of hubris within management of large co-operatives especially when oversight by the board is limited: "They (i.e. management) regard their thinking as superior to their peers and to the member of their own co-operative. Overconfidence is thus combined with a culture that dismisses any voices that might challenge the wisdom of their decisions." (p. 3).

The horizon problem is another difficulty faced by the management of co-operatives. This problem is caused by the inability of co-operative members to capture future earnings which results in pressure on the management and board to maximize short-term benefits to members even though this may affect the long-run perspective (Cook, 1994). This problem affects mostly older members as they may feel that during their many years of membership, they helped the co-operative becoming richer but nevertheless, when they retire, their only compensation is the nominal value of their shares (Österberg et al., 2009).

The size of a co-operative is another main aspect that increases complexity. The distance between members and directors of co-operatives, in terms of possibilities to meet and subsequently enter into dialogue, tend to increase when producer co-operatives become larger (Hakelius et al., 2016). This increased distance creates problems, since co-operatives are governed by members through the board of directors, using a system of representative democracy (Hakelius et al., 2016).

Next to size, another complicating factor is the business goal. In a co-operative, the goal is "to generate the highest residual level for the members", meaning that additional considerations have to be added to performing well on the markets, such as better service and prices (Hakelius et al., 2016 p. 24; Nilsson, 2001).

Also agency problems tend to increase complexity. In scientific literature, two types of agency problems are distinguished when looking at the governance of producer co-operatives: The decision problem and the follow-up problem.

#### *The decision problem*

The decision problem occurs because members have differing opinions which makes it difficult for the management of a co-operative to decide how the opinions of these members should be weighted (Richards, Klein, & Walburger, 1998). This decision problem results in a complex decision matrix for the managers which can lead to members having the feeling that their interests are not taken into consideration (Cook, 1994; Hakelius et al., 2016). The

feeling of anonymity within large groups of members may also create ignorance (Österberg et al., 2009). The decision problem causes problems in the relationship between the board of directors and the members, but these problems are limited as the board is specifically responsible for controlling and directing the management: "board members of co-operative organizations can be expected to derive satisfaction from developing reputations as stewards of successful organizations that serve human needs in an essentially self-help fashion" (Nilsson, 2001, p. 340). Members and management may have different opinions regarding the performance of the firm: the inactive member can measure performance by the equity return, the new member can be measuring performance by the competitiveness of current prices or services and other members may be using joint profit maximization as a measure (Cook, 1994). This complexity in the measurement of the co-operative's performance can lead to ambiguity and lack of clarity in the eyes of the members (Cook, 1994).

#### *The follow-up problem*

The follow-up problem arises when the collective ownership, inherent to a co-operative, results in members losing their interest in monitoring the firm (Hakelius et al., 2016). Additionally, in large co-operatives, members can hardly monitor what directors do which results in a decreased loyalty and a loss of interest (Hakelius et al., 2016). This gives the management the opportunity to promote its own interests and take over control (Fairbairn, Fulton, & Pohler, 2015; Nilsson,

2001). This is also claimed by the principal-agent theory in general, where the boards of directors are the principals and the managers are their agents: if managers are not stopped, they will further their own interests rather than those of the board and the members (Birchall, 2015).

## **2.4 The importance of joint learning, trust and leadership in multi-actor collaboration.**

When different actors have to work together, this is called multi-actor collaboration. In co-operatives these different actors are: the members, the board and management. Although literature recognizes the three groups, literature does not take a true multi-actor collaboration perspective: authors do not examine the individuality of each actor and do not explore how these three actors should collaborate, even though the word 'co-operative' implies collaboration. Multi-actor collaboration often results in different interpretations: "most people at some stage in their lives have played Chinese whispers: a message is passed down a line of people – and by the time it reaches the end of the line, four or five 'whispers' later, it has changed out of all recognition." (Turnbull, 2002, p. 5). This remarkably describes that differing understandings and explanations can result in imperfect communication and confusion between policy and action (Stewart, 2004).

### **2.4.1 Joint learning.**

According to Lambrechts, Taillieu, Grieten, and Poisquet (2012), there are certain characteristics to a firm that ask for in-depth joint learning which is defined as "building the capacity to create new knowledge and possibilities together" (p. 628):

- 1) It is not clear how to describe and/or solve problems and those problems are usually vague, unstructured and technically complex (Lambrechts et al., 2012).

Co-operatives face these type of problems: the decision problem, the follow-up problem and the horizon problem are discussed in section 2.3.

- 2) There are restrictions on what can be done individually because different actors, with their own vested interests in the problems, are highly interdependent to establish and sustain a well-functioning system (Lambrechts et al., 2012).

Members, board and management all have their own interest in the problems. To maintain the co-operative idea, none of them is able to do it on his own: "a co-operative does not have members, it are the members who have a co-operative" (Jacobs & Van Opstal, 2013, para. 5).

- 3) Tension and even conflict may arise between actors because the different actors differ in terms of "power and/or resources, perspectives, expertise and core competencies" when dealing with problems (Lambrechts et al., 2012, p. 628).

Members of the co-operative own and control the firm whereas the management executes the decisions made by the board (i.e. the representation of the members) (Jacobs et al., 2013). These differences in roles, perspective, expertise,... can result in conflicts mentioned in section 2.3. Because of



these differences among the actors, financial and co-operative literacy is essential for an effective and high-quality monitoring of the management by the members (Jacobs et al., 2013).

- 4) The circumstances require that actors do more than continuously improving within a given supply chain framework by challenging and changing the way in which the supply chain itself functions and learns as a whole (Lambrechts et al., 2012).

Due to changes in certain industries such as the industrialisation of the agro-food sector, power imbalances emerged in the supply chain, disfavours the actors (in this case: farmers) in the supply chain (Hooks, McCarthy, Power, and Macken-Walsh, 2017). Co-operatives have been used to rectify these power imbalances and to enhance the viability (Hooks et al., 2017). Co-operatives change the traditional supply chain. In the case of farmer co-operatives, the co-operative model acts as a linking device between 'farm' and 'fork' and is able to reduce dependence of farmers on the wholesaler within the value chain including the creation of a mechanism that allows for a more fair division of profits (Hooks et al., 2017; Lyson, Stevenson, & Welsh, 2008).

- 5) Actors are aware of the necessity of an intensive long-term collaboration in order to overcome problems or to develop new things in a structured

way together (Lambrechts et al., 2012).

Co-operatives aim to establish long-term relationships and require a long term perspective to allow existence beyond one generation of members (Leys & Van Opstal, 2009; Novkovic & Miner, 2015).

Different parties sometimes tend to stress their distinctive competencies even though they need one another because of these distinctive competencies (Lambrechts et al., 2012; Selznick, 1957). In order to have in-depth joint learning, implicit knowledge has to be converted into explicit knowledge by sharing experience, by shared sense making and by reflecting on the common practices and expertise (Lambrechts et al., 2012). In order to stimulate others to engage in learning behaviour, leaders need to explicitly admit situations where they do not have the full answers, they feel they lack the expertise or they made a mistake (Lambrechts et al., 2012). The relational skills that are needed for in-depth joint learning are difficult to teach but can be learned (Lambrechts et al., 2012).

#### **2.4.2 Trust.**

Trust has two dimensions: an affective dimension (one's instincts, intuitions or feelings concerning whether an individual, group or organization is trustworthy based on emotions) and a cognitive dimension (the careful, rational thought process used to determine whether an individual, group or organization can be trusted) (Morrow, Hansen, & Pearson, 2004; Österberg et al., 2009). Hansen, Morrow, and Batista (2002) found that in co-operatives with complex businesses, there is a stronger cognitive trust

in the management compared to affective trust.

Trust can also be handled as a more general term where it refers to “the belief that another individual, group or organization will not act to exploit one’s vulnerabilities” (Morrow et al., 2004). Österberg et al. (2009) states that the concept of trust is essential in a co-operative: trust within the membership and the members’ trust in the leadership. Trust is the basis upon which risk is shared and needs to be both formed and fulfilled (Huxham & Vangen, 2000; Stewart, 2004).

Zaheer, McEvily, and Perrone (1998) found a direct relation between inter-organizational trust and performance in co-operative organisations. There are at least two reasons why the performance is enhanced when members trust the management of the firm: (1) opportunistic behaviour can be reduced by trust which is important as every partner within a co-operative relationship, can fall back into this specific type of behaviour (2) putting time and effort in minimizing the possibility of opportunistic behaviour caused by distrust, does not allow time for activities with potential to maximize opportunities such as effectuating additional resources to the co-operative (Jensen-Auvermann, Adams, & Doluschitz, 2018; Morrow et al., 2004).

The co-operative principles, which help forming the DNA of the firm, support the growth of trust: all members are treated equally through the democratic member control of ‘one member, one vote’ (Jensen-Auvermann et al., 2018). Several researchers conclude that loyal members are indispensable to the success of a co-

operative and that the basis of this loyalty is formed by trust and commitment (Cechin, Bijman, Pascucci, & Omta, 2013; Cook, 1994; Hakelius et al., 2016; Nilsson, 2001). However, forming trust is especially difficult when the members are heterogeneous (e.g. scattered locations, different languages,...) (Fairbairn et al., 2015). Jensen-Auvermann et al. (2018) identified four factors the management of co-operatives should focus on to develop and stabilize trust: commitment, service quality, transparency and obligations. “The better the co-operative meets its obligations (i.e. fulfilling principles and agreements), the better the member’s assessment of trust.” (Jensen-Auvermann et al., 2018, p. 106). Jensen-Auvermann et al. (2018) recommend “asking (young) members and employees who do not trust the co-operative what is needed to develop or regain trust on the individual and organizational levels” (p. 107).

### **2.4.3 Leadership.**

According to Kriger and Zhovtobryukh (2013) one of the reasons why defining effective leadership is still an unfinished task, is the overemphasis on the single-actor or hero leader. Shared leadership offers another way to look at leadership: “shared leadership can be built as a shared property of the group such that all members of the group, irrespective of their formal role or position, actively participate in the direction setting process and engage in leadership behaviours and activities important to both task accomplishment and group maintenance” (Lambrechts et al., 2012, p. 630). Literature does not mention the presence of shared leadership in co-operatives so this will be further investigated in the qualitative analysis of this paper. However, we can

expect the presence of shared leadership in co-operatives as different actors (members, the board, management) need to actively participate in the firm.

An organization's leadership is effective when "it can adapt strategically to changing situations and also to what is deemed appropriate to people, groups, culture, place or time" (Eti-Tofinga, Douglas, & Singh, 2017, p. 534; Kriger et al., 2013). Leadership is important in co-operatives as the success of developments in co-operatives depend on both the expertise of leaders and the members' trust in those leaders (Forgacs, 2006). Leaders are expected to understand members' needs and how the organization can help in meeting those needs (Eti-Tofinga et al., 2017).

The effectiveness of leadership depends upon the correspondence between the characteristics of the leader and expectations of the members (De Cremer & Van Vugt, 2002; Forgacs, 2006). Management leadership literature suggests that when people are free to choose a leader, they will select the person who they believe is able to maintain goal direction, facilitate task achievement and ensure group cohesiveness (Cook, 1994). However, executing these three aspects is very challenging for a leader. Another challenge to co-operative leadership is to reduce increasingly heterogeneous interests to more homogeneous interests in order to facilitate coordination (Cook, 1994).

Cornforth (2015) stresses the importance of education and training for directors, executives, and strategic stakeholders to reinforces the nature of co-operative governance. These learnings should highlight

the complementary leadership roles among the different actors in the co-operative. (Cornforth, 2015).

## **2.5 What makes a good manager for a co-operative?**

Literature on co-operatives mentions many competencies a manager should possess in order to manage the co-operative successfully. Table 1 gives an overview of the competencies discussed below.

Fairbairn et al. (2015) stress the importance of a management understanding the co-operative structure: "It is particularly risky if managers are unfamiliar with the co-op federation model and unwilling or unable to adapt their strategies and approaches to fit" (p. 6).

According to Cook (1994), managers in user-oriented organizations such as co-operatives, should be "comfortable with complexity, technical-operation and people-oriented resource allocation, multi-stakeholder communication and strong coalition-building skills" in order to be successful (p. 42). They should also be able to set goal directions, facilitate task achievement and ensure group cohesiveness even though these are challenging tasks for managers of co-operatives (Cook, 1994). In order to develop group cohesiveness, managers should be comfortable with building coalitions, consensus and inter-member loyalty (Cook, 1994).

Because of the broadness and diffuseness of the co-operative objective function, a potential top manager must be not only comfortable with complexity but also vagueness and conflict (Cook, 1994).

Tasks	Competencies	Not deterred by
Manage complexity	People-oriented	Vagueness
Technical operation	Multi-stakeholder communication	Complexity
Set goal directions	Strategically conceptual	Conflict
Facilitate task achievement	Coalition-building skills	
Ensure group cohesiveness	Know and understand the co-operative model	
Define sub-goals		

Table 1: Competencies managers of co-operatives.

Because of this broad and diffuse objective function, the co-operative manager must be both strategically conceptual and skilled in defining measurable sub-goals. These sub-goals are necessary because the breadth of scope in goals makes it difficult to define task achievement (Cook, 1994).

Board and management have their own tasks and functions but this does not imply that the management is responsible for the business and the board for co-operative identity, such a separation of role should certainly be avoided (Cornforth, 2015). The alignment between the board and management with regards to co-operative principles and mission is important to ensure effective governance (Cornforth, 2015).

According to Cornforth (2015) selection should be used rather than election when trying to find the best candidate for a management function. Election is a process for finding the candidate that individual members of the electorate prefer personally and may prevent judging objectively whether

that person is best qualified for the business (Cornforth, 2015).

### 3. Methodology

#### 3.1 Case study research and theory building.

Case study research was used to build a theory. This process combines past literature, empirical observation or experience and the insight of the researcher (Eisenhardt, 1989). Building a theory based on case studies is particularly appropriate when the knowledge about a phenomenon is limited (Eisenhardt, 1989). As noted in the introduction of this paper, literature on the management in large co-operatives is limited which makes this approach preferable. Case studies are a prerequisite for advanced understanding because of the proximity to reality and the learning process that it provokes for the researcher (Flyvbjerg, 2006).

	case A	case B
Type co-operative	Producer	Producer
Industry	Agricultural: dairy	Agricultural: crops
Members	Dairy farmers	Horticulturists
Active members	2600	1100
Members in Board of Directors	7	19
Board of Directors formed by	Selection	Election
External people in Board	2	0

Table 2: Profiles two selected cases

The multiple-case study approach was chosen because it is said to “provide a stronger base for theory building” than single-case study (Eisenhardt & Graebner, 2007 p.27; Yin, 2003).

### 3.2 Case selection.

Together with Cera Leuven<sup>3</sup>, the most appropriate co-operatives for this case study were selected. The co-operatives had to meet the following criteria:

- The company is a producer co-operative.
- The company has a clear co-operative identity.
- The co-operative is large which means that they have a management team consisting of non-members.

Literature defines this way of selecting study cases as theoretical sampling (Eisenhardt, 1989; Eisenhardt & Graebner, 2007).

<sup>3</sup> Cera is a user co-operative - among other things - offering coaching, advice and education to Belgian co-operatives.

The amount of Belgian co-operatives meeting these criteria is limited. Accordingly, five co-operatives have been contacted of which three did not wish to participate and two agreed to participate. Literature advises to

have at least 2 cases as it enables to clarify whether a finding is distinctive to one single case or consistently replicated by several cases (Eisenhardt & Graebner, 2007; Yin, 2003). The companies and respondents will not be named nor will the specific job functions of the interviewees be mentioned to assure anonymity. An overview of the two selected producer co-operatives can be found in table 2 and an overview of the respondents can be found in table 3.

### 3.3 Data collection.

Data was collected through 12 one-on-one in-depth interviews. The interview protocol can be found in the appendix. The interviews were conducted in Dutch, the native

Case A			Case B		
M <sub>1A</sub>	Male manager with previous experience in family firms.	Non-member	M <sub>1B</sub>	Male manager, always worked in a co-operative.	Non-member
M <sub>2A</sub>	Female manager with previous experience in multinationals.	Non-member	M <sub>2B</sub>	Female manager, always worked in a co-operative.	Non-member
B <sub>1A</sub>	Male board member, always been a member of a co-operative.	Member	B <sub>1B</sub>	Male board member, always been a member of a co-operative.	Member
B <sub>2A</sub>	Female board member, always been a member of a co-operative.	Member	B <sub>2B</sub>	Male board member, always been a member of a co-operative.	Member
ME <sub>1A</sub>	Female member, always been a member of a co-operative.	Member	ME <sub>1B</sub>	Male member, always been a member of a co-operative.	Member
ME <sub>2A</sub>	Male member, always been a member of a co-operative.	Member	ME <sub>2B</sub>	Male member, always been a member of a co-operative.	Member

Table 3: Overview of the respondents

language of the respondents, in order to allow them to express themselves optimally. The quotes used in this report were translated to English. Interviews are sometimes perceived as being biased (De Massis & Kotlar, 2014; Eisenhardt, 1989), Eisenhardt (1989) advises interviewing different actors in order to have different perspectives and limit the bias. Therefore 6 people in 3 different functions from each company, were interviewed

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- 2 members of the board of directors
- 2 managers (not members of the co-operative)
- 2 members of the co-operative who are not part of the board of directors.

During some of the interviews, new concepts were introduced which resulted in additional questions being added to the subsequent interviews. According to Eisenhardt (1989) this method does not skew results as a researcher tries to understand each case in as much depth as possible: "this flexibility is controlled opportunism in which researchers take advantage of the uniqueness of a

specific case and the emergence of new themes to improve resultant theory” (p.539).

### **3.4 Data analysis.**

All the interviews were first transcribed and then analysed individually. Within-case analysis was used to cope with the large amount of data. The overall idea of within-case analysis is “to become intimately familiar with each case as a stand-alone entity” (Eisenhardt, 1989 p.540). This method allows the researcher to see patterns in each case before generalising patterns across cases and facilitates cross-case comparison because it gives the researcher in depth knowledge of each individual case (Eisenhardt, 1989).

To prepare the data for analysis, four techniques were used: data reduction, data display, data categorisation and data contextualisation (De Massis et al., 2014). Data reduction, selecting and simplifying the material that was collected, facilitates later analysis of the case study evidence (De Massis et al., 2014). Next, the data coding can start which is part of the data display technique (De Massis et al., 2014). Further, data categorisation is executed by distinguishing and grouping different categories of information together to allow comparisons (De Massis et al., 2014). Finally data contextualisation is used to assemble the collected information and pinpoint links and connections (De Massis et al., 2014).

To limit biased conclusions, Eisenhardt (1989) advises “looking at the data in many divergent ways” (p. 540). Concepts were selected and similarities were searched within the individual cases and among the different cases (Eisenhardt, 1989). To

facilitate this comparison, a table was made with the different concepts in column 1, a short summary of each respondent opinion on that concept in column 2 and column 3 for case 1 and case 2 respectively. Another way to look into the data is by selecting pairs and list similarities and differences among these pairs (Eisenhardt, 1989). This was for example done by comparing the managers and directors in each case.

## **4. Results**

During the interviews it became clear that it is hard for people to talk about challenges and difficulties within their company. This was shown by the fact that 6 out of the 12 respondents revealed extra information after asking explicitly whether the recording has been stopped. Concepts mentioned by only one respondent and not confirmed by others, are not included in the result to ensure trustworthiness.

The managers, board and members are respectively mentioned as M, B, ME. The first subscript mentions whether it is interviewee one or two from that group, the second subscript mentions the company to which the respondent belongs. For example, ‘B<sub>1A</sub>’ is board member 1 of case A.

### **4.1 Differences between management and board.**

#### **4.1.1 Information asymmetry.**

The presence of information asymmetry between board members and management is confirmed by all twelve respondents. All four board members explicitly stressed they feel there is a difference in information, one of them replied “Yes, of course. I think that makes sense.” Three managers experienced this information asymmetry as well. Manager

M<sub>1B</sub> dodged the question twice and stressed that “the board of directors should not be underestimated”.

Both companies are aware of this information asymmetry as they both have systems in place to foster good collaboration between the board and managers in this regard.

At case A the board is not elected but selected: board members have to pass an assessment which ensures that all board members have the right competencies to be part of the board of this organisation. This selection method reduces the difference in knowledge. A second system consists of two external board members who join the board meetings to assist the board members when talking to the managers. These external directors do have thorough knowledge about financial and commercial matters and therefore help to bridge the gap between management and board members. The board members feel more confident because of the presence of external directors but on the other hand it creates tension as well: two board members and one manager mention the difficulty for these external directors to understand and grasp the co-operative model as they have no previous experience with co-operatives: B<sub>1A</sub> mentioned: “We now have two externals who come from different types of organizations and those people have a really hard time understanding the co-operative model. They are very smart people with a lot of knowledge and then you see: they are still asking questions about things that you would expect them to know by now.” Manager M<sub>1A</sub> said “When I hear an external director ask ‘what about EBITDA?’ I think to myself: you really didn’t understand a thing”.

At case B the board is elected ensuring that certain product groups are represented. A process of selection is preferred by M<sub>2B</sub>, who remarked “a member has been elected to the board of directors, but do they have managerial skills?” and by ME<sub>2B</sub> who added that a transfer of election to selection would never be accepted. The others prefer election because a good representation of the different products is more important than screening. B<sub>1B</sub> said “There are many board members so there is always someone who knows what is going on or has experience, so screening is not needed.” and added “I do think that when you hire someone here, e.g. a manager, they have to do an assessment.” Case B currently has no external board members. However, all six respondents see benefits in having external board members: as mentioned by M<sub>2B</sub> “I think that it is definitely an added value if there is an external person. And why? All our board members think purely from the point of view of their own company, which is normal, but an external person can transcend it for a while and think more about the sector or about other sectors; they have a broader picture. I think that would be of added value.” B<sub>2B</sub> added: “It can be too overwhelming when those externals come up with too many different thoughts and things that are not accepted as reality. That’s why I think it can be good if they have the necessary affinity or empathy with agriculture and horticulture.”

Board members at case B can individually choose to follow training courses for board members, organized by a Belgian association for agricultural entrepreneurs.



#### **4.1.2 Perspective of the board.**

At case A both board members' mission is dual: ensuring that all the products supplied by members is sold and that all members are offered a correct price. B<sub>2A</sub> also mentioned the importance of having a say within the co-operative. The two interviewed members who are not part of the board also mentioned this assurance that their products are sold as their part of their mission, ME<sub>2A</sub> added the importance of members having a say.

At case B both board members' mission is the importance of selling all the products supplied by the members and thus certainty of income for the members. B<sub>2B</sub> added to this: "you are stronger as a group because you can present a united front and can go to the market together". Being stronger as a group was also mentioned by the two interviewed members who are not part of the board.

All board members were also asked what they thought the mission of the management was. The board members of case A both said that ensuring the commercialisation of all products supplied by the members, is the main mission of the managers. At case B, B<sub>2B</sub> noted: "Management and the board should have the same mission because the management team is expected to implement what the board's mission is. (...) sometimes this clashes because managers work here every day, know what is happening on the floor and are much more informed about some things than we are." Similarly ME<sub>1B</sub> said: "The management's motives are not always the same as ours, which is natural."

#### **4.1.3 Perspective of the managers.**

Offering the members a good price for their products is part of the perspective of both managers from case A. M<sub>1A</sub> added that the reason for the existence of case A is ensuring all supplied products of the members are processed.

Both managers at case B stressed the importance of ensuring the future of the company. M<sub>1B</sub> also believes the friendly and homely corporate culture has to be maintained and stresses the importance of continuing to innovate and to improve communication. M<sub>2B</sub>, on the other hand, added: "That we, as a large group of horticulturalists, enter the market together and get the best price out of the market for our members at the lowest possible cost".

Just like the board members, managers were asked what they thought the mission of the board and members was. According to M<sub>1A</sub>, the board wants managers to create value and M<sub>2A</sub> believes the board's mission is to deliver a good price for the members. M<sub>1A</sub>, on the other hand, added: "The focus is too much on the price while the purchasing guarantee is also important but is considered conventional." At case B both managers replied the board has the same mission as they have.

#### **4.1.4 Collaboration.**

The collaboration between the board and management was also investigated. According to the two managers and one board member at case A, this collaboration is going well. Board member B<sub>2A</sub>, on the other hand, mentioned: "The collaboration is difficult at the moment. (...) I have to say,

there has been a period where things were going very well (...) there is a lot of change going on right now, the structure within management has also changed and I think management itself is still trying to improve it." Later B<sub>2A</sub> elaborated: "Management has set goals which are going to be difficult to achieve. Therefore, there is a certain amount of concern among the board and as a result tensions are building." Another reason given for the tension is the difference in future thinking: both B<sub>2A</sub> and M<sub>1A</sub> mentioned that the board thinks more short-term and management focusses on the long-term. M<sub>1A</sub> stated that this difference in thinking is because members highly value the price they receive for their products. All six respondents at case A said that when looking at the power relation, the board stands above the managers. Monitoring the managers is described as 'difficult' by both board members.

At case B, the CEO is the only person joining board meetings, managers only join if they have to explain or elaborate on a topic in their field. Therefore the relationship between managers and board members is less present. Both board members mentioned that the monitoring of the management team has to be done by the management board and not by the board of directors.

## **4.2 Interactions: the importance of joint learning, trust and leadership.**

### **4.2.1 Joint Learning.**

The two board members and two members from case A mentioned the absence of joint learning within the co-operative. ME<sub>2A</sub> stated "I don't think [name co-operative] is the

right place for that" and added that the co-operative has to focus on themes of governance and co-operative operations. The two managers replied differently to the question whether joint learning occurs within the company. M<sub>1A</sub> said the management team currently does not share knowledge but this is changing as mutual contact is increasingly encouraged. According to M<sub>2A</sub>, joint learning occurs on group management levels both formally and informally.

Also for case B the responses varied, the two members and the two board members confirmed the absence of joint learning. B<sub>2B</sub> and ME<sub>2B</sub> stressed the need for joint learning: ME<sub>2B</sub> declared "I often say: invite some speakers on a regular basis, (...) so the members can go there and say 'that was interesting'. That does not happen. I regret that." ME<sub>1B</sub> on the other hand stated "I think this is a little separate from the co-operative. In any case, there are structures within, for example, [name external association for agricultural entrepreneurs] for this purpose." Both managers did say joint learning is present. M<sub>1B</sub> cited the research stations, where R&D projects are facilitated, to share knowledge on innovation and stressed their importance: "This (i.e. joint learning) is fundamental for the members to evolve, because if the growers do not innovate and evolve, the co-operative will also stagnate."

### **4.2.2 Trust.**

It is clear that trust is considered important: five respondents started mentioning trust before any questions on that topic were asked and all twelve respondents stressed the importance of trust.

Looking at the trust between management and board, the responses varied. At case A, both board members mentioned the fluctuation in trust towards the managers, as said by B<sub>1A</sub>: "The interaction and trust must be present because we have to trust the managers that they are doing the correct jobs within the co-operative. (...) but sometimes that trust is not present." B<sub>2A</sub> added: "I am not going to say that my trust is limited because it is not. But I have the impression that managers feel that way because they are less open. If you start a conversation now, where they used to openly say what is going on, they are now very reluctant. Then you immediately have the idea 'would they not say anything because they think I would not trust it anymore?'" According to B<sub>2A</sub>, monitoring the managers is almost impossible and therefore trust is needed. The managers reported a reciprocal trust between managers and the board. Among the case A respondents, it is clear that the price members receive for their products is the benchmark of trust: when the price is good everyone trusts one another, when the price starts dropping, trust is a long way off.

The board members and managers of case B all confirm trust is present between them. They also stress the importance of trust: M<sub>2B</sub> said "If there is no trust on either side, you are not going to exchange information". B<sub>2B</sub> stated that the price is a benchmark of this trust. B<sub>1B</sub> feels the presence of trust because "the fact that we receive answers to our questions strengthens our trust".

All managers and board members were asked "Do the members trust you?". At case A, M<sub>1A</sub> replied "yes", M<sub>2A</sub> stayed vague, B<sub>1A</sub>

replied doubtfully "yes" and B<sub>2A</sub> replied "too little". Again the importance of the price regarding trust is mentioned by all respondents. When asking the members whether they trust management and the board, no clear answer is given. ME<sub>1A</sub> stressed the importance of fulfilling promises and of open communication to foster this trust. According to ME<sub>1A</sub>, selecting a board fosters trust as you know as a member they are qualified to be part of a board of directors.

At case B, all board members and managers replied the members do trust them, some more doubtful than others. B<sub>2B</sub> added: "it is hard to measure (...) the price our members receive is an important benchmark of trust" and B<sub>1B</sub> elaborated: "they have elected us for a reason". When asking the members whether they trust the board and management, ME<sub>1B</sub> replied "yes", whereas ME<sub>2B</sub> had a split response: "I have no mistrust in the board, I just do not have any contact with them. (...) I do trust the management".

"How is trust built among the actors within the organisation?" was asked to all respondents. All of the respondents had to think about this question before answering, ME<sub>2A</sub> replied "Hmm, that is a tough one. I have to write down that question." No specific systems or concrete examples of such systems to foster trust were given.

Both board members of case A mentioned there are no specific systems in place to build trust. B<sub>2A</sub> added "but there is a need for it". They both stressed the importance of good and honest communication: "if things are not going well, you should be the one to say so",

said B<sub>1A</sub>. This honest communication is also emphasised by the two managers, especially during difficult times, like M<sub>2A</sub> said "you have to walk your talk". The two interviewed members mentioned the increase of trust when they have face-to face interaction with board members: The members of the board maybe all should give a presentation once in a while and provide a chance to discuss important topics with member.", added ME<sub>1A</sub>.

At case B communication is also mentioned to build trust. B<sub>2B</sub> stated "I think that is still a point for improvement. How do we build trust? Mainly through communication." And M<sub>1B</sub> said "Transparency and trust are two core elements and one of the most important conditions for the cooperative to function properly (...) In order to strengthen trust, we have to show clearly the conditions under which we can work together." At case B, most members drop off their products themselves at the co-operative and therefore have regular contact with the floor, this aspect of seeing the members frequently is mentioned by M<sub>2B</sub> as a way to build trust. Member ME<sub>1B</sub> also mentioned this personal contact as a way to foster trust and member ME<sub>2B</sub> stated "you have to look at members as partners, partners you trust, that is actually core."

#### **4.2.3 Shared Leadership.**

Both board members at case A said that on paper they have a lot of autonomy when taking strategic decisions, while in reality they do not. The managers both feel they can make decisions autonomously, after the board sets the large strategic outlines. The two members were asked whether they feel they can influence strategic decisions. ME<sub>1A</sub> replied: "As a regular member, no." ME<sub>2A</sub>

elaborated on this: "If these are co-operative topics, which are important to the members, then we certainly have influence, especially through the co-operative council (...) when it comes to a strategic decision for the company, we do not, only the board will decide on that."

At case B both managers and board members feel they have influence on the strategic decision-making process. Member ME<sub>2B</sub> said he feels he has no influence on strategic decision-making, ME<sub>1B</sub> elaborated "Theoretically we have no influence because the board of directors makes decisions but of course you know those people so if there is a problem they are addressed. That is also what the product advisory groups are for."

#### **4.2.4 Communication.**

Looking at the reachability of all actors within case A, the board can be easily reached by the members. Geographically, all members are grouped according to their location which each have their own meetings. Every member group has one board member who acts as a godfather for that group. This godparenthood helps facilitating communication between board and members. Within case A, communication towards managers is structured: individual members are not expected to contact a manager directly, they should contact a board member. Board members are expected to communicate with managers via the chairman of the board of directors. M<sub>2A</sub> noted on that subject: "There is actually no communication directly from individual members to management. This is well supervised by the board, if it was not, I think that would be very destructive."

When talking about the current communication within the co-operative, B<sub>2A</sub> and ME<sub>2A</sub> both mention the Chinese Whisper phenomenon, the latter stated: "You should tell a story 10 times and ask the 10th what his story is. It will be completely different." "For a co-operative, communication is actually the most important thing of all", said ME<sub>2A</sub>. Within case A communication towards its members occurs through information booklets, meetings, emails,... ME<sub>1A</sub> would like to see more figures when something is explained by a board member. B<sub>2A</sub> mentioned in that regard: "Figures are shown, but I think that for some members it is too little, while other members cannot do anything with it."

Both managers mentioned the fact that board members communicate in very direct and hard ways but see this as an advantage because it allows you to know exactly what they mean. M<sub>2A</sub> stressed the importance of having good communication between the board and management, to understand each other's position. B<sub>2A</sub> added "I think that if you were to ask a manager 'what is the opinion of a member of the board about something?', they would say 'we don't know'. That is the impression I have."

When the two board members and two managers were asked how they resolve discussions between board and management, both managers stressed that the board has the final decision. M<sub>2A</sub> added the importance of fact-based discussions. B<sub>1A</sub> mentioned discussions are hard to resolve and can be solved by entering into a dialogue. B<sub>2A</sub> stressed the importance of both parties being present when talking about discussions: "When talking about content itself, I think you have to start a conversation all together,

because otherwise you create a place where there is no trust since you cannot openly discuss issues together."

At case B, all actors stressed that both members and board members can easily reach the management. As mentioned before, many members bring their products to the co-operative and can therefore easily talk face-to-face to a manager, but also email or calling is a way to reach out. "There is an enormous accessibility in all possible areas. (...) This has its roots in our corporate culture, the enormous accessibility of [name co-operative]'s management and other employees.", said by M<sub>1B</sub>.

Also at case B, board member B<sub>2B</sub> mentioned the Chinese Whisper phenomenon: "Obviously it is different when you receive information through hearsay than directly from the source." Within case B, communication towards its members occurs through letters, newsletters, meetings, emails,... Communication is considered very important, like B<sub>1B</sub> said "Good communication is everything". Board member B<sub>2B</sub> mentioned: "I think there is still a lot of work to be done on communication between members and the board, between members and the management team,... I think that there is still room for improvement (...) in order to have more confidence, transparency and communication are very important." B<sub>2B</sub> added communication should occur faster to avoid frustrating members: "When things start to get a little harder, I notice that sometimes there are frustrations on the part of the members because they are not sufficiently informed about what is going on, and I think that sometimes we still fall short on that." M<sub>1B</sub> also stressed the importance of transparent communication to

build trust. When talking about ideas provided by members M<sub>2B</sub> said: "If we have looked at the idea and it is not realistic, this will be communicated back to the member, however, sometimes we forget" To this respect ME<sub>1B</sub> said: "The co-operative has to develop a good communication structure so that people can not only give their ideas and that something is done with them, but that we can also provide feedback. Even if it is negative, feedback is very important." Next to B<sub>2B</sub>, ME<sub>2B</sub> also stated there is a need for better communication and feedback when ideas are provided. ME<sub>2B</sub> mentioned he would like management to have an assessment to increase the feeling of trust. According to the managers this assessment recently took place. Knowing that the members are not aware of the assessment, this was probably not communicated to them.

The two board members and two managers were asked how they resolve discussions between the board and management. According to the managers, these discussions do not occur. For M<sub>1B</sub> this is avoided because of the possibility to communicate very quickly the moment something happens. The two board members do feel discussions sometimes occur: B<sub>1B</sub> stressed the importance of open and direct communication in that regard, B<sub>2B</sub> stated discussions are mostly solved via the management board.

### **4.3 Profile of a manager in a co-operative.**

#### **4.3.1 Challenges.**

All four managers were asked what they feel is their biggest challenge as a manager

within a co-operative. Hereafter the four responses are stated.

M<sub>1A</sub>: "To remain organised and ensure that with [name business unit], within our market, we remain a European player. And then, of course, providing added value." Later addition: "I feel that it is sometimes difficult for our members to accept changes in our society."

M<sub>2A</sub>: "In fact, I think that this is exactly the same challenge for those external board members as for the management: to engage in a dialogue, to ensure that no jargon or technical knowledge is misused to push things through, but that an attempt is made to have a healthy debate about the real challenges. But it is true that a lot of members think what it means to them and not so much of what the reality is in the market. (...) Some trends in the market are as such that they can really put the long-term plan at risk. But they do have a lot of complications in the short term and can differ from what the members think their co-operative stands for. But you have to remain relevant in the world of tomorrow. So that area of tension is certainly there because the members will think in terms of their living environment which is smaller and different from the world in which the company has to compete."

M<sub>1B</sub>: "Keeping the prices at the right level so that horticultural businesses remain viable, because without members we would no longer have a co-operative. (...) We need to remain sufficiently attractive to both customers and employees."

M<sub>2B</sub>: "It gets harder and harder every day to prepare our members for changes in the market. (...) And providing income security which is difficult with fluctuating prices."

### **4.3.2 Competencies.**

All respondents were asked which competencies a co-operative manager should have for them to be considered as a good one. Below the different mentioned competencies are stated from most mentioned to least mentioned. Between brackets the amount of actors who mentioned that competency are indicated.

- Understanding the co-operative model and members (9)
- People management (empathy, flexibility) (8)
- Communication: open, understandable (6)
- Conceptual thinking (eg. Finance) (1)
- Strategic thinking (1)
- Seeing broader picture (1)
- Efficiency (1)
- High level of competency (1)

### **4.3.3 From non-co-operative to co-operative.**

'Can a manager from a non-co-operative be placed in a co-operative?' was asked to the managers. All managers agreed this cannot be done blindly.

At case A, both managers used to work in a non-co-operative. M<sub>1A</sub> went from a family firm to a co-operative and felt there were many similarities which made the transfer smooth but believes a manager should not come from a private equity environment. This manager experiences more contact and involvement from the board of directors compared to family firms. M<sub>2A</sub> used to work

in multinationals and experienced a need for adaptation from thinking in terms of profit to thinking in terms of cost: "because your natural reflexes are not like that." This manager added "I think that there is a greater involvement of the crowd here: every member, supplier, shareholder of the co-operative feels much more involved with case A than someone who just buys shares at the stock market."

At case B both managers always have worked within a co-operative but see the following differences:

- M<sub>1B</sub>: "The shareholder is looking over your shoulder on a daily basis. Could be overwhelming for someone who is not used to it."
- M<sub>2B</sub>: "The motives are a bit different: in our case we are going to fully focus on our members and try to bring everything to the market, otherwise you will be more on the hunt for profit."

According to all four manager, training for managers is not needed. They all mention 'learning through experience' is the best way. All members say there is no education provided for managers.

### **4.3.4 Advice for new managers.**

All managers gave some advice for future managers within large co-operatives.

M<sub>1A</sub>: "Do not think of a co-operative as something abnormal."

M<sub>2A</sub>: "I think that each co-operative functions quite differently. So I would advise you to really understand how the particular co-operative functions, how independent the

company is of its management, I think that is important. (...) I think the most important thing is establishing a good governance model and having a good understanding of that model."

M<sub>1B</sub>: "I would advise them to go and talk to some of the members, to go and talk to some of the board members. Walk through the company and you will see a lot. And, very important, know how the members think, how they work."

M<sub>2B</sub>: "Try to listen to the members, try to think in terms of their environment and then be able to go on a journey with them. Do not think just from the point of view of the figures or just for the company, you also need to keep the member's company in mind."

## 5. Discussion

In the current literature several examples of challenges experienced within large co-operatives can be found. First, Österberg et al. (2009) mention information asymmetry between board and members, and between members and managers. This research can add to this literature by showing that information asymmetry is also present between board and managers. Techniques used by the case companies to limit this information asymmetry are selecting instead of electing the board, including external board members and offering training courses for board members. Another challenge mentioned by researchers is the difficulty to believe in and understand the nature of a co-operative (Couchman et al., 2015). In this research this difficulty is clearly seen among external board members as they struggle with understanding the co-operative model.

The follow-up problem is that members can hardly monitor what the directors are doing (Hakelius et al., 2016), related to this Couchman et al. (2015) mention the hubris of the managers, especially when oversight by the board is limited. Monitoring the board is perceived difficult by two of the four interviewed board members, the other two see it as the job of the management board. However, the research could not show any hubris on the management's side. Next, the horizon problem, i.e. pressure on the management and board to maximize short-term benefits for members even though this may affect the long-run perspective (Cook, 1994), was confirmed by the research. As the board thinks more short-term and the management long-term, this is another aspect that distinguishes a co-operative from a privately held company. This can be explained by realizing the board members are producers and therefore quickly experience the effects of the decisions that are made (such as long-term investments) in for example the price they will receive for their product. Furthermore, the literature also mentions size as a challenge because it increases both complexity and the distance between members and directors (Hakelius et al., 2016). The two cases confirmed the challenges communication poses due to the size of the co-operative. At case B, however, the distance between members and directors is limited and not affected by the size of the firm due to the nature of the business where members themselves deliver their goods at the co-operative. The decision problem mentioned in the literature, i.e. members having differing opinions making it difficult for the management of a co-operative to weight these opinions (Richards et al., 1998), is confirmed by the research: when



discussions between board and management occur due to different opinions, good communication is perceived as key. Lastly, the literature mentions the business goal as a complicating factor which is to generate "the highest residual level for the members" (Hakelius et al., 2016 p. 24; Nilsson, 2001). When looking at the goals of the different actors which were interviewed, we can see that these goals are not always the same. At case A one manager stated that the fact that case A sells all the product supplied by the members, is seen as normal and that members focus on the price they receive for their product. However, the two interviewed members mention this 'selling of all product supplied' as what they see as the main goal of the co-operative, and do not mention the price they receive in that regard. The board does mention both price and selling of products supplied but again management thinks the board's main goal is pricing. On the other hand, management's main goal is selling all the products supplied and offering a good price to the members, this is correctly anticipated by the board members who also say that is what they think the management is aiming for. At case B, the board's main goal is selling all products supplied by the members and management's goal is to offer a good price and be strong as a group to ensure case B's future. The board correctly assessed the management's goal as being different. The managers however expected the board to have the same goal as they have. Alignment of the goals or at least knowing the differences, should receive more attention in both companies. In this research, some other challenges were identified: three out of four managers mentioned the challenge for members to accept changes in society and the market,

and the difficulty to prepare them for those changes. Another challenge that was mentioned was ensuring no jargon or technical knowledge is misused to push things through, but that an attempt is made to have a healthy debate about the real challenges. Remaining attractive to customers and employees was also mentioned by one manager as a challenge.

In the literature, the importance of education and training for directors, executives, and strategic stakeholders is stressed (Cornforth, 2015). Also the ICA included this in one of the seven ICA principles: "providing education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives" (International Co-operative Alliance, 1995, Cooperative Principles section, para. 5).

The qualitative study showed that according to all four managers, training for managers is not needed and that there is currently no education provided.

Multi-actor collaboration is present in the researched co-operatives. Regarding this collaboration, the Chinese whisper phenomenon is mentioned in literature and was also mentioned by two interviewees as a difficulty when communicating with different actors. Literature does not take a true multi-actor collaboration perspective, however this perspective is preferred when researching co-operatives.

Whether joint learning occurs within the two cases is unclear as the responses vary. According to current literature, to have in-depth joint learning, implicit knowledge has to be converted into explicit knowledge by sharing experience, collective sense making

and reflecting on the common practices and experiences (Lambrechts et al., 2012). For case A, one manager experiences joint learning, for case B, both managers experience this learning. The importance attached to joint learning varies from respondent to respondent: in each case, one respondent mentions they do not feel the co-operative is the right place for joint learning because the co-operative has to focus on themes of governance and co-operative operations. On the other hand, two respondents from case B stressed the need for this joint learning. Lambrechts et al. (2012) formulate characteristics inherent to firms asking for in-depth joint learning. From those characteristics, we can say a co-operative is a place where joint learning should be facilitated. The conducted research confirms that different parties tend to stress their distinctive competencies even though they need one another because of these distinctive competencies (Lambrechts et al., 2012; Selznick, 1957).

According to Hansen et al. (2002), within co-operatives, there is a stronger cognitive trust in the management compared to affective trust. This rational thought process related to cognitive trust can also be found in the interviews: at case A the price members receive for their product is a benchmark for trust, at case B both price and receiving answers to questions are mentioned to strengthen trust. This relates to the research of Jensen-Auermann et al. (2018) whom stated "the better the co-operative meets its obligations (i.e. fulfilling principles and agreements), the better the member's assessment of trust" (p. 106). Österberg et al. (2009) state that the concept of trust is essential in a co-operative, this is also clearly

seen in the responses of all interviewees. At case A the trust between the board and management is present according to the managers and fluctuates according to the board members. At case B both managers and board members feel trust is present among them. When respondents had to estimate whether the other parties trust them, this question appeared to be more difficult to answer: some dodged the question, other respond in a doubtful way. However, one board member at case A, one manager and one board member at case B, convincingly mention that the other parties trust them. How trust is built among the actors appeared to be another difficult question to answer. In each company, one board member mentioned specific systems to foster trust are needed. Jensen-Auermann et al. (2018) identified four factors which management of co-operatives should focus on to develop and stabilize trust: commitment, service quality, transparency and obligation. During the interviews honest and good communication was mentioned by all respondents, some literally mentioned the importance of transparency when communicating to build trust. As discussed before, meeting the obligations also fosters trust in both companies. One conclusion to be drawn from this is that both companies should formulate ways in which they want to build trust and can improve their communication to increase this trust.

Shared leadership implies that all members of the group actively participate in the direction setting process and engage in leadership behaviours (Lambrechts et al., 2012). Even though the literature does not mention the presence of shared leadership in co-operatives, the research shows this is

present. Board members and managers clearly participate in the direction setting process and engage in leadership behaviours. Members within the co-operatives can participate in setting directions through advisory boards.

When looking at the competencies a manager within a co-operative should have, Fairbairn et al. (2015) stress the importance of management understanding the co-operative structure. Three out of the four managers would advise a new manager to make sure they understand this model and the members thoroughly. Furthermore, this competency was mentioned the most when interviewees were asked which competencies a manager should have. No signals can be found in the conducted research to say the interviewed managers have difficulties understanding the co-operative model. At case A, however, the two external board members, who have a lot of experience in non-co-operative models, do struggle with this specific model. All interviewed managers agree that hiring a manager from a non-co-operative to work in a co-operative cannot be done blindly. New managers should be aware of the differences the co-operative model implies. At case A one manager used to work in family firms and described the change to a co-operative as smoothly. Another manager used to work in multinationals and did feel adaptation was needed to the way one thinks: from profit-thinking to cost-thinking. All interviewed managers mentioned the shareholders are more involved within a co-operative. Regarding hiring managers, Cornforth (2015) advises to use selection instead of election when trying to find the best candidate for a management function. In both case companies, selection is used

when hiring managers. We can conclude hiring a manager for a co-operative should be done carefully as the manager needs to be able to grasp the co-operative model in order to be successful. Nevertheless, according to all four managers training for managers is not needed because learning on the job is the best way. Communication skills, people management, conceptual and strategic thinking are all competencies required by managers mentioned in literature by Cook (1994) and were mentioned during the interviews as well. Other competencies that were mentioned by the respondents are seeing the broader picture, efficiency and high level of competency. Cook (1994) also adds that a manager must be comfortable with complexity, vagueness and conflict. This can also be concluded from the interviews: according to them information asymmetry between board and management can result in discussions which need to be resolved through open communication. Also the shareholders being more involved increases complexity and the chance for potential conflict.

The literature treats the board and management in the same way. From this research, it becomes clear that the uniqueness of the different perspectives must be examined and not lumped together as is currently the case.

## **6. Recommendations and limitations**

This research allows us to formulate some practical advice and implications for producer co-operatives.

- 1) Alignment of the goals and mission of the different actors should receive more attention. Aligning these goals

and mission will provide a strong base for collaboration.

- 2) Trust among the different actors is key and therefore the different actors should formulate concrete ways to build trust.
- 3) The different actors within producer co-operatives have to realize a co-operative can benefit from in-depth joint learning and have to develop ways to facilitate this learning.
- 4) The larger a producer co-operative gets, the more important it becomes to have communication systems in place that allows for fast and clear communication. To build an efficient communication system, members should be heard.

Literature on management in co-operatives remains limited and therefore still offers many further research opportunities. For example, the challenges experienced by managers could be studied individually, yet without losing sight of the co-operative mission. There are two major limitations in this study that could be addressed in future research. First, the study focused on producer co-operatives, it would be interesting for further research to study managers in worker co-operatives, consumer/user co-operatives and multi-stakeholder co-operatives. Second, both case studies are companies within the agricultural industry, further research could investigate whether the same findings are true for (producer) co-operatives in other industries.

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## **8. Appendix A. Interview Protocol**

### *Background*

Theoretical sampling was used to select the companies to interview. Cera Leuven helped in selecting the companies.

The companies need to meet 3 conditions :

- The company is a business co-operative
- The company has a clear co-operative identity
- The co-operative is large which means that they have a separate management team consisting of non-members.

### *Purpose*

The interview should allow answering the following questions:

- 1) How does the management and the board of co-operatives deal with each other's differences (in perspectives, vision, goals, and preferences)?
- 2) What is the importance of joint learning, trust and leadership when

looking at the interactions within co-operatives?

- 3) Which capabilities are indispensable for a good manager in a co-operative?

### *Method*

The interviews will be conducted in two large business co-operatives. In each co-operative the following people will be interviewed:

- 2 members of the board of directors
- 2 managers
- 2 members of the co-operative that are not part of the board of directors

Each interview will take around 1 hour.

There will be asked if the interview can be recorded. This means that the interview can be done with full attention and we can later type out and process the interview. The interviewee can request to get the typed version of the interview to read it through.

The respondent can choose to do the interview in Dutch or English.



*The interview questions*

<p><i>Questions for <b>managers</b>:</i></p> <ol style="list-style-type: none"><li>(1) Wat is uw persoonlijk belang en uw persoonlijk visie op de coöperatie?</li><li>(2) Wat is volgens u het belang en de visie van de bestuursleden op de coöperatie?</li><li>(3) Gedeeld leiderschap: heeft u als manager inspraak in strategische beslissingen die gemaakt worden? Voorbeeld</li><li>(4) Wat is voor u de grootste uitdaging als manager binnen case A/case B?</li><li>(5) Hebben de bestuursleden volgens u dezelfde informatie ter beschikking als u wanneer er beslissingen genomen worden? Zo nee, waarin verschilt deze informatie?</li><li>(6) Beïnvloedt dit de samenwerking tussen de bestuursleden en managers? Op welke manier?</li><li>(7) Hoe liggen de machtsverhoudingen tussen de partijen (lid/RvB/management)?</li><li>(8) Zijn er partijen die naar uw gevoel meer inspraak hebben dan andere partijen?</li><li>(9) De leden hebben verschillende meningen, heeft het management ookeen rol in het verzoenen van deze meningen?</li><li>(10) Hoe verloopt voor uw gevoel de samenwerking met de raad van bestuur?</li><li>(11) Hoe verzoenen jullie meningsverschillen tussen management en RvB?</li><li>(12) In welke mate ervaart u in de praktijk dat u gebruik kan maken van de kennis die in [naam bedrijf] aanwezig is en in welke mate kan u uw kennis delen?</li></ol>	<ol style="list-style-type: none"><li>(1) What is your personal goal and vision on the co-operative?</li><li>(2) What do you think is the goal of the directors for the co-operative</li><li>(3) Shared leadership: do you, as a manager, have a say in the strategic decisions that are made? Example</li><li>(4) What is your biggest challenge as a manager?</li><li>(5) Do the directors have the same information as you have when making decisions? If not, in which way is this information different?</li><li>(6) Does this influence the cooperation between the board and managers? In what way?</li><li>(7) What are the power relations between the parties (member/board/management)?</li><li>(8) Do you have the feeling some parties have more to say than other parties?</li><li>(9) The members have different opinions, how do you experience the reconciliation of these opinions?</li><li>(10) How do you experience the collaboration with the board?</li><li>(11) How do you reconcile different opinions of management and board?</li><li>(12) To what extent do you experience in practice that you can make use of the knowledge present in [name company] and to what extent can you share your knowledge?</li></ol>
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<p>(13) Hoeveel autonomie heeft u in uw beslissingen?</p> <p>(14) Denkt u dat de leden de managers vertrouwen?</p> <p>(15) Hoe belangrijk is dit vertrouwen voor u?</p> <p>(16) Hoe wordt dit vertrouwen opgebouwd? Kan u hier concrete voorbeelden van geven?</p> <p>(17) Verschilt een manager in een coöperatie van een manager in een niet-coöperatie volgens u? Op welke manier?</p> <p>(18) Wat zijn volgens u de drie belangrijkste competenties die een manager in een coöperatie moet bezitten?</p> <p>(19) Biedt [het bedrijf] scholing voor de managers?</p> <p>(20) Welke extra scholing zou u willen genieten/willen genoten hebben om hier optimaal te kunnen werken binnen de coöperatie in uw functie?</p> <p>(21) Welke raad zou u een manager die voor het eerst in een coöperatie begint te werken geven?</p>	<p>(13) How much autonomy do you have in your decisions?</p> <p>(14) Do you think the members trust the managers?</p> <p>(15) How important is this trust to you?</p> <p>(16) How is this trust build? Can you give some concrete examples?</p> <p>(17) Is there, according to you, a difference between a manager in a co-operative and a manager in a corporation? In what way?</p> <p>(18) What are according to you the three main competencies a manager of a co-operative should have?</p> <p>(19) Does the company offer education for the managers?</p> <p>(20) What kind of education would you like to have /have got to be able to work optimally in this function within the co-operative?</p> <p>(21) What advice would you give a manager who starts working in a co-operative for the first time?</p>
<p><i>Questions for <b>directors</b>:</i></p> <p>(1) Wat is uw persoonlijk belang en uw persoonlijk visie op de coöperatie?</p> <p>(2) Wat is volgens u het belang en de visie van de managers op de coöperatie?</p> <p>(3) Gedeeld leiderschap: heeft u als lid van de RvB inspraak in strategische beslissingen die gemaakt worden? Voorbeeld</p> <p>(4) Hebben de managers volgens u dezelfde informatie ter beschikking als u wanneer er beslissingen genomen worden? Zo nee, waarin verschilt deze</p>	<p>(1) What is your personal goal and vision on the co-operative?</p> <p>(2) What do you think is the goal and vision of the managers for the co-operative?</p> <p>(3) Shared leadership: do you, as a board member, have a say in the strategic decisions that are made? Example</p> <p>(4) Do the managers have the same information as you have when making decisions?</p>

<p>informatie?</p> <p>(5) Beïnvloedt dit de samenwerking tussen de bestuursleden en managers? Op welke manier?</p> <p>(6) Hoe liggen de machtsverhoudingen tussen de partijen (lid/RvB/management)?</p> <p>(7) Zijn er partijen die naar uw gevoel meer inspraak hebben dan andere partijen?</p> <p>(8) De leden hebben verschillende meningen, hoe ervaart u het verzoenen van deze meningen?</p> <p>(9) Hoe verloopt voor uw gevoel de samenwerking met het management?</p> <p>(10) Hoe verzoenen jullie meningsverschillen tussen management en RvB?</p> <p>(11) In welke mate ervaart u in de praktijk dat u gebruik kan maken van de kennis die in [naam bedrijf] aanwezig is en in welke mate kan u uw kennis delen?</p> <p>(12) Hoeveel autonomie heeft u in uw beslissingen?</p> <p>(13) Denkt u dat de leden de RvB vertrouwen?</p> <p>(14) Hoe belangrijk is dit vertrouwen voor u?</p> <p>(15) Hoe wordt dit vertrouwen opgebouwd? Kan u hier concrete voorbeelden van geven?</p> <p>(16) In grote coöperaties is het moeilijk voor leden om toezicht te houden op het doen en laten van de RvB en kan dit zorgen voor verminderde loyaliteit en een verlies van interesse bij de leden. Zijn er acties die jullie ondernemen om dit te voorkomen?</p> <p>(17) Verschilt een manager in een coöperatie van een manager in een niet-coöperatie volgens u? Op welke</p>	<p>(5) Does this influence the cooperation between the board and managers? In what way?</p> <p>(6) What are the power relations between the parties (member/board/management)?</p> <p>(7) Do you have the feeling some parties have more to say than other parties?</p> <p>(8) The members have different opinions, how do you experience the reconciliation of these opinions?</p> <p>(9) How do you experience the collaboration with the management?</p> <p>(10) How do you reconcile different opinions of management and board?</p> <p>(11) To what extent do you experience in practice that you can make use of the knowledge present in [name company] and to what extent can you share your knowledge?</p> <p>(12) How much autonomy do you have in your decisions?</p> <p>(13) Do you think the members trust the board?</p> <p>(14) How important is this trust to you?</p> <p>(15) How is this trust build? Can you give some concrete examples?</p> <p>(16) In large co-operatives members can hardly monitor what directors do which results in a decreased loyalty and a loss of interest. Which actions do you undertake to prevent this from happening?</p> <p>(17) Is there, according to you, a difference between a manager in a co-operative and a manager in a corporation? In</p>
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<p>manier?</p> <p>(18) Wat zijn volgens u de drie belangrijkste competenties die een manager in een coöperatie moet bezitten?</p> <p>(19) Op welke manier werven jullie managers aan: via selectie, via een stemming?</p> <p>(20) Vindt u het belangrijk dat jullie scholing/vorming aanbieden aan managers die komen werken bij [naam bedrijf]? Gebeurt dat? Waarom wel of niet?</p> <p>(21) Welke aspecten moeten zeker aan bod komen bij zo een scholing/vorming volgens u?</p>	<p>what way?</p> <p>(18) What are according to you the three main competencies a manager of a co-operative should have?</p> <p>(19) In what way are managers recruited? Via selection, via election?</p> <p>(20) Do you think it's important [the company] offers education to managers who start working here? Does this education takes place?</p> <p>(21) Which aspects need to be present in such education?</p>
<p><i>Questions for <b>members</b>:</i></p> <p>(1) Gedeeld leiderschap: heeft u als lid inspraak in strategische beslissingen die gemaakt worden?</p> <p>(2) Wat zijn volgens u de drie belangrijkste competenties die een manager in een coöperatie moet bezitten?</p> <p>(3) Zijn er partijen die naar uw gevoel meer te zeggen hebben dan andere partijen?</p> <p>(4) Hoe liggen de machtsverhoudingen tussen de partijen (lid/RvB/management)?</p> <p>(5) Heeft u soms het gevoel dat uw mening niet erkend wordt door de raad van bestuur/managers? Waarin uit zich dat?</p> <p>(6) Vindt u dat er voldoende naar alle leden wordt geluisterd? Wat vindt u dat bestuurders/managers kunnen doen om beter naar iedereen te luisteren?</p> <p>(7) Heeft u vertrouwen in het management/bestuurders? Hoe versterkt u dat vertrouwen?</p> <p>(8) Hoe belangrijk is dit vertrouwen voor u?</p> <p>(9) Hoe wordt dit vertrouwen opgebouwd?</p>	<p>(1) Shared leadership: do you, as a member, have a say in the strategic decisions that are made?</p> <p>(2) What are according to you the three main competencies a manager of a co-operative should have?</p> <p>(3) Do you have the feeling some parties have more to say than other parties?</p> <p>(4) What are the power relations between the parties (member/board/management)?</p> <p>(5) Do you sometimes feel that your opinion is not recognized by the board / managers? How is this demonstrated?</p> <p>(6) Do you think that members are heard enough? What do you think directors / managers can do to listen to everyone better?</p> <p>(7) Do you have confidence in the management / directors? How do you strengthen this trust?</p> <p>(8) How important is this trust to you?</p> <p>(9) How is this trust build? Can you give</p>

<p>Kan u hier concrete voorbeelden van geven?</p> <p>(10) In een grote coöperatie is het moeilijk voor leden om het doen en laten van de RvB te monitoren. Ervaart u dit? Hoe probeert u toch betrokken te blijven?</p> <p>(11) Vindt u het belangrijk dat jullie scholing/vorming aanbieden aan managers die komen werken bij [naam bedrijf]? Gebeurt dit?</p> <p>(12) Welke aspecten moeten zeker aan bod komen bij zo een scholing/vorming volgens u?</p>	<p>some concrete examples?</p> <p>(10) In large co-operatives it is difficult for members to monitor what directors do. Do you experience this? How do you try to stay involved?</p> <p>(11) Do you think it's important [name company] offers education to managers who start working here? Does this education takes place?</p> <p>(12) Which aspects need to be present in such education?</p>
<p><i>Final question for all groups:</i></p> <p>(1) Zijn er nog zaken die volgens u belangrijk zijn voor mij om te weten en die niet besproken werden in dit interview?</p>	<p>(1) Are there, according to you, other aspects that could be important for my research and were not discussed in this interview?</p>
<p><i>Follow-up questions:</i></p> <p>(1) Kunt u daar iets meer over vertellen?/ Zou u daar wat meer over kunnen vertellen?</p> <p>(2) Wat bedoelt u precies met (...)?</p> <p>(3) Wie bedoelt u precies met 'wij'?</p> <p>(4) Wat vindt u daarvan?</p>	<p>(1) Could you please elaborate on that?/Would you tell me more about that?</p> <p>(2) What do you exactly mean with (...)?</p> <p>(3) Whom exactly do you refer to when you say 'we'?</p> <p>(4) What is your opinion on that?</p>