



# Individuality vs. communality—A new dual role of co-operatives?



Anu Puusa<sup>a,\*</sup>, Kirsi Hokkila<sup>a</sup>, Antti Varis<sup>b</sup>

<sup>a</sup> Business School, University of Eastern Finland, Joensuu Campus, Yliopistokatu 2, P.O. Box 111, FI-80101 Joensuu, Finland

<sup>b</sup> Pohjois-Karjalan Osuuskauppa, Nurmeksentie 2, P.O. Box 102, FI-80101 Joensuu, Finland

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## ABSTRACT

As people, values and times change, co-operatives also restructure themselves making the reappraisal of co-operative theory topical. This article contributes to the co-operative theory by exploring the very core of co-operative ideology, the dual nature. The literature review contributes to the theoretical basis regarding the most distinctive characteristic of a co-operative form of business by reasserting the concept of dual role. Secondly, the empirical case study explores the interpreted meanings and manifestation of dual role in a worker co-operative context. Based on the research, we suggest that considering the duality of co-operatives' goals, social and financial goals are not the ones defining and guiding the operations. Instead, individuality and communality are two rival forces that form an inherent contradiction in worker co-operative operations. The article highlights how individuality gains dominance in a co-operative due to its extreme democracy and flexible structure, and how this deteriorates communality, the bearing force of the community. Thus, we suggest that finding a balance between the conflicting needs and expectations of an individual member and the co-operative reflects the 'new dual nature' of co-operatives. We also argue that when properly balanced, both shared and individual goals will provide an ideal work community for modern entrepreneurs.<sup>1</sup>

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## 1. Introduction

Today, co-operatives comprise some of the world's largest businesses contributing globally to resilient employment, a sustainable economy and the well-being of workers (ICA, 2013). Despite their undisputable significance, co-operatives have attracted little interest in the field of management science; they have been largely overlooked within mainstream economics and management theory (Mazzarol, Limnios, & Reboud, 2011; Jussila, Goel, & Tuominen, 2012; Puusa, Mönkkönen, & Varis, 2013). The shortage of scholarly research available poses serious challenges in co-operatives being understood and taken seriously in literature and policy (Saksa, 2007; Jussila, Kalmi, & Troberg, 2008). Co-operatives are also widely ignored in education (Fontrodona & Sison, 2006; Tuominen, Jussila, & Rantanen, 2010; Puusa et al., 2013; Puusa & Hokkila, 2014). The situation has resulted in poor level of knowledge regarding co-operatives and the ideology behind them. According to Levi and

Davis (2008), the rejection is due to co-operatives being the "enfants terribles" of economics. They refer to the distinctive characteristic of co-operatives, their dual nature. A co-operative, like any other business, needs to have a viable idea and strive to maintain its competitive edge. Simultaneously, it is a social community owned by its members whose operations are primarily based on their members' needs and wellbeing. The complex nature of co-operatives, namely their basis and reliance on co-operation, is considered problematic from the neoclassicists' perspective as it does not fit into the boundaries of neoclassical framework (Mooney & Gray, 2002, p. iv). In addition, co-operatives are continuously restructuring themselves to adapt to the changing environment, making the restructuring of co-operative theory evident (Mazzarol et al., 2011).

It is the dual nature of co-operatives that explains their economic, social and cultural impact. Thus many like Mazzarol et al. (2011) argue that more research is required to better understand the unique characteristics of the co-operative business model. Mooney and Gray (2002, pp. 1–2) call for a strong link between theory and practice: it is important that 'theoretical guides remain embedded in the concrete reality of co-operative organization, rather than in an autonomous logic independent of environment and history (such as neo-classical economics)'. Therefore, the need for new approaches has been identified in the attempt to increase understanding of the actual practices and for the theories to become more

\* Corresponding author.

E-mail addresses: [anu.puusa@uef.fi](mailto:anu.puusa@uef.fi) (A. Puusa), [kirsi.hokkila@uef.fi](mailto:kirsi.hokkila@uef.fi) (K. Hokkila), [antti.varis@sok.fi](mailto:antti.varis@sok.fi) (A. Varis).

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compatible with the core idea and its manifestation in the business world.

The aim of this paper is to reassert the concept and provide deeper insights into the current interpretations of the dual nature (see Draheim, 1952; Holger, 1986; Michelsen, 1994; Neto, Barroso, Marcelo, & Rezende, 2010; Syrjä, Sjögren, & Tuominen, 2011; Zamagni & Zamagni, 2010; Puusa & Hokkila, 2015b) by exploring it in a worker co-operative context, which so far has been a virgin field from this particular conceptual perspective. Henzler (1960) states that highlighting the duality is especially important in academic research concerning co-operatives since they have been accused of abandoning their original mission (see Anderson & Henehan, 2005; Puusa et al., 2013). This according to our understanding culminates specifically in their dual nature that is based on the co-operative values and principles that form the ‘irreducible core’ of all co-operatives, regardless of their type (ICA, 2013). Thereby this article answers the question of how are the defining characteristics of the dual role manifested in the interpretations of worker co-operative members found in the textual data?

Finnish worker co-operatives serve as an interesting context for this study as Finland is the most co-operative country in the world in terms of co-operatives’ sales relative to GDP and the number of co-operatives relative to the population (Jones & Kalmi, 2009). Also the formation rate of new co-operatives in Finland ranks highly in European-wide comparisons (Kalmi, 2013). Co-ops increased in the mid-1990s after one of the severest recessions in Finland’s history and the resultant high unemployment. Their number more than doubled in the years 1995–1997, which was in complete opposition to the trend of declining numbers of other companies (Pättiniemi & Solhagen, 1999; Kalmi, 2013). Currently they are becoming an ever more salient form of business in many fields although they still cover a relatively small number of new companies established yearly. Worker co-operatives also have comparatively short presence in the Finnish economy and the practical and theoretical understanding of this type of co-operative is scarce (Kalmi, 2013; Pättiniemi & Tainio, 2000).

There is a limited amount of research concerning worker co-operatives’ fundamental characteristics and their interpretation. Some research highlight the differences between capitalist firms and worker co-operatives in terms of financial benefits (see e.g., Craig & Pencavell, 1992; Pencavell & Craig, 1994; Mikami, 2003). Recent studies have called for more empirical research on worker co-operatives regarding non-pecuniary member benefits (Pencavell, 2015). Hence, the overall poor knowledge and a relatively small number of new co-operatives motivated us to explore the experiences of those entrepreneurs who have chosen a co-operative as the form of their business. The above arguments give a reason to assume that there might be a particular ideological attachment towards the co-operative idea behind the choice and its motivation.

Burdín and Dean (2012) state that worker co-operatives have dual objectives as they emphasize both employment and income per worker. Pättiniemi and Tainio (2000) elaborate that the dual nature of a worker co-operative suggests that the primary social responsibility of the community is to organize employment opportunities for its members through mutual effort. Simultaneously, it has economic responsibility to ensure financial stability to secure the continuity of its members’ employment. Their study on Finnish worker co-operatives shows great variation in the social and economic emphasis of the co-operatives thus indicating strong duality in their nature. Troberg’s (1997,2000) research on Finnish co-operatives revealed a variety of problems in organizing and managing co-operation generating from differing views among members, unprofessional management, and poor familiarity with co-operative principles which lead to desultoriness, indecisiveness, member passiveness and weak financial status. Many of these iden-

tified problems in co-operative literature (see Cook, 1995) arise from divergent interests and for example Mazzarol et al. (2011) elaborate that the control problem arises from co-operatives’ dual functions.

Nevertheless, worker co-operatives have a special character; they are said to be the “purest” form of employee-owned companies as the employees have both the control and majority rights to the business returns (Ben-Ner & Jones, 1995, p. 537). Kalmi (2013) states that worker co-operatives are the fullest expression of democracy in business. Burdín and Dean (2009) point out that because of the unique structure they have distinctively egalitarian adjustment mechanisms at their disposal. Even during recession they refrain from exploiting workers and prevent redundancy (Birchall, 2012). These findings on worker co-operatives make the practical existence and relevance of both business and social goals evident and further validate our interest in the dual nature in this context.

This study represents a significant departure from previous work in three ways: (1) Despite the significant status of the dual nature in the literature and its well-recognized relevance in shaping the identity of co-operative business, there is a shortage of references that would cover the relevant aspects broadly and consistently. Therefore, this paper makes a contribution to co-operative theory with an extensive literature review. (2) Prior literature on dual nature mainly relies on theoretical arguments. This study uses these statements as a framework for empirical investigation. (3) Prior research has dealt with the dual nature in general terms, without framing the type of co-operative. Our study acknowledges the differences between various types of co-operatives and explores the concept in a certain type of co-operative; worker co-operatives.

## 2. The meaning and manifestation of the dual nature

Based on their history and the ideology that motivated the creation of co-operatives in the 18th century, co-operatives are distinguishable from other business forms in many ways. The most important distinguishing characteristic is their dual nature which was discussed by George Fauquet in 1935 and was first defined as a concept by Draheim (1952). A co-operative is a business enterprise and a social group of members and as such has both a business and member community roles. Nilsson (2001) describes the dialog between the two roles through the concept of integration; the member is both a patron (customer/supplier) and an owner (shareholder). Because of this dual nature, co-operatives have been described as complex organizations with a variety of goals, some of which may be in conflict with one another (Draheim, 1952; Skurnik, 2002; Mooney & Gray, 2002; Puusa et al., 2013). On the other hand, their dual nature creates basis for the unique co-operative identity. Therefore, ensuring a balance between the roles is crucial. Zamagni and Zamagni (2010, p. 1) state, that “*whenever one of these aspects is sacrificed to the other, the co-operative is denatured, losing its identity*” (see also Nilsson, 2001; Mazzarol et al., 2011).

### 2.1. Business role

Neck, Brush, and Allen (2009) describe co-operatives as having a social mission with economic returns, while Mazzarol et al. (2011, pp. 14–15) describe co-operatives as having an economic mission with social impacts and social outcomes. Practically, co-operatives contain a social amendment, which serves as a platform on which to build their competitive idea. Despite their social function, co-operatives are not created for social purposes alone (Mazzarol et al., 2011) as many co-operatives are driven by collective economic self-interest. They have an economic rationale (Nilsson, 2001, p.

333) which makes sense through a positive cycle: when members become motivated by co-operative values, the membership rate grows, whereby the volume increases and economies of scale are consequently reaped.

According to [Levi and Davis \(2008\)](#), co-operatives are too economically oriented to be included in the non-profit sector and too socially oriented to be considered as an economic for-profit organization. Their aim is not to maximize return on investment, but to optimize the returns to both their members and their own operations. While aiming at efficiency and profitability, co-operatives make a distinction between profit making and profit maximization. The purpose is to provide benefits to the members while simultaneously ensuring the capability to generate a sufficient amount of profit in order to maintain co-op's long-term survival ([Mazzarol et al., 2011, p. 3](#)). Therefore, co-operatives are described as Not-for profit organizations. [Levi and Pellegrin-Rescia \(1997\)](#) describe co-operatives as being the only form of business with a clear entrepreneurial component where the subordination of the economic to the social is in the logic of the organization and stipulated by law.

In worker co-operatives, the revenues are distributed in relation to work input: working hours or invoicing ([Kalmi, 2013](#)). Therefore, it has been suggested that a co-operative represents an economic democracy thus differing from traditional economic and management theories ([Miller, 1937](#); [Hind, 1997](#)) that present maximization of profit, sales and growth as the company's self-evident goals. According to [Hind \(1997, p. 1078\)](#), however, in a co-operative context such objectives are “either superfluous or act as constraints within which other member benefit goals may be aimed”. In theory at least, she continues, they are a means rather than an end.

Historically, the establishment of co-operatives has been motivated by prevailing market failures as an attempt to challenge and stabilize the existing economic system where the competitive situation is distorted and/or immoderate exploitation is taking place, e.g., due to monopolistic or oligopolistic market forces ([Spear, 2000](#); [Nilsson, 2001](#); [Mazzarol et al., 2011](#)). According to the ideology, by not acting opportunistically or exploiting consumers, co-operatives are dependable and responsible ([Spear, 2000, p. 521](#)). This is particularly important from the point of view of collective execution of the business idea; it is a financial intermediary between its members and the markets. The members give the co-operative a mission to purchase, sell and/or market given products thus providing services and benefits for the members. While using their co-operatives' services, members exclude themselves from direct contact with the markets ([Henzler, 1960](#)) and collectively achieve economies of scale and have access to the products and services they need. By owning a co-operative, members remain economically independent actors in the market, not dependent on investor owned firms (IOF) ([Holger, 1986](#)).

In [Table 1](#) we present a synthesis of the business role including a categorization and an analysis of theoretical concepts and their manifestation in co-operative operations in practice. The Table also highlights the general orientation and the key features of the business role that we use as a lens to interpret our empirical data.

## 2.2. Member community role

A co-operative is characterized as a member group and therefore described as a people-centered form of company. Driven by a “co-operative spirit” based on esprit de corps, it entails a collective mindset that promotes the principles of self-help, self-dependence and self-government. Interaction among members and trade with the co-operative is characterized by trust ([Holger, 1986, p. 12](#)) and membership entails both rational and emotional motives ([Henzler, 1960](#); [Spear, 2000](#)).

**Table 1**  
Concept of business role.

Theoretical conceptualization	Operative manifestation
General orientation	
Approach	<ul style="list-style-type: none"> <li>• Pragmatic</li> <li>• Economic focus</li> <li>• Rational</li> <li>• Non-political</li> </ul>
Competitiveness and effectiveness	
Mission of the business role	<ul style="list-style-type: none"> <li>• Competitive idea</li> <li>• Efficiency and profitability</li> <li>• Economic returns from social mission</li> <li>• Economic mission with social impact</li> </ul>
Continuity and growth	
Key drivers and motivation of the business	<ul style="list-style-type: none"> <li>• Long term perspective</li> <li>• Business idea driven by economic self-interest</li> <li>• Collective execution of the business idea</li> <li>• Economies of scale from the increasing number of members</li> </ul>
Pursuit and treatment of capital and profits	
Relation to profit	<ul style="list-style-type: none"> <li>• Not-for-profit</li> <li>• Optimization of returns</li> <li>• Distinction between profit making and profit maximization</li> </ul>
Economic rationale	
Purpose to be in the market	<ul style="list-style-type: none"> <li>• Financial intermediary role</li> <li>• Economic independency</li> <li>• Fair pricing</li> <li>• Challenging of distorted competition</li> <li>• Redressal of market failures</li> <li>• Stabilization of the market</li> <li>• Ideology stipulated by law</li> </ul>

Co-operatives encourage activeness and participation. According to [Spear \(2000, p. 522\)](#), co-operatives are participative by definition: they empower people and make effective use of their members' resources. Co-operatives promote a sense of ownership and the “voice” of their members, giving members great potential to influence on the co-operative's operations ([Spear 2000, p. 520](#)). It is distinctive for co-operatives that control is vested in the members equally. [Hind \(1997, p. 1077\)](#) highlights that for co-operatives “the principle of one member, one vote is fundamental” and that “membership must not be artificially restricted with the aim of increasing the value of any proprietary rights and interests”. Power lies not only in participation, but also in actual co-operation: as an enterprise a co-operative is based on its members' efforts and joint forces ([Nilsson, 2001](#)). The solidarity principle refers to the idea that together people are able to accomplish more than an individual would be able to achieve alone.

A sociological approach to co-operatives suggests that social values are not willingly sacrificed in the interests of short-term equity ([Mooney & Gray 2002, p. 8](#)), but foremost co-operatives pursue long-term maximization of their members' benefits. Co-operatives seek to identify, choose and invest in the market areas that hold the greatest member demand instead of searching for the most lucrative opportunities ([Mazzarol et al., 2011, pp. 9–10](#)). Ideally, co-operatives are located where their members are and provide the products and services they need. [Spear \(2000, p. 517\)](#) describes the co-operative's social efficiency by stating that while a co-operative's very existence aims at serving its members, this goal is supplemented with the co-operative values and principles (see [ICA, 2013](#)), which reduce inequalities and disadvantage among its members, staff and the community. He continues that “*simi-*

**Table 2**  
Concept of member community role.

Theoretical conceptualization	Operative manifestation
General orientation Approach	<ul style="list-style-type: none"> <li>• Humane</li> <li>• Social focus</li> <li>• Complexity</li> </ul>
Participation Mission of the social group	<ul style="list-style-type: none"> <li>• Joint resources and efforts</li> <li>• Maximization of member benefits</li> <li>• Market segmentation based on the member needs</li> <li>• Social efficiency: co-operative principles</li> <li>• Trading-relationship based on trust and commitment</li> <li>• Accumulation of social capital from the increasing number of members</li> </ul>
Ownership and voice Key drivers and motivation of the social group	<ul style="list-style-type: none"> <li>• Voluntary and open membership</li> <li>• Sense of ownership</li> <li>• Democracy; one member, one vote</li> <li>• Influencing</li> <li>• Service over ROI</li> </ul>
Pursuit and treatment of capital Relation to capital	<ul style="list-style-type: none"> <li>• Collective interest regardless of the capital invested</li> <li>• Democratic control</li> <li>• Equality in contribution</li> <li>• Benefits and distribution of dividends based on patronage</li> </ul>
Co-operative spirit Purpose and motivation to be in the market	<ul style="list-style-type: none"> <li>• “Esprit de corps”</li> <li>• Empowerment</li> <li>• Collective mindset</li> <li>• Long term collective goals</li> <li>• Social efficiency: co-operative values</li> <li>• Solidarity</li> </ul>

larly consumers may get additional social benefits just from trading with an organization they own.” The objective is to ensure a genuine community of interest among a co-operative’s members based on members’ participation and patronage. Hind (1997, p. 1078) elaborates that if co-operative’s profits are distributable, they will be distributed in relation to the members’ trade with the co-operative or participation in the co-operative’s business.

According to Mooney and Gray (2002), the non-economic interests of co-operatives refer to their democratic principles, locally controlled economic organization, self-determination and self-reliance as well as political networks. Value is given to the maintenance of a co-operative, “even at the cost of access to invested equity” and continuity of operations in general instead of “cashing in” when business is going well. The member community role obligates a co-operative to “stay put” whereas an IOF might close down the business or move to a more profitable location due to its obligations to its stockholders (Mooney & Gray 2002, p. 8). In practice, during good times a co-operative is obligated to put service over return on investment and not to seek the highest profit regardless of member preferences

In Table 2 we present a synthesis of the concept of the member community role. The structure of Table is the same as in Table 1.

### 3. Data and methodology

We chose a qualitative, multiple case study strategy for carrying out this research (Yin, 2003; Denzin & Lincoln, 2005) including

three cases aiming at generating conceptual ideas (Pratt, 2009). Two of the studied co-operatives are worker co-operatives that were originally established in response to the unemployment in the 1990’s. In accordance with the Pättiniemi and Tainio’s (2000) conception of worker co-operatives’ duality they could be classified as labor co-operatives because of their historical background and decentralized professional setting: members of these co-operatives operate in a vast variety of business fields (e.g., office work, health-care, construction). Traditionally, labor co-operatives have been based on social aims; integrating and empowering unemployed members back to working life in a loose organizational setting that more rarely requires a strong member commitment. They were often established to complement the state-owned labor office unemployment services. One co-operative had 54 members and 22 non-member employees and the other had 9 members and 15 non-member employees. The majority of the members and employees of both of these co-operatives were middle-aged with long employment histories. The third case company was established in 2011 by young media, art and education professionals. All of its 11 members represent generation Y and based on the analysis it aligns with the Pättiniemi and Tainio’s (2000) idea of an employee-owned co-operative: a more business-oriented company with relatively consistent professional aims operating only on one or a few sectors.

Of the total 16 persons interviewed, most were or had recently been members of the board of directors in their co-operatives and three of them were currently chairmen of the board. The data was collected via 13 informal one-to-one, pair and group interviews. Qualitative content analysis was used as a data analysis method. At first we analyzed the data according to the theoretical framework of different aspects of the dual role identified in prior literature. However, the interviewees rarely mentioned anything involving these established traditional aspects. Thus we conducted another, this time an inductive analysis by reviewing the transcribed data without a particular frame of reference in order to understand the context and content of our study better. We organized the data again by using thematic analysis with an aim of identifying, analyzing and reporting patterns forming themes within the data (Braun & Clarke, 2006). In both stages of the analysis, we combined data gained from individual, pair and group interviews and thereby endeavored to cover both individual views and the views of a group. The latter because the co-operative form of business is by nature a collective effort (Weber, 1990).

Along with the analysis we present some quotations from the data in order to provide a more vivid, collective picture for the construction of meaning. The authentic voice and stories of our interviewees help clarify our interpretations.

## 4. Empirical results

First we paid particular attention to the central themes of the co-operative business role addressed in the literature and indicated in Table 1: the economic rationale, pursuit and treatment of capital and profits, continuity and growth along with competitiveness and effectiveness. We then explored the member community role by concentrating on the focal issues of the co-operative spirit and participation in addition to ownership and voice (see Table 2). As the conceptions did not seem to fit into the traditional ideas of the composed framework, on the second round of analysis we opened up to other emerging views. Findings of the both analyses are presented in parallel in this chapter.

### 4.1. Business role

#### 4.1.1. The economic rationale

Based on the data, a co-operative has the role of a mediator between a member and the labor market. The primary motive for

establishing or joining a co-operative seemed to be the need to employ oneself, especially for individuals working in industries where there was little or no work available, or those who did not consider traditional employment a viable alternative because of life situation or personal choice. Especially for middle-aged persons, a co-operative seems to provide an option that is distinctive from what was interpreted as the coercive and restrictive structures of traditional, paid employment.

The main motivation for choosing a co-operative business form was the financial security and low starting costs provided by the group sharing financial risks. Many of the interviewees had first thought about becoming solo entrepreneurs, but perceived it as being too risky. Being a member of a co-operative was considered a safer and easier alternative. An influential aspect contributing to the perceived financial safety was members' eligibility for unemployment benefits. According to Finnish legislation, a person with less than 15% ownership of an enterprise is regarded not as an entrepreneur and therefore is entitled to receive unemployment benefits.

"There's also the financial security and there is only the membership fee. So you won't be putting your own house down as collateral."

Besides being a financial mediator, a co-operative provides the services members need for their economic activity. For example, the entrepreneurs felt the administrative obligations of establishing a business to be too challenging and stressful seeing the co-operative as a practical aid and opportunity to share these practical obligations and the related expenses.

"When thinking about the taxation, insurance and banking issues, they are pretty hard in your personal life, too, so you may be scared to take the responsibility. On the other hand, none of us is doing this alone. That has been the point all along. So if you don't know what to do, you can ask. That's the good thing here."

Co-operative features enable a person to use it as "a business incubator" or "launching pad," which, according to our interpretation, is the ultimate manifestation of the mediator role. The starting point of all the co-operatives seemed to be the promotion of individual employment. However, it appeared that in reality pronounced individual and personal goals do not hold consideration for other members' employment and do not contribute to the mutual co-operation and success as the traditional idea of business role suggests. For example, joining a co-operative for testing one's own business idea may have negative consequences for the co-operative as a whole, such as financial instability. The interviewees described that once a company detaches itself from a co-operative, there will be a lack of financial resources that other or new members will have to fill.

"... one of the key principles of our co-operative, which is a bad thing for us, is that if someone has a good idea, they will first start doing the work through the co-operative. ... And when they have collected a decent customer base, they go ahead and establish a company. This is a problem for us because we get used to getting more income from such new ideas, but then it suddenly dries up. And we have to find something new to replace it. ..."

#### 4.1.2. Pursuit and treatment of capital and profits

The co-operative earnings logic is based on the idea of equal financial participation, according to which members pay a small part of their income to the co-operative in order to accumulate the co-operative's shared wealth and finances. However, in the studied co-operatives the financial member contributions were highly precarious as their individual financial expectations and needs varied a great deal. Full-time workers accumulate the co-operative's econ-

omy much more than those members who only do project-natured work. Some of the interviewees felt the co-operative was a financial burden, which we perceived gave rise to feelings of inequality and unfair treatment.

"...there's the margin that is left that will be used to finance it all. And it seems that I've been providing much more funds than many others, I can't help asking if this is right?"

A co-operative distributes its dividends equitably based on patronage, which according to our understanding serves as an incentive for active participation. However, in the co-operatives studied, no practices of dividing the surplus to the members were in use. Thus the members were not entitled to any return for their patronage. Both of the labor co-operative-type of case co-operatives had even forgone mandatory membership and participation share. In practice, most people involved in these co-operatives held the position of a hired employee. In consequence, there seemed to be no willingness to become a member as the membership rarely offered any individual financial incentive.

"We are fairly remarkable in the sense that we don't have a participation share or anything."

"Some people have joined, but it's because we don't much benefit from the membership. It won't change your position."

#### 4.1.3. Continuity and growth

A striking feature of the data was that contrary to the ideas of the business role there were no references to any mutual financial goals. The plans described seemed to only focus on individual income expectations. Some members described how the collective objectives and responsibilities tend to be ignored in their communities, although having collective business and annual operating plans based on their members' mutual goals (see Rathbone, 1995) are crucial for financial stability and continuity.

"I would like to make it clear that there are certain responsibilities. Our co-op will not work if no one is willing to do anything for it. Then we won't have enough income and at some point the till will be empty. ... It is totally absurd sometimes that most people pretend that they aren't aware of the fact that we do have monthly expenses that need to be covered somehow."

Instead of considering new member acquisition as a potentially validating factor of stability and finance in the sense of economies of scale, there was a concern that growth of the co-operative would lead to a disintegration of the 'co-operative spirit'. The conception was that when a co-operative gained members, the quality of the social environment would decrease reducing the moral commitment of the members and making administration and decision making more complex.

"The larger the group, the more people there may be who are not so actively involved. They will bring some dissidence. No one is saying anything out loud, but there appears to be some disagreements. So we should keep the group small so that we would have some team spirit."

#### 4.1.4. Competitiveness and effectiveness

The studied co-operatives integrated a vast variety of expertise as the members were professionals from different fields. This was perceived as a competitive advantage. Despite the listed cornerstones of co-operative work being self-sufficiency, personal initiative and individual activeness, work orders or offers seldom came from the co-operative and carrying out co-projects in reality seemed to be rare. It could be interpreted that co-operation was desired for individual benefit, i.e., personal work opportunities and income rather than a way of reinforcing togetherness, nor with a

view of producing further work opportunities for all. Instead of the traditional idea of collective social action, work in the cases studied seemed to be an individual act with regards of obtaining it, performing it and benefitting from it. This concept aims at individual financial wellbeing over that of the whole group.

In addition to the lack of mutual planning, the case co-operatives have weak structures for supervising business operations and job performance. Autonomy and self-control were emphasized, which – unlike the traditional idea of co-operative operations – seemed to be particularly valued because they enable independent and free work. According to our interpretation, this can lead to inefficiency, as some interviewees even expressed that a more traditional manager-employee-setting would probably improve efficiency. Also, there being no qualification requirements and no-one supervising the work may bring about other negative consequences that threaten the perceived quality of the co-operative's performance. While individual freedom was valued, it was perceived that a lack of supervision can lead to irresponsible work performance, potentially leading to lower profitability and a threat to the community's reputation.

"I myself am very pleased with the fact that we can all do whatever we want, we don't have a leader. . . . But I've noticed that we have some members who would want us to have one, someone managing them. Clearly there are members for whom this full freedom might not be the best way. They would actually want, I don't know whether from above, but from some direction some instructions to do this and that."

The interviewees considered the lack of mutual long-term financial planning partly as a personality trait; people working in co-operatives are people for whom money is not the main priority. They embraced free and flexible ways of working that suited personal schedules, e.g., working part-time and focusing more on other aspects of life, such as studying. However, while freedom was valued, it also seemed to lead to varying levels of activity. As a business unit, a co-operative is dependent on its members' financial contributions, but the fact that the members are not that interested in personal or mutual income is naturally a severe risk for the continuity of the co-operative.

"...for me it's that, I don't know whether it's laziness or what, but I don't want to work every day from eight to four or seven to four or whatever the working hours are. I value my free time, I value many other things, and I really don't want to work so much."

In conclusion, it seems that the case co-operatives as business enterprises in fact operate as a group of small individual businesses with varying goals. They are only loosely linked to one another and it seems that among the members there is a lack of interest in the continuity as a collective business enterprise, which is the core of the business role. This means the studied co-operatives do not seem to be worker co-operatives in the traditional sense.

## 4.2. Member community role

### 4.2.1. The co-operative spirit

The core of the member community is 'the co-operative spirit'. Ideologically, it means people working towards the same goal without taking opportunistic action. Based on our findings, the mutual goal and the unifying need of the entrepreneurs seemed to be the aim to employ themselves on their own terms, making themselves feel good and self-competent in a responsible manner.

The importance of the group was expressed by describing the feeling of empowerment achieved by the membership. The rational aspect of empowerment was the concrete help available and

opportunities for working together. The membership also provided members with emotional benefits, feelings of belonging and was a source of self-esteem as they felt themselves to be useful and responsible citizens, as opposed to being unemployed. Sharing the mental entrepreneurial pressure with others along with the business risk and expenses was regarded as important. At its best, this co-operative spirit seemed to produce solidarity, an idea of joint forces resulting in more than could be accomplished by individuals. This aspect was seemingly more relevant for the young co-operators compared to the older members of other two case companies.

"...and when you have the group around you and you can ask for help. So, it feels like you're actually part of something and it gives you more faith in what you are doing."

However solidarity seemed contradictory as the data revealed highly varied member expectations. The case co-operatives had a diverse member base consisting of people with a vast variety of life situations and starting points. Some members had stronger social motivations to become a member, hoping for a sense of communality in order to gain collective support for their own work. They had placed long-term expectations on the group, assuming it would provide future work opportunities. This orientation contained the idea of putting effort into building reciprocal relationships based on trust and commitment in order to increase the social value of the membership. However, according to the data, these expectations and aspirations had very weak responses in the co-operatives.

"I would like us to be together and meet in a more informal manner, so that you wouldn't be alone. We would have a tighter group."

"...we are quite scattered at present, since we haven't had any shared things, so we have mostly been a group of people working under the same business ID. That's an issue that I would like to see improved, so that we could be the co-operative XX, instead of just a group of really lazy people in XX."

In contrast to the communal orientation described above, the data also revealed a more independent and individual stance toward membership. For some the value of co-operation seemed to be strongly centered on its concrete benefits, offering a practical tool for managing their individual entrepreneurial activity. These individually oriented co-operators seemed to perceive other members as an enabling element purely in a professional and profitable sense: an extension of working opportunities, not the starting point for employment.

"To me it (refers to the co-operative form of business) is just kind of a tool. A tool."

The data revealed that should a member appear as only putting effort into employing himself, e.g., the previously mentioned perception of a co-operative as a launching pad for individual employment, the community may deem this as opportunistic behavior which reduces communality.

### 4.2.2. Participation

The traditional concept of the member community role includes participation as a key element for successful co-operation. However, in reality active participation seems to be threatened because individual freedom and flexibility are widely exploited. The distinct separation of active and passive members according to the data seemed the most harmful consequence of the pronounced implementation of individual aspirations. The level of activeness seemed to be significant in terms of mutual responsibilities, but also in contributing toward the general atmosphere and feelings of equality, fairness and justice. The interviewees stated that while they accept

and even welcome diversity, sometimes disparity becomes a problem. Flexibility being an inherent characteristic of co-operatives, the interviewees stated that the division into active and passive people is hard to prevent because of the principles of voluntariness and democracy, in addition to the lack of hierarchy and a formal management system.

“Well, the problematic issue is just this with the active and passive people. It clearly bothers some people a lot.”

Genuine member activeness, the mental presence as we call it, seems to be the key element in building trust. In addition to the amount of work, the most important manifestation of member activity is a member's genuine interest toward mutual errands and continuity and the stability of the member community. This cannot necessarily be measured, but it can be felt.

“Then there are people who have not necessarily done much work through the co-operative, but have otherwise been a benefit. It's like, what do you value the most? Company needs money to work, but it also needs the other types of input.”

We also identified an idea of voluntary commitment from the data where the flexibility of a co-operative enables freedom, but still encourages people to bear their responsibility. Some described a ‘reverse responsibility’, meaning that in principle a co-operative is forced to allow everyone to work based on their own starting points and resources, but – to make the community work – each member was also expected to invest in shared issues. When there is freedom in being responsible, the manifested activeness and interest reveals the true mental presence and the level of commitment. The interviewees were of the opinion that voluntary responsibility is an essential part of co-operative operations, but had found it lacking in practice.

#### 4.2.3. Ownership and voice

Based on the data, the idea of member control was the starting point for every co-operative's administration. Interviewees appreciated that everyone has an equal say in things – in principle. In reality, however, it became evident that the validation of the traditional principle of the member community role, one member-one vote, is almost untapped because of the varying degrees of participation. The data revealed difficulties in organizing the management as the members were reluctant to take part in common affairs. Voluntary liability seems to be attractive only when it contains an incentive for the individual. Decisions on collective issues, and most of the administrative work seemed to be piled up on one person, or to the core group of friends—usually persons who had been involved in the co-op from the beginning.

“As said, we have problems with, for example, arranging co-operative meetings so that they would be legal and have a quorum. Even though we send an invitation to all the members, people do not turn up. And finding members for the board is also very difficult.”

The conditionality of participation was emphasized in discussions about the value of membership. The opportunity to participate in decision-making and to influence did not appear as motivators for becoming a member. Thus we conclude that people involved want to reduce their personal risk and responsibility to a minimum by refraining from membership as it contains joint and severe liability and mutual responsibility for the community. Working as a non-member they are able to reap the co-operative benefits without the responsibility. When considering joining a co-operative, people no longer emphasized communality; instead, they based their decision on their own individual benefits. Passiveness weakens the democratic management structure because decision making often happens independently by each individual,

which may be interpreted as leading to the potential of the community being untapped and leading to ostensible democracy.

Our interpretation is that the problems expressed can partly be explained by the poor knowledge regarding the cooperative form of business. Interviewees brought up that when joining or establishing the co-operative they hardly knew anything about it. Many of them expressed that the early stages of their joint entrepreneurship would have been easier if there had been better shared understanding of the requirements of this kind of a business model.

## 5. Conclusion

The objective of this study was to empirically study how the defining characteristics of the dual nature are manifested in the interpretations in the chosen context. An extensive review of the dual nature was used as a theoretical frame and its key contributions were utilized as an analytical lens to interpret our empirical data.

According to the traditional idea, the worker co-operators would be interested in taking mutual responsibility for the continuity of the business actions and securing not only their own, but also their peer members' future employment. Instead, the members gave hardly any consideration to the communal aspects of the business. The main concern seemed to be maintaining an operational level sufficient for providing the necessary services for individual entrepreneurial actions, e.g., billing and other administrative services. Based on the traditional idea, the worker co-operative community strives to satisfy the employment needs of all members through their mutual efforts. As our data suggests, these collective efforts were rare. For an individual, the community has more relevance as a practical way to realize individual job opportunities than creating new job opportunities co-operatively.

Troberg (1997) states that many new co-operatives are formed without a strong ideology; but still have a functional and flexible way of doing business. Similarly, we found that people join a co-operative to promote their own wellbeing by employing themselves in a secure way. Alongside personal freedom, flexibility was deemed to be an attractive feature of co-operatives, but in practice these qualities seem to be a combination generating internal conflict. Based on the data, the instrumental value is strongly emphasized when talking about co-operatives at an individual level. People generally seem to be reluctant in taking responsibility for mutual duties (Vuotto, 2012; Puusa & Hokkila, 2015a).

In the literature it has been widely acknowledged that people's motivations and motives for social exchange vary from individualistic to collectivistic, including expectations toward individual or collective values (Jussila et al., 2012) and heterogeneous goals (Vuotto, 2012). Our article extends these notions by theoretically demonstrating how individuality gains dominance in a worker co-operative due to its extreme democracy and flexible structure and how this reduces communality – the feeling of group solidarity – which is the guiding force of a co-operative. Our article contributes to the literature suggesting that this dilemma generates the most inherent contradiction underlying the problems of worker co-operation (see e.g., Hansmann, 1990, 1996; Troberg, 1997, 2000; Pättiniemi & Tainio, 2000; Varman & Chakrabarti, 2004; Vuotto, 2012; Gulati, Isaac, & Klein, 2002). The conflict between individuality and communality seems to be the starting point for the basic problems identified in the co-operative literature (see Cook, 1995 for review); free-rider, horizon, portfolio, governance and control problems which generate from joint ownership structure, untradeable and unassignable property rights with short-term focus in addition to risk avoidance and divergent interests of members.

According to our interpretation, the co-operative values and principles allow individual goals which easily gain a dominant role

in a democratic worker co-operative setting. The distinctively intimate relationship between the community and members seems to make individual aspirations (or lack of them) more influential on the worker co-operative's performance. In a context where the mutual commitment toward a common objective is distinctively crucial, neglecting the community rapidly leads to problems. Furthermore, conflicts caused by people's varying levels of activity may easily break out as they are easily manifested due to the lack of hierarchical structures and positions of power.

Based on our research, we suggest that the traditional idea of the dual nature as a defining feature does not necessarily apply in practice when it comes to this particular type of a co-op. When the duality of a co-operative's goals is in question, social and financial goals are not the ones that guide or define the operations of a worker co-operative. Instead, a contradiction between two goals seems to take place between those of the individual member and those of the co-operative community. We argue that individuality and communality are the two rival forces that form the most inherent contradiction in worker co-operative operations. Therefore, based on our research, we present as our main result that finding a balance between the conflicting needs and expectations of the individual and the collective reflects the 'new dual nature' of co-operatives.

We argue that once individualistic goals gain dominance, a co-operative will become a group of individuals that use it for individual purposes and benefits regardless of those of other members. When a co-operator's behavior is based on self-interest, there is always a risk of opportunism (Nilsson, 2001; Cropanzano & Mitchell, 2005) and without genuine communality a co-operative will not use all of its available potential to benefit the members (Pesämaa, Pieper, Vinhas da Silva, Black, & Hair, 2013; Puusa & Hokkila, 2015a). However, individual needs and expectations are necessary as without them an individual would not be motivated to even enter co-operation in the first place, but successful co-operation requires governing the controversial expectations and reducing imbalances related to the shared understandings of a co-operative's operations and aims (Jussila et al., 2012). Our data also supports the belief that when properly balanced, shared and individual goals will provide an ideal work community for modern entrepreneurs. When members participate equally, the atmosphere will be democratic, empowering and fruitful.

## 6. Discussion

Our study elaborates the observation other researchers have already made: the goals and motives of co-operators have changed over the years. During the early stages of co-operation, the prevailing idea of a man was *homo co-operativus*. It was based on a theory of harmony, according to which the co-operative members had one shared goal; each member worked in order to benefit the entire community although the work itself may not have benefited the member at all or could even have caused them personal harm. The currently prevailing idea in co-operative literature is of *homo complexicus*. This type is somewhere in the middle ground between conflict theory and incentive theory; when involved in a co-operative, *homo complexicus* attempts to meet their own financial and social needs (Laurinkari, 1997). We interpret our research giving references of emergence of yet another idea, man as *homo individualismus*, who in a co-operative strives to primarily meet their own needs and aspirations for personal self-fulfillment.

We propose that due to ongoing societal changes, the values of new co-operators are changing and new, more individualistic interpretations of the co-operative purpose are emerging and producing new kinds of co-operatives. Co-operatives' distinctive purpose and characteristics, the identity, is being reinterpreted. The physical

well-being of modern people in industrialized Western societies is secured (Inglehart, 2008), due to which the post-materialistic interpretation seems to place the highest value on a co-operatives' ability to offer an adaptable tool for individual self-fulfillment. The manifestation of new interpretations of established ideology is also an embodiment of a lack of both knowledge and education. Recent studies demonstrate that the knowledge about co-operatives and their ideology is relatively poor, while principles of private ownership dominate public discussions and education (Puusa et al., 2013; Puusa & Hokkila, 2014, 2015b). An individual makes instinctive interpretations based on the available knowledge, which in the current capitalistic climate leads to the promotion of maximal individual prosperity and utility. To avoid losing co-operatives' distinctive identity and co-ops becoming like any other business, more knowledge and education are essential.

We suggest that modern co-operatives should more carefully address their management philosophy. The traditional concept of dual nature invites us to build management approaches on the principles of participatory democracy (see e.g., Aragonés & Sánchez-Pagés, 2009; Corbett, 2014). It is a process of collective decision making which combines elements from both direct and representative democracy: citizens have the power to decide (Aragonés & Sánchez-Pagés, 2009). The co-operative decision making process should motivate members to be decisive and participative influencers rather than external providers of capital. However, in the worker cooperatives we studied, the management philosophy seems to be more in line with liberal democracy, in which the philosophical orientation is strongly individualistic and social capital is perceived as a by-product of self-interest. It emphasizes individual freedom from interference and libertarian rights as an equal right for all (Corbett, 2014).

The managerial implication of this paper thus suggests more careful consideration and effort on promoting the traditional idea of democracy in worker co-operatives: increasing genuine co-operation and mutual responsibility among members. We believe one solution would be to raise co-operative awareness, as better knowledge of co-operative ideology and operational preconditions of a democratic society would have beneficial effects on worker co-operatives' performance. It could also help in finding a balance between the individual and the collective by focusing the individual's attention also on the needs of the community.

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**Anu Puusa** is working as an Associate Professor in the Faculty of Social Sciences and Business Studies at University of Eastern Finland. She received her Ph.D. from University of Joensuu in 2007. Her current research interest areas are cooperatives, organizational identity and organizational change. Puusa has written three textbooks and published articles for example in the following journals: *Tertiary Education and Management*, *Educational Management Administration & Leadership*, *Administrative Studies*, *Electronic Journal of Knowledge Management*, *Electronic Journal of Business Ethics and Organization Studies*, *Journal of Higher Education Policy and Management* and *Journal of co-operative organization and management*.

**Kirsi Hokkila** is a Ph.D. Student at University of Eastern Finland. She received her Master of Business Administration in 2013 and started her Ph.D. studies in 2014. The dissertation deals with the topic of co-operative entrepreneurship with a special interest on new generation co-operatives.



**Antti Varis** received his Master of Social sciences from the University of Helsinki in 2005. He majored in Economics with secondary subjects mathematics, statistics and political science. He works as the Chief Financial officer in a Finnish consumer co-operative Pohjois-Karjalan Osuuskauppa (PKO) which is part of S Group. He started his Ph.D. studies at the University of Eastern Finland in 2014. The dissertation deals with cooperatives with a special interest on cooperative values, principles and the formation of cooperative identity.