

THE GOVERNANCE OF MEMBER-FOCUSED AND THIRD-PARTY-FOCUSED COOPERATIVES

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Abstract:

Empty state coffers have served to generate new opportunities for cooperatives but have also created a need to redefine their role and identity within society. Specifically, from an organisational theoretical point of view, the shift from benefitting members to benefitting third parties might initially appear to be a simple deviation of the collective character of cooperatives, leading to very subtle distinctions between social cooperatives and traditional cooperatives.

But, to highlight key differences to traditional member-focused cooperatives, the paper introduces the term third-party-focused cooperatives to describe cooperative organisations, which provide their services to a broader community and which address the common good, rather than being solely member-focused in their actions. Nevertheless, they clearly exhibit a cooperative identity as they remain democratic, community-owned and controlled organisations.

The paper illustrates that with this move from member- to community-focus in cooperatives, the main coordination mechanism has become one of norm-based trust, which is shaped on the basis of generalised reciprocity, whereas, member-focused cooperatives are based on maxim-based trust and on relation-specific reciprocity.

Therefore, in this paper, we argue that the coordination and governance mechanisms of member-focused cooperatives and third-party-focused cooperatives are indeed fundamentally different in nature. This represents a new challenge for third-party-focused cooperatives, as they look to secure member engagement. In order to meet this challenge they have to continuously assess the intrinsic motivations of members as they seek to fulfil their reciprocal societal and moral obligations towards their community.

Keywords: cooperatives, trust, reciprocity, governance