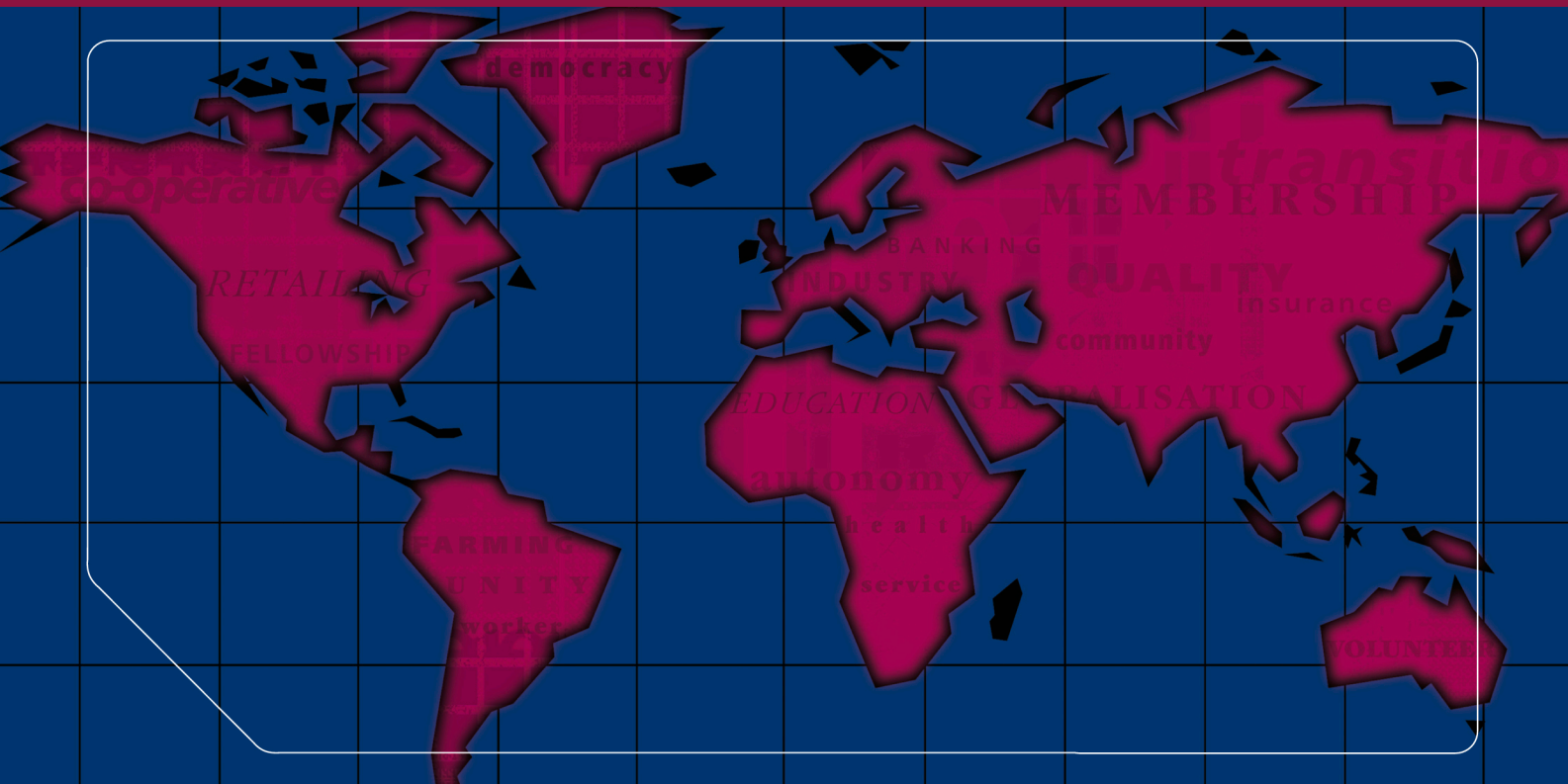


THE INTERNATIONAL JOURNAL OF
**CO-OPERATIVE
MANAGEMENT**

VOLUME 5

NUMBER 2

JULY 2011



THIS ISSUE:

RESEARCH ON CO-OPERATIVES IN FINLAND

REFEREED PAPERS: EVOLVING ROLE OF WATER CO-OPERATIVES, CO-OPERATIVES IN A COMPARATIVE ORGANISATIONAL CLIMATE, THE IMPACT OF CO-OPERATIVE OWNERSHIP ON MOTIVATION OF KNOWLEDGE WORKERS, CO-OPERATIVE ENTREPRENEURSHIP EDUCATION IN FINLAND

RESEARCH REPORTS: INTERDISCIPLINARY LEARNING IN UNIVERSITY NETWORKS IN AN E-LEARNING ENVIRONMENT, DEVELOPING "CO-OPERATIONAL" ENTREPRENEURSHIP IN A VIRTUAL LEARNING ENVIRONMENT

PRACTITIONER CASE STUDY: DEVELOPING SUPPORT AND CONSULTANCY SERVICES FOR CO-OPERATIVES

EXECUTIVE OPINION: MANAGING CHANGE IN A CO-OPERATIVE, THE IMPORTANCE OF THE DEVELOPMENT OF BETTER LINKS BETWEEN CO-OPERATIVE THEORY AND BUSINESS PRACTICE

BOOK REVIEWS

PUBLISHED BY

NEW HARMONY PRESS LTD

IN ASSOCIATION WITH



**University of
Leicester**

International Journal of Co-operative Management

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Madam HJH Armi Zainudin, *General Manager, Koperasi JCP Merchantile, Kuala Lumpur, Malaysia. Former Director of the Co-operative College of Malaysia*

Address for correspondence (for submission of manuscripts, see inside back cover)

Dr Peter Davis,

Unit for Membership Based Organisations,

School of Management,

Ken Edwards Building,

University of Leicester,

University Road,

Leicester, LE1 7RH.

United Kingdom.

Designed by Design Services, Printed by Print Services.

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ISSN 1741-4814

INTERNATIONAL JOURNAL OF CO-OPERATIVE MANAGEMENT

Volume 5

Number 2

July 2011

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1 We gratefully acknowledge financial support from the Finnish Cultural Foundation.

Notes on the Contributors

Special Guest Editor

Iiro Jussila, D. Sc. (Econ. & Bus. Adm.) is a professor of Management and Organisation and the Head of Degree Programmes at School of Business at Lappeenranta University of Technology. He is also the Chairman (Board of Directors) of Co-operative Network Studies – university network in Finland. In his international activities he serves on the board of International Family Enterprise Research Academy (IFERA) and is a member of organising and scientific committees of ICA Global Research Conference 2011. Jussila's research interests lie in collective businesses such as co-operatives and family firms, which he investigates from a variety of perspectives. For the past years he has been a co-author of regular contributions in the International Journal of Co-operative Management. This time he contributes in the role of a special guest editor.

Correspondence: iiro.jussila@lut.fi

Authors

Vesa Arvonen, M. Sc. (Civ. Eng.) is a doctoral candidate at Tampere University of Technology. His research interests are water co-operatives and water supply and sanitation in rural areas. He has been involved in setting up and running five water co-operatives. He was also one of the founding members of the Finnish Association of Water Co-operatives (SVOSK) established in 2009.

Andrea Bernardi, Ph.D. (Org. Beh.) is an Assistant Professor in Organisation Studies at the University of Nottingham, in service at the Chinese campus of Ningbo. He has been Finnish Government (CIMO) Visiting Scholar at the University of Helsinki. He was previously Lecturer of Organisation Studies at the University of Rome, Roma Tre, and Lecturer of Applied Economics at the University of Rome, La Sapienza. Andrea Bernardi co-authored two books in Italian on co-operatives, labour market and organisation in Italy. His work in co-operative studies also appear on journals such as *Revista de economía pública, social y cooperativa* (Spain), *Argomenti* (Italy), *Economia Solidária e Ação Cooperativa* (Brazil). The International Journal of Co-operative Management published in 2007 his article entitled "The Co-operative Difference. Economic, organisational and policy issues".

Correspondence: andrea.bernardi@nottingham.edu.cn

Niina Immonen, Ph.D. (Adm. Sc.) is the Project Manager in Enterprising together project and the managing director of Tampere Region Co-operative Centre. She has worked on developing co-operative entrepreneurship from 1998. She has been involved in helping to establish over 150 co-operatives. Immonen has given hundreds of lectures on co-operatives and social economy. Her doctoral dissertation focus was on the Finnish social economy (2006). She was appointed as a communal researcher of the year at 2007 by Foundation for Municipal Development in Finland. She has both strong practical and theoretical knowhow about co-operative enterprises and social economy. Immonen's areas of interest are social economy, co-operative business model and its innovative solutions especially co-operatives formed by micro-enterprises, social enterprises, social added value and measuring social and economical wellbeing in workers' co-operatives.

Correspondence:
niina.immonen@osuustoimintakeskus.net

Pekka Hytinkoski, M. Sc. (Edu.) is an e-learning coordinator at Ruralia Institute, which is part of University of Helsinki and is located in Mikkeli. Hytinkoski is responsible for the carrying out e-learning in the Co-op Network Studies -university network. Earlier he has worked at the Jyväskylä Open University dealing with education-teams. Hytinkoski's research interests focus on combination of teaching of co-operative and social economy, adult education and e-learning.

Correspondence: pekka.hytinkoski@helsinki.fi

Sami Karhu, Ph. Lic. is the Director of Co-operative Services in Pellervo, Confederation of Finnish Co-operatives. His special interests are services for the co-operatives, development projects and collaboration between co-operative enterprises and universities. He is editor in Chief for the co-operative magazine "Osuustoiminta". Originally Karhu was a historian for the Finnish Co-operative movement.

Correspondence: sami.karhu@pellervo.fi

Tapani Köppä, D. Pol. Sc. (Soc.) is one of the most famous researchers of co-operation in Finland, and also internationally well recognised. Before his university career, this pioneer of co-operative studies was working at the Market and Economic Policy Research Institutes of the Finnish co-operative central organisation Finncoop Pellervo. From year 1991 to 2001 Köppä was the acting

director of the Institute for Co-operative Studies at University of Helsinki. He has also acted as professor of sociology at the University of Kuopio 2005-2007. He retired recently from the position of Research Director of Co-op Study Group at the Ruralia Institute (part of Helsinki University) in Mikkeli. Overall, Köppä has long experience in local R&D project activities and entrepreneurship training programmes of the University. He has participated actively in international networks of co-operative studies, social economy and rural sociology. Köppä's research has focused on social economy and its role in solving socio-economic problems at local and global settings, social innovations in entrepreneurship and welfare services and their social impact, social economy as a basis for new forms of entrepreneurship and co-operation in rural areas and future studies connected with the evolution of economic co-operation. Tapani Köppä remains active on different fronts of co-operative studies.

Correspondence: tapani.koppa@helsinki.fi

Tapio S. Katko, D. Sc. (Civ. Eng.) is an Adjunct Professor and Senior Research Fellow at Tampere University of Technology in Finland. He has over 30 years of practical, teaching, and research experience in Finland; earlier he worked in Eastern and Central Africa. His teaching and research activities deal especially with institutional and management issues and long-term development of water services. He has also made studies in educational sciences, is a reviewer in many scientific journals, and has received five international and four national awards.

Correspondence: see www.cadwes.org

Leo Laukkanen, is a Commercial Counsellor (honorary title) and a retired CEO of Co-operative

Society Suur-Savo. During his career, he participated in dozens of training programs on sales management, quality management, business management, and strategic management at Helsinki School of Economics and other educational institutions. Laukkanen familiarized himself with co-operation and the operations of S Group in a variety of jobs prior to his first CEO positions in Somero Co-operative Society (1979-1981) and Koljonvirta Co-operative Society (1981-1986). Laukkanen did his life's work as the CEO of Co-operative Society Suur-Savo making it a success story known by everyone in S Group. During his time as CEO of Suur-Savo, Laukkanen served on a number of boards in S Group and other organisations and in a variety of key positions of trust in provincial and national institutions and development organisations. For his activities he has been awarded about twenty medals and honorary titles. Even if enjoying his retirement days, Laukkanen remains active in looking after the interest of Suur-Savo and the province of Etelä-Savo and, when necessary, he does not hesitate to present his opinions in the provincial media.

Correspondence: leo.laukkanen@surffi.fi

Pekka E. Pietilä, D. Sc. (Civ. Eng.) is a Senior Research Fellow at Tampere University of Technology in Finland. He has been working for water and sanitation development projects in Libya, East Africa, Namibia, and in the Baltic region. His doctoral dissertation dealt with the roles of municipalities in water services and the recent post-doc research on inter-municipal water and sanitation services and the future of water co-operatives. He has done several invited book chapters, peer review papers, conference papers, and other publications.

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Elena Ruskovaara, M. Sc. (Econ. & Bus. Adm.) is a Project Manager at the Centre for Training and Development of Lappeenranta University of Technology. For the last ten years she has been working in the field of further education for teachers and has been involved in many EU-funded projects. Her main interests are entrepreneurship and enterprise education, especially the development of measures related to the latter.

Jaana Seikkula-Leino, Ph. D. (Edu.) is acting Professor at the Lappeenranta University of Technology, Centre for Training and Development (<http://www.lut.fi/en/>) and as an Adjunct Professor at the Turku University, Faculty of Education (<http://www.edu.utu.fi/en/>). Her research interests are for example entrepreneurship education, curriculum, curriculum reform, evaluation, learning entrepreneurial and enterprising readiness. She is responsible for European Union Social Fund projects concerning entrepreneurship education and she has published widely both nationally and internationally.

Correspondence: jaana.seikkula-leino@utu.fi

Annina Takala, M. Sc. (Tech.) is a researcher and doctoral candidate at Tampere University of Technology. Her research interests focus on sustainable water and sanitation services and development of engineering education. Her master's thesis in 2007 dealt with operational development of water co-operatives in Finland.

Correspondence: annina.takala@tut.fi

Eliisa Troberg, D. Sc. (Bus. Adm.), works as a Senior Researcher and Lecturer of co-operative studies at the Ruralia Institute (University of Helsinki) since September 2005. Before joining Ruralia Institute, Troberg worked for five years at LTT Research Ltd, a subsidiary of the Helsinki School of Economics. Her doctoral dissertation dealt with different organisational forms of knowledge intensive firms (companies of limited liability and co-operatives) and their implications for management and leadership. In addition to co-operatives and joint entrepreneurship Troberg's research interest areas are entrepreneurship education and motivation of experts. She has published both in Finnish and international journals.

Correspondence: eliisa.troberg@helsinki.fi

Maria Åkerman, M. Sc. (Eng.) is a water engineer at municipality of Tampere, Finland. One of her main tasks is to develop collaboration between water co-operatives and the municipality. In 2009 she finished her master's thesis comparing municipal support models for water co-operatives in six Finnish municipalities.

Research and Practice of Co-operation in Finland

Iiro Jussila

During the past six years, the *International Journal of Co-operative Management* has published a number of contributions from Finnish researchers. Petri Ollila from University of Helsinki (UH) was first Finn to contribute. In his 2005 paper “Co-operative slaughterhouses and food safety on pork”, Ollila analyses Finnish (and Swedish) meat processing firms with different ownership forms with respect to food safety in pork.

In the following year 2006, a paper by Pasi Tuominen, Iiro Jussila, and Juha-Matti Saksa, all from Lappeenranta University of Technology (LUT), found the journal as the most convenient outlet. The paper entitled “Locality and Regionality in Management of Finnish Customer Owned Co-operatives” explore how physical proximity between the co-operative and its key stakeholders and close interaction enabled by this proximity provide competitive advantages to consumers’ co-operative societies.

In year 2007, two papers from Finland were published in the journal. In their paper “Dynamics and Tensions in Governance: evidence from Finnish co-operatives” Iiro Jussila, Juha-Matti Saksa and Janne Tienari (all from LUT) propose a framework for analyzing co-operative governance, including different dimensions of ownership that help understand dynamics and tensions often observed in co-operative groups. Terhi Uski, Iiro Jussila, and Susa Kovanen (all from LUT), on the other hand, focus on co-operative responsibility. Their paper “Social Responsibility in S Group Co-operatives: a qualitative analysis of archival data” identifies discourses used to speak (write) about CSR in consumers’ co-operative societies in Finland.

In year 2008, the journal received another two contributions from Finland. Terhi Tuominen (née Uski) and Pia Heilmann (both from LUT) wrote on “Routes to Employee Commitment in Worker Co-operatives” discussing the potential role of particular organisational characteristics of worker co-operatives in promoting employee commitment. The other contribution was from UH by Eliisa Troberg, in her paper “Co-operatives – Flexible Form of Self-Employment in Competence Based Business”, who argued that the co-operative form has a positive impact on innovativeness in competence-based business.

In year 2009 the journal audience saw one contribution from Finland, a paper entitled “Overcoming Challenges to Governance in Consumer Co-operatives: analysing reports of key representatives”. This work of Pasi Tuominen, Iiro Jussila and Senja Kojonen (all from LUT) presents an analysis of a wide range of research approaches to the various forms of governance in consumer co-operatives and the challenges faced by the approaches.

Finally, two Finnish papers appeared in 2010. “Management Competencies for Consumer Co-operatives. Inducing theory from empirical evidence” is a paper by Pasi Tuominen, Iiro Jussila and Noora Rantanen (all from LUT) investigating the knowledge, attitudes and skills needed to successfully manage a consumers’ co-operative society. Another paper by Iiro Jussila and Pasi Tuominen entitled “Exploring the Consumer Co-operative Relationship with their Members: an individual psychological perspective on ownership” uses the emerging theory of psychological ownership to justify the claim that it is the nature of ownership that creates the special bond between customers and their co-operatives.

Following this rather steady flow of contributions from Finland, Dr. Davis highlighted in his editorial to Number 1 issue for Volume 5 that there is much the rest of the world could learn from Finnish co-operation (p. 5). Similar thinking was also present in celebrations of the 110-year anniversary of Pellervo Confederation of Finnish Co-operatives in autumn 2009 as Dr. Davis and I decided that a Special Issue on Finnish co-operation would be worth editing. As Pellervo admitted funding for the Special Issue, which we greatly appreciate, I went ahead with a call for papers in spring 2010.

With this Special Issue I invited scholars and practitioners of Finnish co-operation to share their studies and experiences with the international academic community. In the call for papers it was stated that I look forward to offers of materials for consideration from experienced academic, newly graduated Drs or PhDs with sections of their research to publish, postdoctoral fellows with interim or final reports of research, co-operative CEOs or general managers, functional heads and presidents, and experienced elected or appointed co-operative board members, trade union representatives, development

officers, educationalists, technologists and environmentalists.

Reviewing the Finnish contributions to the journal, it is striking that seven of the nine Finnish contributions have been produced by a group of scholars working together in a co-operative management research project at School of Business at Lappeenranta University of Technology. Thus, an essential goal was to attract contributions from other research groups of Finland. On the other hand, editorial ethics was the basis for excluding any contributions from the members of my own research team at LUT.

The goals for the Special Issue were achieved as a good number of different types of contributions were received from mostly scholars who had not previously published in the journal. Of all the offers, four academic papers survived the review and revision processes and were included as peer reviewed "Academic Papers". More than 10 reviewers from Finland, Europe, and the US were involved in the double-blind review process monitoring and helping to promote the quality of the contributions. Some of them were specialist of co-operation, while others were specialists of a particular subject area. The time and effort of the reviewers is greatly appreciated by both the authors and the Special Guest Editor. The Academic Papers are introduced in the following.

Our first peer reviewed paper is the joint effort of scholars from Tampere University of Technology. The work entitled "Evolving role of water co-operatives in Finland" by Vesa Arvonen, Tapio S. Katko, Pekka E. Pietilä, Annina J. Takala (the corresponding author), and Maria W. Åkerman builds on Finland's long tradition of organising water services through co-operatives, especially in rural areas but also in bigger townships. The authors use their substantial experience with water co-operatives and the data collected in a variety of projects in Finland to discuss general characteristics, diversity and main stakeholders of water co-operatives and to argue that water co-operatives have great potential especially in the rural areas of developing and transition economies. The paper concludes with a definition of water co-operatives that highlights the importance of taking into account the diversity of water co-operatives as well as diversity of co-operatives in general.

The second peer reviewed paper is a result of international collaboration by Andrea Bernardi from University of Nottingham and Tapani Köppä from UH. Their paper entitled "A Better Place to Work: Finnish co-operatives in a comparative organisational climate

analysis" relates to the analysis of modern work transformations and aims at developing techniques to comparatively measure and interpret the competitiveness of co-operative organisations with traditional firms and supplementing our understanding of the importance of motivation and organisational climate in the comparative study of co-operatives.

Our third peer reviewed paper "The Relationship of the Co-operative Ownership Model to Knowledge Workers' levels of Innovation and Motivation" is by Eliisa Troberg and Tapani Köppä (both from UH) continues Troberg's earlier work published in the journal. Building on comparative data from Finland, the paper proposes that the co-operative form enhances several factors which have a positive effect on workers' motivation and innovativeness. However, some boundary conditions are also identified such as sufficient homogeneity (i.e., not too much of conflict) amongst the membership and the ability to attract funding. As a related issue, good co-operative management practices are called for.

The fourth and final peer reviewed paper of this issue is by Eliisa Troberg, Elena Ruskovaara (LUT), and Jaana Seikkula-Leino (LUT/ Turku University). Their paper deals with a study of co-operative entrepreneurship education at Finnish universities of applied sciences in which co-operatives have been used as a tool for entrepreneurship education for almost two decades. The authors report encouraging findings about the suitability of co-operatives as a tool for entrepreneurship education. They conclude that the major point of using co-operatives in educational institutes is that co-operatives enable working in learning environments which support the learning of entrepreneurship as well as team and social skills. The authors go on to suggest that co-operatives could possibly be used at all levels of the educational system to promote a more entrepreneurial future.

Another group of papers appearing in this Special Issue is "Research Reports". Papers to this category were not selected based on peer review procedures. Instead, the selection was made based on the potential value of the reported Finnish lessons on developing and promoting co-operation internationally. In other words, this category of papers focuses on the structures and practices that have proved valuable in promoting co-operation in Finland and/or are believed to prove as such in the future.

The first paper of this category is a report entitled "A Study of Learning Experiences in a University Network of Co-operative Studies". The purpose of this report by Eliisa Troberg and Pekka Hytinkoski (HU) is to discuss

a study concerning the learning experiences in a university network of co-operative studies. The key question was; what are the learning experiences in an e-learning environment, in which the students come from different university disciplines and the subject itself is multidisciplinary. Answers to the question are based on a web survey and student feedback. The findings show that the network has been successful in creating meaningful learning through student motivation, allowing the combination of new knowledge to previously acquired knowledge, good student guidance, and practical relevance of the studies. Even if the realization of interdisciplinary arbitrage between students is reported as the greatest failure in the network studies, the overall model developed in Finland is a good benchmark for other countries struggling to develop co-operative programs in universities.

The second report “Developing Co-operative Entrepreneurship in the Virtual Learning Environment of Entrepreneurship Education” is by Jaana Seikkula-Leino and Eliisa Troberg. The report relates to European efforts to develop entrepreneurial skills of citizens presenting a virtual learning environment of entrepreneurship education and discussing the role of co-operative entrepreneurship in it. One message from the research is that in virtual environments of entrepreneurship education and co-operative entrepreneurship can and should be presented as an up-to-date form of entrepreneurship that has an important role among different forms of enterprises. Also here, the virtual learning environment of entrepreneurship education itself and the inclusion of co-operation in the contents of entrepreneurship education are something that may be followed by other promoters of entrepreneurship and co-operation.

The journal then has two practitioner based case studies. The first is by Niina Immonen from Tampere Region Co-operative Centre. In her report “Developing Support and Consultancy Services for Co-operative Entrepreneurship in Finland for 2009 – 2013” Immonen aims at giving her opinion on the methods and objectives involved in promoting entrepreneurship especially in terms of co-operative entrepreneurship. She claims that the ample opportunities and significance of “enterprising together” will only become clear to the general public, business and career service consultants and different business developers by promoting different forms of co-operative entrepreneurship. Thus bringing into focus their benefits in terms of promoting entrepreneurship and employment policy. Immonen’s vision of co-operative promotion and the practices

created in her centre are well known and highly respected in Finland. This case study will prove valuable to anyone wishing to realise the opportunities for co-operative entrepreneurship.

The first executive opinion is dealing with the management of change on The Suur-Savo story by Leo Laukkanen, who examines a specific success story well known in Finland. Laukkanen provides an interesting account of the rise of a consumer co-operative from near death to thrive and concludes with a number of suggestions for future practice of co-operative management. His account provides interesting details concerning the management of change process in the co-operative context from a CEO perspective.

Finally we have an Executive Opinion by Sami Karhu from Pellervo Federation of Finnish Co-operative which is that “We Need Stronger Bridges Between Research Co-operative Business”. He claims that co-operatives have proved themselves successful in practice and efforts must now be directed towards proving the viability of the model also in theory. Therefore, substantial funding to co-operative research is called for.

In closing, I wish to thank all the contributors to this Special Issue, LUT team members and the reviewers for their help, Pellervo for funding, and finally, Dr. Davis for offering the opportunity to edit this Special Issue on research and practice of Finnish co-operation to the *International Journal of Co-operative Management*. It is my wish that the journal maintains its mission and remains one of the leading international forums of co-operative management. We Finns value the contribution the journal has made to the development of the field and wish to see its impact grow in the future – in both scientific and practical terms.

Special Guest Editor

Iiro Jussila

July 2011

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Mission of the Journal

- To act as a medium for the dissemination of best management practise in the co-operative movement.
- To act as a medium for the publication and dissemination of research into the management of co-operatives.
- To act as a platform for informed debate within the co-operative sector on issues and problems arising from the management of co-operatives.
- To act as a vehicle for promoting the professional development and status of managers in the co-operative sector across the management profession as a whole.
- To act as a medium for the discussion and dissemination of the latest thinking in all areas of management that may have a relevance to the practise of management in the co-operative sector.

The Evolving Role of Water Co-operatives in Finland

Annina J. Takala, Vesa Arvonen, Tapio S. Katko, Pekka E. Pietilä and Maria W. Åkerman*

**corresponding author*

Abstract

Finland has a long tradition of organising water services through co-operatives, especially in rural areas but also in bigger townships. Currently there are some 1400 water co-operatives in the country providing water supply and increasingly also sewerage services. From the late 1800s to the early 2000s five development phases can be identified in the history of water co-operatives. This article discusses the general characteristics, diversity and main stakeholders of water co-operatives. It argues that water co-operatives have great potential especially in the rural areas of developing and transition economies.

Key Words

Co-operatives, Water and Sanitation Services, Stakeholders

Introduction

In the rural areas of Finland, water supply has traditionally been organised, owned and managed by small private, not-for-profit organisations and remains so still in the early 2000s. The majority of these systems are consumer-managed water co-operatives (Katko, 1997). Currently the country has some 1400 water co-operatives, most of them supplying a fairly small number of users. Yet, despite their generally small size these co-operatives play a central role in providing water and sanitation services especially in the rural areas.

In essence, a water co-operative is a means of providing water services – water supply and sanitation – through a jointly-owned and democratically-controlled enterprise. Co-operative can organise these services for its members independently or in co-operation with another co-operative, municipal water utility or a private company. Water co-operatives can be classified as consumer co-operatives (Birchall, 2009).

Water co-operatives are not only Finnish phenomena. Denmark has a long tradition of water co-operatives. The U.S. also has various forms of small water supply arrangements some of which are based on co-operative principles (Tamm, 1991). Some 3000 water co-operatives in the U.S. provide water and sanitation services, fire protection and landscaping

irrigation water (Deller et al., 2009). Latin America has a long-standing history of water co-operatives. For instance, in Bolivia, major urban water utilities are managed as co-operatives under customer ownership, such as the Saguapac, which serves about 800,000 residents in the city of Santa Cruz. (Nickson, 1998; Ruiz-Mier & van Ginneken, 2006).

Despite the significant number of successful water co-operatives globally, international policy discussions have largely by-passed them. Furthermore, water co-operatives have been largely ignored both in research and policy. The discussion has focused on private and public water and sanitation systems ignoring community-based options. One interesting exception comes from England and Wales where there is discussion on non-profit community “mutuals” taking over the ownership of water and sewerage assets from private companies (e.g. Bakker, 2003; Birchall 2002). Quarter & Sousa (2001) argue that mutuals have very much in common with co-operatives and that it would be misleading to consider them as distinct organisation types.

There are few studies made on water co-operatives or similar systems. The World Bank has commissioned studies on community water supply systems focusing on analysis of their suitability in developing countries (Katko 1992a; Tamm, 1991; Ruiz-Mier & van Ginneken 2006). Katko (1992b; 1994) has raised some issues concerning the consumer managed water co-operatives in Finnish context. More recently, Deller et al. (2009) have analysed the economic impacts of water co-operatives in the U.S. Yet, it can be argued that systematic research on water co-operatives is missing both in the field of research on water services, but also in co-operative studies. Thus, it is not possible to talk of an established research area.

There is plenty of research on consumer co-operatives in general (Jussila & Tuominen, 2010), but from the point of view of water co-operatives these tend to ignore the special characteristics of water services. The role of water as a basic need and a human right, a social, economic, and environmental resource makes also the nature of water services unique. Pietilä et al. (2010) argue that water services have similarities to other infrastructure services, but at the same time the special features related to it, such as locality and

natural monopoly, must be taken into consideration. Similarly, studies focusing on water services tend to ignore the special characteristics of organising the services through a co-operative form. As Cornforth (2004) argues, research on the governance of co-operatives should take into account the contextual and organisational factors.

Much of co-operative research has focused on comparing characteristics of co-operatives and investor-owned firms (Nilsson, 2001). However, with some exceptions such as England and some developing countries, water services are a public service. Thus, it would be more relevant to compare water co-operatives to municipal and government-run service providers. Nilsson (2001) maintains that even the sociological and institutional literature on co-operatives can be said to have an economic rationale, and in cases like water co-operatives, where members are not motivated by economics, the applicability of these research results is limited.

Yet, the authors see that there is much that water service researchers can learn from co-operative studies especially related to the governance of co-operatives (e.g. Cornforth, 2004; Birchall & Simmons, 2004; Tuominen et al., 2009). It is also argued, that co-operative research could benefit from studying water co-operatives. In the last decade, there has been discussion on the potential role of co-operatives and other non-profit actors in providing welfare services (e.g. Ullrich, 2000; Miettinen & Nordlund, 2000). Even though, water services are in many ways different than health care and social services, maybe something could be learnt from the years of experience of shared responsibility of different actors in organising water services.

The overall objective of this article is to share knowledge and experiences gained from Finnish water co-operatives based on several studies. Finland has placed near or at the top in several international comparisons of the water sector such as the Water Poverty Index (Lawrence et al., 2002). Our aim is to discuss the contribution of water co-operatives to this success and, hopefully, to provide inspiration and basic information for co-operative researchers to do research also on water co-operatives. This article is not co-operative research as such. Yet, we try to cover some literature on co-operative research in relation to water co-operatives.

After an introduction of the used materials and methods, we provide a detailed description of water co-operatives by discussing their environment, basic characteristics, historical development and key actors. Then, we analyse the strengths and weaknesses of water

co-operatives. Finally, we reflect on the key questions related to water co-operatives in Finland and discuss their potential applicability elsewhere in the world.

Materials and methods

This review article is based on several research projects on water co-operatives and their evolution in Finland carried out between 1990 and 2010 by the authors. The first large study on water co-operatives was conducted by Juhola (1990) and Katko (1992a, b). These results will be used to describe the development of water co-operatives.

Takala (2007) analysed the operational development of water co-operatives and other user-owned water systems in Finland. The research was based on case studies of the 15 water co-operatives in the municipality of Virrat and the 13 in the municipality of Uusikaupunki. It utilised questionnaires sent to the water co-operatives and semi-structured interviews with municipal authorities. These results will be used in this article to characterise water co-operatives and identify their strengths and weaknesses.

Åkerman (2009) compared municipal support models for water co-operatives in six Finnish municipalities. She utilised e-mail questionnaires, interviews and a wide literature survey. The results of her research are used here to explain the context and roles of different actors in the operational environment of Finnish water co-operatives.

In 2010 a rapid survey was conducted among the members of the Finnish Association of Water Co-operatives (SVOSK) to acquire basic information on Finnish water co-operatives. The survey was published on the SVOSK website at the end of 2009. Answers were received only from 13 respondents. It is acknowledged that the response rate was very low and thus, the results are used in this article only to support results of other studies.

The observations and experiences of the authors are also made use of. The second author has been involved in setting up and running five water co-operatives. He was also one of the founding members of SVOSK. The fifth author has hands on experience from collaboration between water co-operatives and a municipality. The fourth author has been involved in a study analysing the water co-operatives in Denmark. The authors can thus be called action researchers (e.g. Ladkin, 2004). Experiences and observations about daily activities are contrasted with the results of studies to give as rich and extensive understanding of water co-operatives as possible.

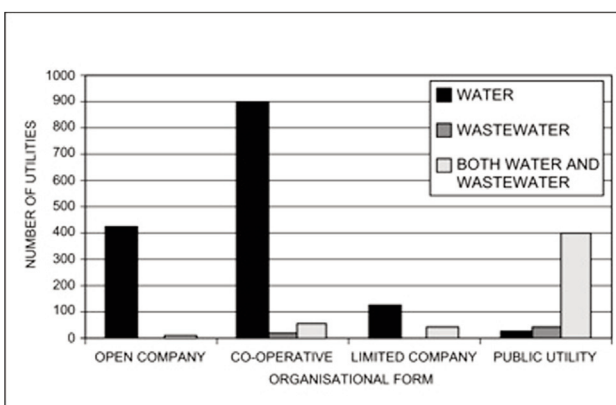
Finnish context of water co-operatives

Water services – a shared responsibility

In Finland, municipalities are in principle responsible for providing water services (Water Services Act 2001), and in larger population centres these services have been produced by municipal utilities since the late 1800s (Katko, 1997; Herranen, 2002). In rural settings – outside planned areas – people typically have to fend for themselves and build their own water services. Co-operatives have had and still have a central role in water service provision outside population centres. According to Fulton and Hammond Ketilson (1992) this is true also with other co-operatives in general, and especially in smaller communities co-operatives play a significant role in providing competitive prices and services that would otherwise not be available. Some municipalities, such as Nurmijärvi, have adopted a strategy of not expanding services to rural areas but rely on co-operatives to provide them (Åkerman, 2009).

Water services in Finland are managed at four levels: (i) intermunicipal utilities, (ii) municipal utilities, (iii) co-operatives and informal partnerships, and (iv) on-site systems, such as wells and boreholes. These systems sometimes co-operate, for instance, in selling and buying of water. Municipal water utilities supply the bulk of water services in Finland, while the number of co-operatives is much larger (Figure 1). During the last decade the number of water co-operatives has increased – according to SVOSK data there are some 1400 water co-operatives in Finland.

Figure 1. Public water and wastewater utilities in Finland in 2001 (Muukkonen et al., 2003).



The legislation on wastewater treatment in rural areas has tightened in 2003, and it has been followed by a surge of new water co-operatives and a change in the role of existing water co-operatives. This issue will be further discussed under the developmental phases.

Diversity among key characteristics

This section aims to give a general view of some key characteristics of water co-operatives, especially their diversity. It is based on the case studies of water co-operatives in the cities of Virrat and Uusikaupunki, and observations of the authors which are contrasted with the findings of a rapid survey made in spring 2010.

According to the SVOSK survey, the water delivered by co-operatives is drawn either from their own source or bought from another supplier. In the case of Virrat, seven of the 15 co-operatives have their own water intakes while the others buy their water either from the municipal water works or other co-operatives. In Uusikaupunki, all of the 13 co-operatives buy their water from the municipal water works – some of them also provide sanitation services.

The official operational area and the number of people served determine the size of the water co-operative. In densely populated areas more water can be delivered through a relatively small network than in a sparsely populated area through a broader network. In Virrat, the length of the water pipes range from 17 m/cap to 427 m/cap, the national average being 37 m/cap (Vehmaskoski et al., 2005). These indicators are often used to estimate the efficiency of water services. The longer the pipelines in relation to population, the higher the costs of construction and maintenance. As can be seen the variation already in co-operatives of Virrat is extremely high, so it is questionable how descriptive this indicator is. Furthermore, it is debatable whether it is reasonable to compare efficiency of water services that are organised in remarkably different settings (cf. Cornforth, 2004). Similarly, it can be misleading to evaluate performance of consumer co-operatives with conventional indicators, as the purpose and values of co-operatives differ from the investor-owned firms (Tuominen et al., 2009).

The cash reserves of water co-operatives vary a lot. Some co-operatives have tens of thousands of Euros in their bank account earmarked for maintenance and services while some have nothing. In Virrat and Uusikaupunki, the financial situation of water co-operatives proved not to be as grim as often assumed about co-operatives but many were financially prepared for future investments. General assumption has been that water co-operatives are not as efficient and are not prepared for the future when compared to municipal utilities. Similarly, it is often assumed that co-operatives are not as efficient as investor-owned firms. This has been subject of large number of studies, but according to Nilsson (2001) there is no evidence to prove that co-operatives in general would be less efficient than other enterprises.

According to the SVOSK survey voluntary work is quite common in water co-operatives: small and big ones. Members can contribute work or money. In bigger co-operatives the operators are commonly paid a salary. Voluntary work can take many forms: general administration, accounting, construction, or 24/7 service. In Virrat, only the biggest water co-operative operating in the centre of the city had employees. Most co-operatives outsourced their accounting and construction services while the rest relied on voluntary work. None of the water co-operatives in Uusikaupunki had employees, but some tasks like meter reading and billing were carried out by active members. In the case of the smallest water co-operatives, the municipal water utility took care of metering and billing.

Co-operation as an organisation model is regulated in Finland by the Co-operatives Act (1488/2001). The reasons for choosing the co-operative model in Virrat and Uusikaupunki have been its flexibility and simplicity in setting up. The Co-operatives Act provides the basic legal framework which can to a certain extent be adjusted by the rules of a co-operative. To members the co-operative model is a safe option as they are not personally liable. Juhola (1990) also notes that equality among members is a central reason for choosing the co-operative organisation model.

All in all, water co-operatives are conglomerations of people, needs, and circumstances shaped by the needs of the area in question and the resources available. Historical development has a significant impact on the way water co-operatives are organised and operated and this is what we will next turn our attention to.

Development phases of Finnish water co-operatives

Development of water co-operatives in Finland can be divided into five chronological, partly overlapping phases. The first phase covers consumer-managed systems built before 1950. These were built without financial support, expenses were often minimised, and most of the work was voluntary. According to Katko (1996), one reason behind the selection of the co-operative organisation form was the experiences gained from dairy, electricity and telephone co-operatives (see also Bager & Michelsen, 1994). People were used to co-operating in their local community to improve their living conditions and livelihoods without support from the state. Peräkylä (according to Herranen, 2006) states that in 1956 there were altogether 360 water works in Finland, of which 171 were co-operatives, 30 municipal, and the rest limited companies or partnerships.

The second phase of water co-operatives covers the period from the 1950s to 1970s, characterised by a stronger role of the state and municipalities. In 1951 a law (397/1951) on the loans and grants for organising water supply and sanitation in rural municipalities came into force. Due to the financial support, the amount of voluntary work decreased (Katko, 1996). In the beginning of the 1970s there were 573 water works in rural Finland, of which half were co-operatives and the rest municipal works (Herranen, 2006).

The third category of water co-operatives includes systems established between the mid-1970s and 1990, most of them in sparsely populated areas. Municipalities actively encouraged people to self-organise their services and supported financially the setting-up of water co-operatives. A legislative amendment made it possible to get financial support for building water mains. Many water co-operatives set up then did not have their own water source but bought water from a municipal water works or another co-operative. In this sense, the co-operatives of that phase were less independent than the earlier ones which decreased members' sense of ownership (Katko, 1996; Juhola & Katko, 1990), an important element of successful consumer co-operation (Jussila & Tuominen, 2010). Many of the smaller and younger water co-operatives in Virrat can be included in this third category.

The fourth phase co-operatives are those established in rural areas initially for water supply, and since the 1990s also for sanitation. These include also systems established in urban municipalities outside the official operational areas of water and sewage utilities. One reason for setting up these new co-operatives can be traced back to the Government Decree on Treating Domestic Wastewater in Areas Outside Sewer Networks (542/2003) which sets stringent demands on wastewater treatment also in rural areas. The purpose of these new water co-operatives is often to operate only for a certain period of time, whereafter the city would take them over by expanding planned areas. It can be argued that the principles of co-operative action are not followed in their case. Most of the water co-operatives in Uusikaupunki can be included in this category – they are just waiting for the city to take them over.

There is also a fifth category of water co-operatives: those established in the 1950s that have over the years along with population growth become practically autonomous public water utilities in mid-sized towns. The above-mentioned Virrat water co-operative serving over 4000 people is one example. There are a

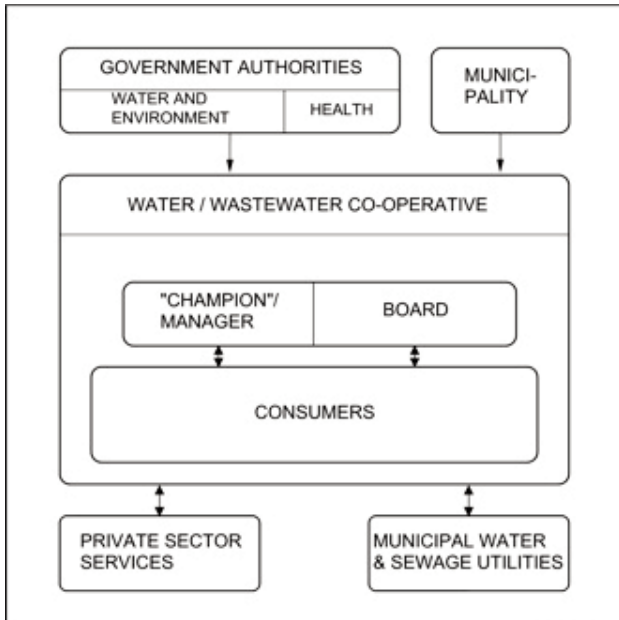
few other similar co-operatives e.g. the ones in Kalajoki, Ylivieska, Vihanti, Kuusamo, and Kitee serving 6-15 thousand people. They have employees but yet operate on a non-profit basis.

The historical framework of the water co-operatives has an impact on their operation and characteristics. This will be elaborated further as the strengths and weaknesses of water co-operatives are discussed. Next, we will look at the key actors in water co-operatives to give a better understanding of their current operational environment.

Key actors and operational environment

Water co-operatives have several players and stakeholders as shown in Figure 2 (see also Hukka & Seppälä, 2004 for an overview). The “water master” or “champion” is the initiator and planner, and often also the first long-time manager of the system (Katko, 1994). The birth and running of a co-operative is to a large extent dependent on such a person. Over time, finding a motivated successor becomes a challenge. This was also noted in the case of water co-operatives in Virrat and Uusikaupunki.

Figure 2. Main actors of water co-operatives in Finland (Katko, 1992a, modified).



Other stakeholders include the central and local governments. The regional environmental authorities have, particularly earlier, promoted and supported financially the creation of water co-operatives while more recently they have promoted merging such systems with each other or other types of systems. The general tendency seems to be for centralisation of water services and, thus, setting up of small water co-

operatives is not supported but merging to bigger units is.

Municipalities may or may not support the creation of water co-operatives. In addition to financial support, municipalities can also offer support in the form of expertise in planning and construction. Participating in planning and construction can be a way for the municipality to control a co-operative and some municipalities use financing as a tool for control. For example, the City of Ylöjärvi requires a water co-operative to have at least five members before it can be connected to a main pipeline without extra charge. This way, the city can better manage its responsibility for the overall development of water services in its area. (Åkerman 2009)

One option is that water co-operatives purchase services from the private sector. In the case of Virrat and Uusikaupunki at least auditing services were purchased in many co-operatives.

Strengths and weaknesses of organising water services through co-operatives

This section aims to analyse the strengths and weaknesses of co-operatives especially from the point of view of organising water services. Table 1. shows the strengths and weaknesses of the water co-operatives in Virrat and Uusikaupunki, representing mainly the fourth development phase since the 1990s. These characteristics were evaluated based on questionnaire responses from the water co-operatives, which are very similar to results of Katko (1992a).

The fact that people know each other and the operational environment was considered a major strength. Co-operatives in general seem to fulfil the principle of subsidiarity that is often highlighted in the ideas of good governance. In co-operative research trust and a sense of shared goals are often seen as key factors for successful co-operation (e.g. Ole Borgen, 2001; Birchall & Simmons, 2004; Jones & Kalmi, 2009). Furthermore, it was perceived that decision-making is flexible and response to change is fast in water co-operatives. In general, management was considered to be easy.

In addition, ability to minimise costs and financial support were perceived as strengths. As has been discussed water co-operatives have received financial support both from the state and the municipalities. This applies especially to latter development phases of co-operatives. Cost minimisation for customers has been mentioned as one of the main reasons for the interest of setting up non-profit mutuals in UK (Bakker,

Table 1. Strengths and weaknesses perceived by heads of water co-operatives in Virrat and Uusikaupunki (Takala, 2007).

Strengths	Weaknesses
• People know each other, subsidiarity (14)	• Difficulty in finding active people, reliance on small number of people (7)
• Flexible decision-making (9)	• Risk management (2)
• Familiar operating environment (7)	• Limited financial resources (2)
• Ability to minimise costs (5)	• Lack of education (2)
• Quick response (4)	• Preparing for the future (2)
• Easily managed (3)	• Lack of motivation (1)
• Financial support (2)	• Unwillingness to extend the service area (1)

2003). Financing, however, is perceived both as a strength and weakness of water co-operatives. This can be explained by the fact that in many cases the financial support for co-operatives has been different even inside the same municipality. Furthermore, especially in Uusikaupunki water co-operatives had not been planned to be run independently in the long-term and thus, they did not have savings for future investments.

As for the main weaknesses, the number of active people is often very small and there are risks related to training of personnel and finance. The biggest challenges were perceived to be the lack of member interest and activity in the running of co-operatives. It was considered extremely burdensome for a water co-operative operating mainly on a voluntary basis to stay abreast of all different regulations related to water supply and sanitation as well as those related to the co-operative organisation form. It is typical that after a water co-operative and the technical systems have become operational, members lose interest, until something goes wrong. This was clearly manifested in the cases of the water co-operatives in Virrat and Uusikaupunki as well as those in Tampere (Åkerman, 2009). It was also evident that active membership decreases as the size of co-operative grows (Spear, 2004). However, at least in the case of Virrat the active members of water co-operatives still saw it as the best option and wanted to have their own co-operative also in the future.

Membership and especially motivating members to participate more actively have been widely discussed issues as one of the key characteristics of co-operative identity is that they are democratically controlled (ICA, 2007; Normark, 1996). Birchall and Simmons (2004) maintain that collective incentives such as strong sense

of community and a sense of shared goals and values are significant in motivating member to participate.

Organising water and sanitation services through co-operatives instead of municipal water utilities provides at least some benefits. For example, in many municipalities water utilities operate as autonomous water corporations, which means that they are run according to profit-making principles. In some of the bigger cities their rate of the return is substantial or even high compared to annual turnover (Vinnari, 2006). This sometimes leads to a situation where water services are no longer considered a basic community service. One important feature of water co-operatives which are run and owned by their clients is that they can pay more attention to social values. However, there is a research gap on what water co-operatives actually signify to the members and whether there actually is added value as water services are provided and produced by a co-operative instead of some other actor. Rajendran (2009) and Fulton and Hammon Ketilson (1992), argue that co-operatives can play a major role in developing the rural socio-economic set-up.

Concluding remarks

Some key points of the discussion in this article are summarized in Table 2. Diversity is one of the key features and it can be argued that one reason for the success of Finnish water and sanitation systems is their diversity. Systems have been built to take into account local and regional variations by not applying same operational model in all conditions. The idea of shared responsibility has proved to function well. Even if water co-operatives have served as a temporary solution, they have in many cases significantly accelerated the setting up of water and sanitation

Table 2. Summary of discussion on diversity of Finnish water co-operatives

Period	I 1900 – 1950	II 1950 – 1970	III 1975 – 1990	IV 1990s –	V 1950s –
Characteristics of water co-operatives	<ul style="list-style-type: none"> • Built without financial support • Willingness to continue as independent co-operatives is strong 	<ul style="list-style-type: none"> • Stronger role of municipalities and state → loans and grants for organising rural water services 	<ul style="list-style-type: none"> • Mostly in rural areas • Actively encouraged and supported by municipalities • Less independent than earlier co-operatives → weaker ownership, passive members 	<ul style="list-style-type: none"> • Mostly in rural areas • Sanitation • External pressure significant in setting up • Often planned as temporary solutions 	<ul style="list-style-type: none"> • Larger water co-operatives • Operate in mid-sized towns, very similar to municipal utilities, however, non-profit basis • Employees → skilled labour

services in their area. This is due to the flexibility and fast responses of the water co-operatives. Municipal utilities are generally much more rigid and slow in providing services to new areas. Profit-making companies, again, rarely have the incentive to serve dispersed areas (see also Yadoo & Cruickshank, 2010).

Our main conclusion is that the sense of ownership and activity of members is crucial for the success of water co-operatives, just as it is for other consumer co-operatives (Jussila and Tuominen, 2010). Usually they have a key person or a “champion” who assumes major responsibility. It seems that in water co-operatives that have been set up under strong external pressure or support, the sense of ownership is not as strong, and they have problems with motivating members. Their existence is at risk in the long run. Tamm (1991) in the U.S. has reached similar conclusions concerning community water supply systems. Co-operatives should be demand-driven. There should exist genuine demand, and thus also willingness, to engage in the community.

Our observations from Finland lead us to define water co-operatives as *conglomerations of people, needs, and circumstances shaped by the needs of the area in question and the resources available*. With this definition we wish to highlight the importance of taking into account the diversity of water co-operatives as well as diversity of co-operatives in general (Bager and Michelsen, 1994; Birchall, 2000). As shown, at least five categories of water co-operatives can be identified. Some of them have played a central role in supplying their community with sustainable water and sanitation services for a long time, and there is no reason why they should not be able to continue to do so also in the future. There are also water co-operatives whose life cycle was originally planned to be short. They are a

temporary solution and a way to get financial support. It is, however, questionable whether they even have the characteristics and values of co-operatives as such (cf. ICA 2007; also discussion on new generation of co-operatives Katz & Boland, 2002). Thus, it is misleading to talk of water co-operatives as a homogenous group as was done in a guide book for water co-operatives covering only the fourth category and giving the impression that they are all just temporary solutions (Heino et al. 2005).

This article has discussed mainly aspects related to the actual production of water supply and sanitation services. Another aspect requiring further research is the social relevance of water co-operatives. Are there other benefits to be gained from organising water services through co-operatives? Does a water co-operative contribute to the growth of social capital in a local community and maybe even encourage co-operation in other spheres of life? Nowadays, it is also often complained that people do not care, and are not really aware of, where their drinking water comes from, how it is treated, and where their wastewaters finally go to. Could it be that the members of a water co-operative are closer to the water services, and thus, value functioning services relatively more than others?

Second aspect to be further explored is the relationship and role of water co-operatives in expanding water and sanitation services into rural areas, and its implications on land use planning and dispersion of settlements. Currently the official goal of the Finnish government is to integrate the spatial structure of communities better, in order to reduce traffic and emissions. It can be argued that water co-operatives disperse settlements by providing services also to the sparsely populated areas. However, the

situation is more complex than that, and it is not easy to distinguish the main cause of dispersed settlement.

According to Birchall (2000) co-operatives are not the answer to the world's problems, but they are one part of the solution. The authors agree, and see remarkable potential in water co-operatives for solving water supply and sanitation problems, especially in the rural areas of many developing economies. For example, flexibility and fast response can be valuable in developing economies, where the governmental and institutional systems are often immature. Yet, the local legal, political and cultural conditions should always be taken into account. In the Finnish context, it has been legally possible and politically and culturally favoured to set up co-operatives. This article has tried to elaborate some major lessons learned from the Finnish experiences. However, it is recognised that further research wider in scope, for example on the social and cultural aspects of water co-operatives, is needed. More sharing of experiences is also needed worldwide.

Acknowledgements

Language check-up by Jorma Tiainen and the comments by the editor and the reviewers are highly appreciated. The financial support from Academy of Finland (decision no. 135843), Kyösti Haataja Foundation and VALUE (Doctoral Program in Integrated Catchment and Water Resources Management) are gratefully acknowledged.

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A Better Place to Work: Finnish Co-operatives in a Comparative Organisational Climate Analysis

Andrea Bernardi and Tapani Köppä

Abstract

One of the ambiguities of the success of co-operatives is that they, despite the special legal status that several nations have attributed to them, find themselves under increased pressure to demonstrate that their institutional model delivers better services or jobs, or addresses market failures or improves market efficiency. It is with this tension in mind that this paper reflects upon recent changes in working conditions, *inter alia* indicating how such changes have specifically impacted the experienced reality of co-operatives as good working places. This approach is intended to supplement other research on co-operatives by emphasising the role of organisational climate as a research tool to investigate their working environments compared to traditional firms. Data for this research was gathered by canvassing, through organisational climate questionnaires, the opinions of workers within the selected co-operatives and conventional firms of five countries, using the Finnish case as the key pilot study. The banking and transportation industries formed the focus.

Key Words

Co-operatives, Organisational Climate, Working Conditions, Finland.

Introduction and objectives

This article interrogates the multifarious factors behind the achievements of individual co-operative societies as reflections of the broader characteristics of the co-operative model of entrepreneurship. It is the central tenet of this paper that co-operation can find its new identity in this changing world by focussing on its qualitative benefits for work and occupational well-being. Supplementing other studies of co-operatives to date (Solari and Borzaga, 2001; Jussila, 2007; Jussila and Tuominen, 2010), this paper argues for the importance of using a climate questionnaire, as a means of measuring the relative performance of co-operatives in terms of well being at work. Furthermore, the comparative dimensions offered in this paper advance discussions on the nature of Finnish co-operatives' competitiveness, with regards to contributions on co-

operative banks and co-operative consumer societies (Kuusterä, 1999; Jussila, 2007) and on workers co-operatives (Troberg, 2000).

By focussing on the Finnish context (one famous for both the quality and quantity of co-operative organisations) comparatively against findings from five other countries, this analysis prioritises the connections between the co-operative business model and organisational climate. A three-fold contribution is anticipated: first, to help policymakers recognise the different needs of promoting various enterprises; second, to advise the co-operative organisations to make full use of their co-operative advantages; and third, to supplement on-going sociological and economic debates on the nature of economic co-operation and diversity of enterprises (Hansmann, 1996).

It is well known that co-operative enterprises represent world-wide distributed alternatives to the investor-owned limited company model (Spear, 2000; Chaves and Monzón, 2007). Precisely because of the co-operative business model, co-operatives often are believed to respond to the expectations of consumers or workers better than firms driven by motives predicated upon investor-ownership (Jussila, Tuominen, & Saksa, 2008). Furthermore, co-operatives are lauded as democratic organisations, prioritising customer loyalty, value-based motives, and ethical use of profits as cornerstones of their competitive advantages and examples of "organisations of the future" (Coté, 2000).

Nevertheless, the evident successes of the co-operative model have been somewhat overshadowed within the traditional research literature by dominant mainstream economic discourses, which have a tendency to sideline co-operative principles and practices as strange, or at least not recognised, by media, industrial development agencies, economists or political decision-makers. An example, perhaps, of Taleb's theory of "black swans" to describe extremely improbable phenomena, not understandable by conventional theories or explanations (Taleb, 2007). Using this model, the incapability of mainstream economics to recognise co-operatives could be said to be consequential of the need to use a separate paradigmatic approach to fully understand co-operative societies.

There are several possible ways to conceive and measure the characteristics of co-operatives (Bernardi, 2007), distinguishing them from capitalistic firms. Are they more socially responsible or participatory? Do they have longer business lives? Are they fairer to customers and workers? Do they demonstrate higher efficiency? Are they democratically directed? Are they rooted in their local communities? Each co-operative business model (consumers, workers, producers) expresses a different way of being different. One of the things we explore in this paper is whether the differences between co-operatives and capitalistic firms persist when the co-operative grows.

Using Finland as the lead example, in the following pages we compare organisational climates in co-operative and conventional enterprises according to the answers given by employees to a questionnaire in a few selected firms. The climate questionnaire provides an empirical research tool for scholars to measure the diversity of co-operatives worldwide. The sampled enterprises differ in their size and branch. Our aim is not to explain observed differences, but rather to recognise connections between the characteristics of co-operative business models and organisational climate.

The special characteristics of co-operative businesses are assumed to be their competitive advantages (Spear, 2000) defined as effectiveness, efficiency or ability to operate better than others in case of some market failures. As it comes to consumer co-operation, the definition is found in Jussila, Tuominen, & Saksa (2008).

In this paper we will focus on workers well-being within a broader assessment of organisational climate. Through the use of a climate survey we try to understand workers' perception of the co-operative advantage. We believe that the assessment of these essential qualitative advantages can only be achieved by going beyond theoretical explanations such as those, for instance, based on transaction costs, information asymmetries, ownership structure. To do this we decided to look empirically at working conditions as a possible outcome of institutional diversity. More specifically, the main variables we consider are: Self-fulfilment, Autonomy, Stress and Workload, Communication, Reward, Competition, Leadership, Membership, Teamwork.

The starting point of our research is found in Hansmann's (1996) work according to which "freedom of enterprise is a fundamental characteristic of the most advanced modern economies. Capitalism, on the contrary, is contingent; it is simply the particular form

of ownership that most often, but certainly not always, proves efficient with the technologies presently at hand" (p. 297). Therefore co-operatives, although fundamentally non-capitalist in orientation, still indeed need to act within the market framework contributing to the plurality of economic actors within it.

Industrial relations and co-operative work in Finland

The background of this paper is formed against an ever-growing concern within western societies about working conditions (see for instance Beck, 2001; Paoli and Merrlie, 2001; Sennet, 2003). Some changes are occurring at the apex of European institutional and cultural development, a celebrated period of extolling the new benefits of social security systems, work protection, non-discriminatory policies, and more attention by employers to the work-life balance.

While, for example, international competition has increasingly emphasised the importance of productivity and flexibility, the simultaneous downturns and the crises of the welfare state have detrimentally affected workers' well-being. Public employment levels have been cut in several nations (UK, Ireland, Greece). Private workers are asked to agree on tough contracts at national or firm level (Italy, Germany, Ireland). Younger generations are mostly employed on a short-term basis with lower social security levels and lower salaries (Italy).

This recent change of emphasis has meant that issues surrounding workers' motivation and modern HR management have become very important, especially given the shift of industrial specialisations towards services, knowledge intensive sectors, and creative industries (consulting, services to the person, tourism, health care, education, design, IT, finance, art and entertainment).

In particular, this context has meant that both the labour movement and the co-operative movement have had to find new roles. Although both were born in the aftermath of the industrial revolution to tackle social changes and to fight for better working and living conditions, we are now experiencing, especially amongst younger generations, a new kind of transformation: one in which co-operatives particularly are upheld as the new models offering novel solutions. Production, housing, banking, to name just a few works and services, have all been transformed through the potential offered by co-operative frameworks.

The Finnish co-operative movement provides an

excellent case study precisely because of the quality and quantity of the diverse co-operative businesses there, rooted in a firm historical tradition. In Finland, co-operatives have actively adapted to drastic changes within the economy; typically, renewing their organisation structures, services and member benefits (Uski, Jussila, and Saksa, 2007). Both co-operative banks and co-operative consumer societies have increased their membership numbers to an unparalleled degree. Co-operative SMEs have been established in new fields of activities, too (Troberg, 2008; Köppä et al., 1999). The rewards have been palpable, with several co-operative enterprises winning awards as good employers and with some of the biggest co-operatives showing high rankings on the lists of most desired work-places for young students (Great Place To Work, 2009). Indeed, the persuasiveness of the co-operative idea has been credited as a possible reason for the rapid expansion of regional consumer co-operatives or even the survival of co-operative banks through the serious banking crisis of the early 1990s in Finland.

Furthermore, in Finland, as in other parts of Europe, it has become increasingly important for co-operative leaders to focus their attention on employment relations, working conditions and therefore on the characteristic “classic” advantages of co-operative models (e.g., Spear, 2000; Pättiniemi and Tainio, 2000). This emphasis has produced tangible results, according to the European Trade Union Institute (ETUI), Finland is ranked as the second nation in Europe (after Sweden) for workers’ participation. Indeed in 2009, Finland also scored second place in the so-called European Participation Index (EPI) which measures “Board Level Participation”, “Plant Level Participation” and “Collective Bargaining Participation”.

Co-operatives as market leaders or best seconds employ substantial numbers of people in Finland in the food processing and forestry industries, as well as in service activities related to banking and insurance. Big producer co-operatives tend to organise their industrial and marketing activities into holding type limited companies partly or wholly owned by the mother co-operatives. As an employer, a holding co-operative follows the general rules of working-life governance, giving little visibility to the co-operative alternative. In service co-operatives, owned by the member customers, like bank and retail trade co-operatives, personnel may have the right to apply for membership. As stakeholders, they exert power on the management of their co-operatives through positions of democratic participation and trusteeship.

Employee ownership is rare in Finland, existing mainly among small or middle-sized enterprises, organised into co-operative or limited company forms. In Finland, the most interesting experiments during the last decades can be seen in the mushrooming of the worker co-operatives, as employee owned enterprises and labour co-operatives, as work-integrating social co-operatives, typically established by the unemployed as a means to re-enter the labour market (Pättiniemi, 2006). In these worker and labour co-operatives, members combine the roles of both employer and employee. This creates a quite exceptional situation, whereby the affiliated workers belong to both the local unit of the trade union of their branch of industry while also simultaneously belonging to the local association of the Federation of Finnish Enterprises.

About the co-operatives, diversity and competitiveness

As argued earlier, Finland and the rest of Europe are currently experiencing critical trends in both their labour markets and working lives. In most countries, social security is under threat, atypical work is becoming the most common reality, work life balance is becoming threatened, and the welfare state is no longer the ideal model it was, even amongst Scandinavian countries. In addition, unemployment is biting back and the economies have to face structural stresses as well as other changes brought about through the ever-increasing pressures of global competition.

According to Coté (2000), co-operative identity, inscribed values and practices of co-operatives mean innate sources of competitive advantage for co-operatives. However, co-operatives have failed to benefit from these advantages, partly because of the public ignorance towards the co-operative model, partly because of the lack of the competence or willingness among the co-operators themselves to rely consciously on their co-operativeness. Tuominen and Jussila (2010) raise this issue in their work on managerial competence. The big challenge and opportunity of co-operatives will be their ability to rely on their own identity, values and principles as their major competitive advantage as enterprises: membership, democracy, participation, local roots, better services for members (Olsen, 2002; Jussila, Tuominen, & Saksa, 2008), and better jobs for workers (Solari and Borzaga, 2001; Troberg, 2000).

In the nineteenth and twentieth centuries the mission of establishing a co-operative was primarily to provide a job or a shop or a service; whereas today the

rationale has subtly, but determinedly refocused to provide a good job, socially and environmentally responsible shops and alternative services which the existing State and Market are failing to provide. In short, co-operatives to thrive and prosper need to prove themselves both ready for, and relevant to, current social and working life priorities.

Nonetheless there is no consensus in the economic and managerial literature about whether co-operatives (rhetorical claims aside), should truly be considered different, or fundamentally more socially responsible, or efficient, than other organisations in “real” terms. How therefore can we measure their diversity, if any is said to exist? There are several ways to address this issue. Examining, for example, so-called differences, applying theoretical reasoning or behavioural experiments, conducting quantitative or qualitative analysis, and focusing on the lessons presented via case studies. Via these techniques and others, it may be possible to look both inside as well as outside the co-operatives to provide a fuller analysis of its appeal and success.

Looking inside we could, for instance, study organisational or strategic differences, business performance, quality of membership participation or their collective occupational health and safety performances. It is in such a way that the French scholars Guiol and Muñoz (2007) have demonstrated the existence of a strong inter-relationship between safety, well-being and workers’ participation. Simply stated, the organisations with the best safety performance and well-being are those where systems of worker participation have best been implemented.

By way of contrast, focusing the attention outside we could, instead, study how co-operatives have affected the local environment in terms of both positively and negatively influencing social capital, pollution, employment levels, social responsibility, and so on (Bernardi 2007; Bernardi et al., 2011; Davis 1999). Unsurprisingly, social and economic reasons have persuasively been used to explain how co-operatives produce positive externalities (Henry, 2009). Those externalities can vary quite a lot among different countries because each people, in any specific moment of social development of a nation, or during a specific economic cycle, use co-operatives slightly differently, to solve a specific problem, a peculiar market failure, or a local institutional inefficiency. In present-day West European societies, characterized by mature democracy and the disappearance of ideologies and mass movements, almost any association between individuals has become a precious asset to be protected, particularly

in areas traditionally lacking social mobilisation and social capital (Bourdieu, 1980; Coleman, 1990; Fukuyama, 1995, 1999; Putnam, 1993).

Given these options, we decided to look inside co-operative organisations, looking at the working conditions via the analysis of the results of an organisational climate survey.

Diversity and motivation

It has long been accepted that the organisation of co-operatives, as well as the participation of co-operative members and workers, rests on different motivations from those commonly operating in traditional firms (Vanek, 1970; Rose Ackerman, 1986; Mintzberg, 1983; Solari and Borzaga, 2001; Leete, 2000; Borzaga and Tortia, 2006; Henry, 2009). The key issue of workers’ motivation, better working conditions and good organisational climate has also been positioned as an important driver of overall motivation, performance and productivity (Maslow, 1970; McGregor, 1960). Internationally and across industries, motivation, empowerment, delegation, and participation are essential ingredients of modern human resource management aimed to achieve flexibility, productivity and organisational learning. This greater understanding means that the role of human resources in companies’ competitiveness is far more critical today than it has ever been before.

Furthermore, since the beginning of the last century motivation theories (Maslow, 1943; Alderfer, 1972; McClelland, 1985; Herzberg, 1987; Vroom, 1964; Fitzroy and Kraft, 1987; Bagdadli and al., 2006), have indicated that the belief in money as the sole or primary motivator has been overstated. Instead, with the development and modernisation of society people are asking for autonomy, responsibility, self-fulfilment, a better work-life balance, affiliation, relatedness, well-being, achievement, equity, and even joy in their work.

In this context, the co-operative organisation seems to be in a good position to perform relatively well. Most obviously, the centrality of the worker as a presumed part of co-operative organisation seems to support modern working priorities. From this perspective, the good position of Finland in Europe in terms of workers’ participation, as mentioned above, is particularly interesting and promising.

In recent studies (Jussila, 2007, Jussila and Tuominen, 2010), the co-operative difference of Finnish service co-operatives have been investigated from the perspective of analysing the commitments formed through the psychological state of ownership

and its antecedents. Indeed, concerning their job security, workers of local service co-operatives may recognise the commitment of co-ops to local interests as their competitive advantage towards capitalistic investor owned firms. The same is true of workers' co-operatives benefitting from low hierarchy, a flexible division of labour and equal participation in decision making (Troberg, 2000).

Dimension and identity

Nonetheless, despite the attractiveness of the ideal, it is not an easy task for co-operatives to flourish as havens for democracy and participation while also growing. Growth therefore presents itself as a serious challenge for co-operatives, the temptation being that big co-operatives somehow lose sight of their original intentions and priorities becoming instead co-operatives in name only. In these co-operatives, which are already a problem in Europe, the members have no real rights to participate in the decision-making processes. Of course this trend does not necessarily negate the feasibility of good growth and some large and successful co-operatives clearly continue to wholly operate as co-operatives, despite the pressures of their successes. Although the growth of co-operatives is often necessary, in business terms, in several industries, growth in terms of scale (social base, turnover, organisational complexity, etc.) and age does not always have to be inevitably accompanied by a loss of the core cultural and democratic values. Nor does the wider social and economic environment seem to definitively determine the development of false co-operations, as can be seen from the fact that false co-operations exist from Colombia to Chile, and from Finland to Spain (Bernardi, 2005).

The dimensional concern was first studied by Meister (1969) and Zan (1982) who observed organisational lifecycles among co-ops and associations. This research presented two different visions of the evolution of successful co-operatives toward market professionalism and efficiency. On the one hand, there is optimism that co-operative values and features could stand up against competition from capitalist firms; on the other, there is pessimism that growth, reorganisation and time would irreparably transform the co-operative spirit.

If we believe that the workers' co-operative model is competitive enough via its own priorities of participation, motivation and better working environments, it is vitally important to well-managed growth not to lose sight of this diversity and, therefore, competitiveness (Spear, 2000). While growing, it is

necessary to strengthen both governance (Cornforth, 2004) and democratic participation in order to avoid any undue increase in the power of managers at the expense of the membership. We need co-operatives to be different and to keep this diversity during growth. Difference may stand in a plurality of possible dimensions, but is intended in this study as the way that the co-operative provides a unique quality of workplace and motivation.

During the 1990s established Finnish co-operatives, in both industrial and service sectors, went through radical structural changes, cutting their heavy administration and reorienting themselves towards market competition. Priority was given to customer orientation, and the membership cohesiveness was strengthened through innovative means of delivering membership benefits. At the same time, co-operatives succeeded in combining their local roots with economies of scale at the national level through their uniform business chains (Uski, Jussila, & Saksa, 2007). Because of their local focus, co-operative banks survived better than their competitors through the bank crisis during the early 1990s, as well as during the recent financial recession. The same is true of the consumer co-operative S-group with their regional co-operatives and nation-wide services based membership programmes (Kalmi, 2010; Köppä, 2008).

Since the 1990s the establishment of small co-operative enterprises has given birth to a new collective type of entrepreneurship within Finland. In practice, this has demonstrated increasingly diverse options for the application of the co-operative model, particularly integrating the growing interests of young people in creating networks and starting and developing businesses together. Both large-scale co-operatives and small co-operatives have been able to benefit from these changes, subtly reorientating from centralised hierarchies towards networks emphasising entrepreneurial participation. In so doing, interest has shifted away from more traditional, uniform models of co-operative structure towards alternative ways of organising working life based upon increasingly diversified working conditions (Köppä, 2005 and 2009).

Organisational climate and well-being at work, a theoretical research tool

To ascertain the perceived quality of working conditions within co-operatives, we collected an empirical sample based on an organisational climate questionnaire. Organisational climate was used as a means of measuring employees' perceptions of several aspects of their job environment. Responses were used as a means

of mapping how workers positively, or otherwise, lived their professional and organisational experiences.

The organisational climate influences organisational behaviours and consists of a set of characteristics that describe and distinguish certain qualitative factors within organisations and organisational units from other for example structural or quantitative factors. Levin wrote the seminal paper that kicked off much of the debate during the 1930s but the concept was continually remoulded and re-explored during the 1970s and 1980s. Today the concept is commonly known, studied and used by psychologists, sociologists and organisational theorists such as Argyris (1957) and Lewin (1951), with a famous study applied to the climate of a bank, Ashforth (1985), with a work climate formation, Denison (1996) and Schneider (1990), with their work on the linkages existing between climate and culture.

Climate is particularly connected with occupational health and psychological well-being. The stress conditions connected with unstable employment conditions, for example, are often understandable through an analysis of the broader organisational climate.

Organisational climate is understood to be affected by the institutional environment, by management style, by organisational policies as well as by general operating procedures. Therefore the climate is usually measured through surveys that look at various dimensions such as control, empowerment, responsibility, stress, rewards, membership, and freedom. With such multidimensional indicators, a climate analysis might therefore define the climate, for instance, as defensive, supportive, open, or competitive.

There are several definitions of climate and many surveys and scales; for the purpose of this study we will consider the two following definitions. According to Forehand and Gilmer (1964), the climate is “the set of characteristics that describe an organisation and that (a) distinguish the organisation from other organisations, (b) are relatively enduring over time, and (c) influence the behaviour of people in the organisation” (p. 362). Tagiuri and Litwin (1968) proposed the following definition: “organisational climate is a relatively enduring quality of the internal environment of an organisation that (a) is experienced by its members, (b) influences their behaviour, and (c) can be described in terms of the values of a particular set of characteristics (or attributes) of the organisation” (p. 27).

Our questionnaire is meant to be used to understand specific dimensions, such as membership and participation, both which are regarded as particularly important characteristics of co-operative studies.

Data collection

Our pilot survey of organisational climate was conducted in five countries: Finland, Italy, Spain, Argentina and Brazil. The questionnaire was planned in English, translated and tested in four languages (Italian, Finnish, Spanish and Portuguese) by research partners¹ in each of the five countries.

Data was collected from six kinds of organisations: branches of small co-operative banks, branches of small traditional banks, branches of big co-operative banks, branches of big traditional banks, medium-small (30-50 workers) manufacturing or service firms, and medium-small (30-50 workers) manufacturing or service workers' co-operatives. Enterprises taking part in the survey were chosen as they were seen to represent typical examples of their branch and size. Contact persons delivered the questionnaires to workers sampled randomly. All answers were gathered and analysed anonymously. Given the pilot nature of the survey we present the results with only a few statistical tests within the annexes.

The questionnaire is based on a Likert Scale and is derived from existing questionnaires already tested and widely used (Schneider, 1990). We adapted those tools to our needs, which focused upon the workers perceptions and experiences. In each instance we asked the worker to describe the organisation where he works marking how much he agrees or disagrees with several sentences. One sample question is reported for each of the dimensions investigated; the entire set of questions is available in annex 1.

In total 31 sentences on a Likert scale were presented, representing nine main areas of thematic interrogation.

The data set comprised a total of 493 responses: 55 from Finland (11.2% of the total), 154 from Italy (31.2%), 125 from Spain (25.4), 81 from Brazil (16.4%), and 78 from Argentina (15.8%). 304 questionnaires were returned from traditional firms, and 189 from co-operatives. Within this group 71.6% of the workers were members and the 28.4% were non-member workers. We also conducted a reliability analysis of the data².

The distribution of the answers according to the type of organisations in the sample is as follows. In annex 2 correlations among the items are reported.

Table 1. Key Survey Statements

Self-fulfilment: "The organisation fosters growth paths only for some."
Autonomy: "The bosses intervene only when it is strictly necessary."
Stress and work load: "Work load is adequate."
Communication: "Communication works as watertight compartments."
Reward: "It is difficult to remember the last compliment I received from a colleague or from a boss."
Competition: "My organisation is able to react at main market changes."
Leadership: "Not every manager in my organisation is able to lead human resources towards assigned objectives."
Membership: "Once people were proud of being part of the organisation."
Teamwork: "Best results come from team work."

Differences between the 5 countries involved

With regard to the international sample we analysed the data with an ANOVA test (to measure variance in answers among types of firm) considering the climate indexes as the dependent variable, and the nationality as the independent variable. Using this analytical model, seven factors were found to be meaningful, and the results for stress and competitiveness were less conclusive.

The results showed significant perceived differences between co-operatives and traditional firms. For all dimensions but two (namely, Competition and Membership), namely Self-fulfilment, Autonomy, Stress and Work load, Communication, Reward, Leadership, and Teamwork, the expected marginal means were higher (meaning better climate) for co-operative workers.

Table 2. Organisations in the Study

	Frequency	%
Small co-operative bank	15	3.0
Small traditional bank	11	2.2
Big co-operative bank	101	20.5
Big traditional bank	103	20.9
Non co-operative firm	190	38.5
Workers' co-operative	73	14.8
Total	493	100.0

For seven organisational dimensions the perceived climate by co-operative workers was also better, although they displayed different intensities between

firms they always also displayed a relevant difference between co-operative organisations and capitalistic firms (Self-fulfilment, higher Autonomy, stronger Membership, lower Stress and better Workloads and Job Rewards, broader Communication, better Leadership and deeper Teamwork culture. The only not significant variables are Competition and Membership).

With regard to the role of dimension, in particular looking at the difference between small or large banks, our sample contained banks only from Finland, Spain, Argentina and Brazil. We first checked with the analysis of variance if there was a significant relation between climate results and the independent variables of co-op bank, non co-op bank, small bank, big bank. All the interactions but competition are significant.

Diagram 1 shows with regards to the dimension of Self-fulfilment that the climate in both small and big co-operative banks still tended to be better (higher expected marginal means) than within small or large non co-operative banks. The same happens for all other organisational dimensions: Autonomy, Membership, Stress and Workload, Reward, Communication, Leadership, and Teamwork. Therefore, in our sample, the workers of co-operative banks report a better organisational climate, and so a better job environment, than workers employed in traditional banks.

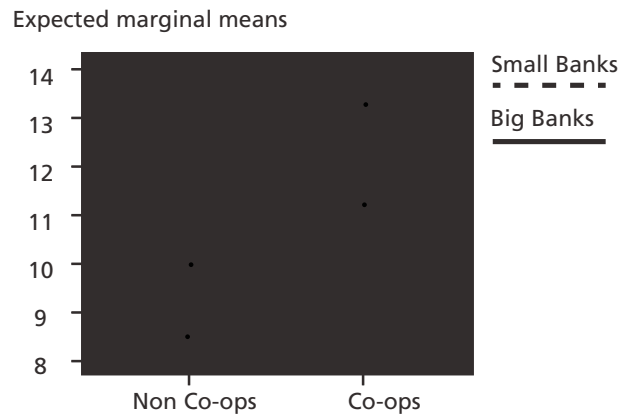
Another tangential result is that the extent of this better performance of co-operatives is stronger in the case of small co-operative banks; this is indicated in diagram 1 by the difference between co-ops and non co-ops being larger in the vertical axis. This result seems to indicate that co-operative banks tend to perform better than non co-operative banks overall, but that within the co-operative environment smaller co-operative banks perform much better than big ones. The gap is bigger when we compare small banks. These findings may indicate therefore that the co-operative diversity is more evident within small organisations.

The Finnish organisations in the sample

The Finnish sample is composed of workers from four types of organisations in two industries, banking and transport. To give some national context, in the banking sector, co-operative banks are both regional and national market leaders. Furthermore the branches of banks involved belong to a comparable dimensional class. By way of contrast, in the transport services, private companies are the main operators, and co-operatives are an exception.

It should be noted that the dominant role of a few

Diagram 1. Small and Big banks, international sample



important export industries in Finland could account to a large degree to the persistence of uniform rules within its industrial relations. Labour market and income policy priorities tended to be focused on the needs of a few big companies essential to the national economy. The closed public sector of Finland also played a powerful influencing role in assuring the dominance of uniform working life policies.

The following are brief profiles of the five organisations involved in the study.

Transport industry, SMEs

Case A: Traditional family owned SME

Background: Case A, a family owned company, founded in Helsinki in 1997. Provides transport services covering the whole country. *Employees:* 485 people in 2008. *Main services:* passengers (taxi and charter services) and freight traffic (food logistics and comprehensive distribution services). This company has grown rapidly from a family SME to one of the biggest highly-specialised transport service businesses in Finland. *Turnover (2008):* 29 MEUR.

Case B: Co-operative transport SME.

Background: Case B, a workers co-op owned by the employees, founded in 1987 near Helsinki by truck drivers of a big co-operative, outsourcing its transport services. *Employees:* 70 drivers in 2010 (35 in 2006), most of them members of the co-op. *Main services:* distribution transport, food, refrigerated and frozen food transport. *Turnover (2009):* 6 MEUR.

Banking industry

Case C: Small co-op bank (Local Co-operative Bank Group).

Background: The Finnish Local Co-operative Bank Group was founded in 1997 by 42 independent co-operative banks, which did not accept the renewal of the

rules of the Co-operative Bank OP-Group in Finland. *Services:* The banks offer a full range of banking services from electronic payments and cards to financing, investment and saving services. Their *market share* measured by the deposits is around 4%. Customer groups are private individuals, farmers and small and medium sized companies. Like most local co-operative banks, Case C co-op bank has its main office in rural area. Our questionnaire was answered by the employees of the small local branch of the Case C co-op bank, situated in an urban growth centre in the middle of Finland.

Case D: Big co-op bank (OP Bank Group).

Background: Co-operative banking started in Finland with the establishment of a central bank, Central Loan Fund for Co-operative Funds Limited (Osuuskassojen Keskuslainarahasto Oy, OKO) in 1902. The significance of co-operative banks as a builder of Finnish society has been decisive for decades, especially by programmes of granting credit to agriculture, by funding the resettlement of Karelian evacuees and frontier soldiers after the wars in late 1940s and by supporting new urban dwellers to purchase homes during the great migration that started in the 1960s. At the end of the century, co-operative banks, as the most important national banking group, were owned by 1,4 million members and were providing services equally to all regions and population groups, exceeding 4 million customers in all. The group as a whole, named OP-Pohjola Group, consists of financial services with about one third of the market share in bank loans and deposits and 18% of life and pension insurances. It employs 12 500 people in 800 offices (cf, Kuusterä, 2002). Case D co-op bank is one of the biggest local co-operative banks belonging to the OP-Pohjola Group. Its main office, situated in an urban growth centre in the middle of Finland, was chosen in our sample to represent big co-operative banks. Case D co-op bank has nearly 70 000 members and 170 000 customers, and employs 400 people. Its turnover in key operations is 3.500 MEUR.

Case E: Big commercial bank.

Background: Case E was the office of a big international (Nordic) commercial bank situated in a middle-sized city in the Middle Eastern part of Finland. The bank has a long history in Finland, beginning from the nineteenth century. Since a big restructuring of the banking sector during the 1990s the bank became part of Nordic financial group in 1997, operating mainly in Nordic and Baltic countries. The bank in 2009 consisted of about 8 500 employees in Finland (more than 30 000 internationally). The share of Finnish stock-ownership is just less than 30 per cent of all stocks.

As banks are not properly owned by the workers, it is perhaps puzzling why co-operative status should affect the quality of their working conditions. Banks present a very different situation from that exemplified within workers' co-ops and in particular from small working co-ops where everyone knows each other (Kalmi, 2010). There are, however, signs of increasing interest among the officials of co-operative banks towards the meaning of co-operative identity for their work. Co-operative principles have been included into professional training courses of an increasing number of local co-operative banks. Although beyond the scope of this paper, perhaps a most interesting theme for further follow-up studies might concern the role and roots of co-operative consciousness in the changing organisational climate of co-operative banks.

Organisational climate among the Finnish cases

The Finnish samples explained in table 3, comprise 55 valid questionnaires in total. Workers were employed in either the banking or the transportation industries, distributed as follows.

Table 3. The Finnish sample

Valid	Freq.	%
Small co-op bank	10	18,2
Big co-op bank	9	16,4
Big traditional bank	12	21,8
Non co-op firms	14	25,5
Co-op firms	10	18,2
Total	55	100,0

Due to the limited nature of this sample we report only simple statistical analysis. The following table presents the mean results for each item and each type of organisation.

The bold characters indicate the best score (best climate) for each item. The means have been calculated using the scores derived from the Likert scale from 1 (totally disagree) to 5 (totally agree). In this table the higher the value, the better the climate is reported to have been. In calculating the means, the negative questions are normalized with the positive ones.

In general the "Small Co-op Bank" was the model to return the highest scores most frequently. Big traditional banks, however, performed better than big co-op banks. The same was also true for traditional

Table 4. The climate macro items values, Finnish sample

Means									
	Self-fulfilment	Autonomy	Stress	Communication	Reward	Competition	Leadership	Membership	Teamwork
Small Co-op Bank	3,9000	2,9750	3,4333	3,4667	3,7333	2,9667	4,1667	3,8250	3,6000
Big Co-op Bank	3,0556	2,7222	2,5926	2,6296	3,0741	2,7778	3,4444	3,0556	3,0000
Big Traditional Bank	3,4792	3,2292	3,1667	3,2500	3,2222	3,3056	3,5833	3,2083	3,5625
Traditional Firm	3,6250	3,0179	3,6667	3,1667	3,3810	3,4286	3,7619	3,5179	3,5714
Co-op Firm	3,1750	2,9000	3,1333	2,6667	2,7000	3,2333	3,5667	3,1500	3,1750
Total	3,4682	2,9864	3,2424	3,0606	3,2364	3,1758	3,7091	3,3636	3,4091

transportation firms, who usually performed better than their co-operative equivalents.

To verify the significance of these results, we also undertook additional tests. The following tables show the results deriving from the Levene testⁱⁱⁱ and also the T test. The T test had to be conducted on single independent couples of types of organisations (in this case comparing a big co-op bank vs big traditional bank and traditional firm vs co-operative firm). In the two cases presented the global comparison has been tested successfully though only a few items are significant also individually.

With regard to the Finnish sample, we have provided the results principally as a proof of the effectiveness of the scale used within this pilot test. Furthermore, these results have been considered in parallel with contemporary events within the sample organisations, as well as in tandem with discussions with the management. Overall this double-check has given us confidence to agree with the scales as an effective means of measuring the organisational climate.

Perhaps surprisingly, the results emanating from surveys of the workers' co-operatives in our Finnish sample indicated that these provided, overall, worse working conditions than their traditional

counterparts. This deserves closer analysis, however, as when closely observed, the average ratings for co-operative organisational climate, are far from unsatisfactory. This would seem to indicate that the co-op still manages to meet the principal expectations of their worker-owners in terms of its most important aims, namely in providing them with safe employment. It may be that the comparatively worse result overall could partly be explained as a result of local frustrations of workers in one particular co-operative arising from the impossibility of their doing what they had earlier believed possible as owners of the firm. This is supported by the findings of an earlier research study (Troberg, 2000), in which the same co-operative was reported as having the strong commitment of the workers.

Compared with workers' co-operatives in other fields (for example those involved with knowledge intensive, consulting, or cultural activities), ownership in a truck drivers' co-op essentially expects higher investment. There is also a big difference in the risks which can reasonably be expected to be taken by employees of a workers' co-op, compared to those of a family owned business. This result of this survey, of course, cannot offer generally valid explanations, but nevertheless, we believe that the questionnaire proved

Table 5. Big Co-op Bank / Big Traditional Bank, t test, Finnish sample

	F Levene test	Sig.	t t Test
Environment	0,998	0,330	1,482
			1,382
Self-fulfilment	1,272	0,274	1,000
			0,911
Autonomy	0,954	0,341	1,495
			1,344
Stress	5,580	0,029	1,525
			1,357
Communication	6,250	0,022	1,607
			1,435
Reward	0,257	0,618	0,309
			0,293
Competition	1,197	0,288	1,473
			1,333
Leadership	3,834	0,065	0,305
			0,273
Membership	4,153	0,056	0,414
			0,364
Group	2,959	0,102	1,499
			1,332

Table 6. Traditional Firm / Co-op Firm, t test, Finnish sample

	F Levene test	Sig.	t t Test
Environment	0,042	0,839	1,318
			1,325
Self-fulfilment	1,126	0,300	2,154
			2,272
Autonomy	0,062	0,806	0,497
			0,512
Stress	5,827	0,025	2,224
			2,042
Communication	1,828	0,190	1,776
			1,671
Reward	0,004	0,949	2,487
			2,513
Competition	0,296	0,592	1,122
			1,149
Leadership	2,304	0,143	0,681
			0,649
Membership	0,002	0,967	1,826
			1,856
Group	0,006	0,939	2,195
			2,164

its ability to identify and map problems and differences among organisations. Above all, the results of this exploratory study have showed that empirical tests of organisational climate are a useful means of highlighting attitudinal differences towards working conditions in diverse organisations. Investigating organisational climate in this way, therefore presents a means of concretely analysing both the existence and absence of co-operative advantages in different types of co-operatives, in different conditions.

We can see that the organisational climate of co-operative organisations can be usefully compared with that of conventional firms. Co-operative organisations cannot be fully understood, or their success stories fully explained, by conventional mainstream theories of economics and management alone. Co-operatives by definition reflect the needs and aspirations of their members and therefore cover much broader and deeper common interests than those represented in economic terms only. This fundamental difference means that co-operatives

need research that is based upon paradigmatic approaches quite separate from the take-it-for-granted axioms that typically characterise conventional theories of selfish economic man.

To sum up, at the international level we report now the diagram number 2 and, at the Finnish level, the table number 7. The diagram is reporting the performance on the dimension “Reward” among the 5 types of organisations in the international sample. See annex 3 for detailed tests. Better results are reported for the co-operative banks.

Table 7 reports in a different way the means’ results reported earlier. The small co-operative is performing better in many dimensions. The Big co-operative and the co-operative firm are usually performing worse. Intermediate results are reported for the big traditional bank and the traditional firm.

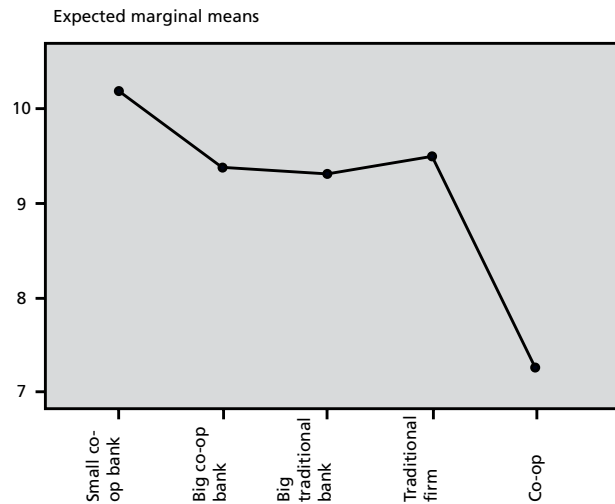
Conclusions

Using this empirical data set, the paper’s principal aim was to further develop techniques to comparatively measure and interpret the competitiveness of co-operative organisations with traditional firms. In so doing this research extends work by Solari and Borzaga (2001), Jussila (2007) and Jussila and Tuominen (2010) and supplements our understanding of the importance of motivation and organisational climate in the comparative study of co-operatives.

The summary results of this pilot indicate that co-operatives offer a better job environment and a better management style within the banking industry, although, both co-operative and non co-operative banks seem to benefit in terms of organisational climate from being small in size. The relationship between co-operative and non-co-operative Small and Medium Enterprise’s (SME s), however, seems more complicated, offering further avenues for potential research. It would seem in these contexts, for example, that when the roles of employee and employer are combined, new feelings of ambivalence, frequently interconnected with the extra burdens of being self-employed, emerge. In contrast, these factors do not seem to touch the employees of mainstream SME’s.

This field survey has to be considered a pilot test, a starting point for further developments of scales and methods. In its current form, its main contribution

Diagram 2. Reward, Finnish sample



should be its ability to propose a research tool as a means of further addressing the scientific debate on the co-operative diversity and competitiveness. Our results are encouraging enough to indicate that the questionnaire works well and that the framework will be useful in future to be tested on a wider and stronger sample.

The findings of a larger scale study would be potentially interesting for policy makers to assess the fairness of any fiscal advantage. To the co-operative movement, particularly, this paper offers a way to

Table 7. Rankings of climate per each dimension in the Finnish sample

Ranking (I best, V worst) in climate for each dimension									
	Self-fulfilment	Autonomy	Stress	Communication	Reward	Competition	Leadership	Membership	Teamwork
Small Co-op Bank	I	III	III	I	I	IV	I	I	I
Big Co-op Bank	V	V	V	V	IV	V	V	V	V
Big Traditional Bank	III	I	II	II	III	II	III	III	III
Traditional Firm	II	II	I	III	II	I	II	II	II
Co-op Firm	IV	IV	IV	IV	V	III	IV	IV	IV

measure the competitiveness of the co-operative business model. A more elaborated theory and empirical enquiry should be based on a larger and better sample fully meaningful at the Finnish national level. Data analysis could be followed by interviews in order to extrapolate how much of the differences among the sample organisations can be explained by local contingencies rather than institutional business form.

Co-operatives need more attention by the regulator. It is new in Finland to have small co-ops and the model still needs development in order to strengthen their market positions and to allow them to secure loans from the banks. Unsurprisingly, it is more risky for co-operatives to ask for loans, not least as they bear the personal risks of the employer and of the employees in ways unfamiliar to traditional companies.

With regard to the Finnish context and to European society as a whole, we believe this paper additionally provides a contribution to the analysis of modern work transformations. Given the nature of current labour market trends, we recognise the importance of motivation and workers' participation, and hope that the reorientations proposed in this paper will focus greater attention on the perception and reality of workers' well-being and satisfaction within both capitalistic and co-operative firms. The progress of scientific knowledge about the relationship between participation, ownership, climate and motivation should be of interest of co-operative managers, of the Finnish Government and also of traditional Finnish entrepreneurs and executives provided that participatory leadership styles and workers' ownership plans could be implemented also in traditional firms.

The tradition of the Finnish consensus model of labour markets and work conditions regulation will undoubtedly experience serious pressures through the changes of working life and new organisation of work. Yet, the co-operative difference may be recognised as a win-win model, opening access to new ways of combining the interests of employees and employers together, increasing the joy and dignity of work, sharing risks and striving towards sustainable communities.

A true co-operative will probably have more chances of success, while redefining its identity and its own diversity, conceiving and communicating itself as a more transparent supplier of goods and services, a more responsible business partner, and a better place to work.

Notes

- i The field work has been coordinated by Tapani Köppä (Helsingin Yliopisto, Finland) and Andrea Bernardi (Università degli Studi di Roma Tre) with the extremely useful collaboration of Aitziber Mugarra y Marta Enciso (Universidad de Deusto, Spain), Alicia Ressel, Noelia Silva y Verónica Montes (Universidad Nacional de La Plata, Argentina), Odelso Schneider, Lucas Henrique da Luz y Vera Regina Schmitz (Universidade do Vale do Rio dos Sinos, UNISINOS, Brazil).
- ii The good statistical reliability had been tested. Concerning the Likert scale sentences on 9 organisational dimensions, the Cronbach's Alfa is weak but almost meaningful, while the Bartlett test is significant. The Kaiser-Meyer-Olkin test is weak and alarmed us on the factor analysis. Concerned with the inner coherence of 9 variables (from self-fulfilment to teamwork), we decided to elaborate each dimension by an algebraic addition of each item from the same dimension (self-fulfilment, autonomy, and so on). This way the test is statistically significant.
- iii This test is used to measure the Homoscedasticity. If the Levene test provides a sig. higher than 0,5 we then should consider the first line of the T test. Otherwise the second line must be used. The bold number in the T test column is the one being used consequently.

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Annexes

1 The questionnaire

Self-fulfilment

- 1 The organisation foster growth paths only for someone's."
- 2 "In the near future it will be more difficult to have opportunities to grow and improve ourselves."
- 3 "It is true that the job allow people to reach professional and personal self-realization."
- 4 "Most People believe to have few development spaces in our organisation."

Autonomy

- 5 "The bosses intervene only when it is strictly necessary."
- 6 "We are encouraged to take autonomous decisions every time it is possible."
- 7 "Everyone has enough freedom to express opinions that can influence the work process."
- 8 "There is so few delegation that even a simple report of little importance become "a state affair"."

Stress and work load

- 9 "Work load is adequate."
- 10 "Work is a source of stress."
- 11 "At the end of the work day I am destroyed."

Communication

- 12 "Communication works as watertight compartments."
- 13 "It is fostered honest and clear communication even when that is not in line with what would be listened."
- 14 "Information is available when necessary."

Reward

- 15 "It is difficult to remember last compliment I received from a colleague or from a boss."
- 16 "In the organisation I fell to be important."
- 17 "Usually the bosses congratulate who has managed well his job."

Competition

- 18 "My organisation is able to react at main market changes."
- 19 "My organisation is always able to reach the excellence."
- 20 "My organisation is able to guarantee services similar to those of our rival firms."

Leadership

- 21 "Not every managers in my organisation are able to lead human resources towards assigned objectives."
- 22 "Some managers are ready to listed to theirs workers."
- 23 "Not always bosses are able to lead the teams with consensus and cooperation."

Membership

- 24 "Once people was proud of being part of the organisation."
- 25 "It is not true that most people feel itself comfortable in the organisation as at home."
- 26 "It is not true that people recognise itself in organisation's values."
- 27 "People considers organisation performance as its personal performance."

Teamwork

- 28 "Best results comes from team work."
- 29 "Colleagues here are ready to share knowledge and experiences."
- 30 "Not always in my job I can trust teamwork attitudes of my colleagues."
- 31 "Usually people consider useful team work."

2 Correlations among items

	Self-fulfilment	Autonomy	Stress	Communication	Reward	Competition	Leadership	Membership	Teamwork
Self-fulfilment	1,00								
Autonomy	0,50	1,00							
Stress	0,40	0,46	1,00						
Communication	0,64	0,65	0,43	1,00					
Reward	0,55	0,56	0,40	0,58	1,00				
Competitiveness	0,19	0,29	0,29	0,34	0,30	1,00			
Leadership	0,52	0,51	0,33	0,53	0,54	0,28	1,00		
Membership	0,42	0,51	0,45	0,47	0,47	0,33	0,52	1,00	
Teamwork	0,34	0,45	0,39	0,48	0,50	0,30	0,39	0,35	1,00

This chart shows the correlations (r of Bravais-Pearson) among macro items, for the entire international sample. In bold, values meaning medium ($\geq +,40$) or high ($\geq +,60$) correlation.

3 Reward, Finnish Sample

Dependent variable: reward (questions 15-17)

Source	Squares sum	df	Squares means	F	Sig.
Corrected model	46,781(a)	4	11,695	2,708	,042
Intercept	4096,442	1	4096,442	948,677	,000
Type	46,781	4	11,695	2,708	,042
Error	198,631	46	4,318		
Total	4540,000	51			
Total corrected	245,412	50			

a R square = ,191 (R square corrected = ,120)

The Relationship of the Co-operative Ownership Model to Knowledge Workers Levels of Innovation and Motivation

Eliisa Troberg and Tapani Köppä

Abstract

This paper discusses the relationship of the co-operative form to knowledge workers' motivation and innovativeness. The major research question is: What is the relationship of the co-operative form to knowledge workers' motivation and innovativeness? The research was carried out by interviewing knowledge workers in four different organisational forms. The findings suggest that the co-operative form enhances several factors which have a positive effect on workers' motivation and innovativeness. There are also disadvantages linked to this democratic form of an enterprise. The different objectives of the members may cause challenges to the effective management of business. A management model suitable for a co-operative organisation may assist in mitigating this challenge and should be the focus for further research.

Key Words

Motivation, Creativity, Innovativeness, Knowledge Workers, Co-operatives

Introduction

In the discussion of competitiveness and success of businesses, innovativeness of knowledge workers plays a major role. In this article, innovativeness is defined as an ability of a knowledge worker to produce new ideas which can be concretized, e.g. in product development, marketing, sales, production, organisational processes and logistics. Innovativeness as a concept is very close to creativity. They have a slight difference. Creativity refers to the capability to produce ideas while innovativeness refers to the capability to produce and realize ideas. Innovativeness is also linked to endurance in work (Korpelainen 2005).

During last decades, the importance of creativity and innovativeness has considerably increased. According to Thomas (2009), in most organisations, workers need a greater source of problem-solving creativity than in previous years. Keeping workers motivated and retaining them are important competitive advantages for firms.

Co-operatives have a long history in Finland. Large consumer, producer and banking co-operatives also have well-established positions in their markets. However, co-operatives as a form of small entrepreneurship organising knowledge work have not been common in Finland. The first 'knowledge co-operatives' were founded in the middle of the 1990's in areas such as business consulting and research, environmental know-how, media, information technology, architecture and finance. It is important to research the possibilities of the co-operative form as a social innovation and an alternative solution for workers' motivation and participation (Bernardi & Köppä 2011).

According to a study of knowledge co-operatives, the organisational form is shown to be flexible (Troberg 2005). A co-operative is easy to establish and in some cases little starting capital is needed. It is also easier to join and quit the co-operative than a limited liability company. The effect of the co-operative form on the motivation and innovativeness of the workers is not well-understood.

In this article we first define the research objectives and the theoretical contribution. After that the earlier literature consisting of the research of knowledge workers' motivation and innovativeness as well as the research of employee-owned co-operatives is discussed. Then, the methodology of the research is shortly presented. The major part of the article concentrates on the findings and finally at the end we make some conclusions and suggestions for future research.

Research objectives and the theoretical contribution

The objective of the article is to discuss the findings of a study about co-operative form and its effect on knowledge workers' motivation and innovativeness. The main research question is: what is the relationship of the co-operative form to knowledge workers' motivation and innovativeness?

An employee-owned co-operative is a democratic form of an enterprise in which the workers own the enterprise and jointly manage the firm. A major issue

to be uncovered is: do these specific features of the co-operative form have an impact on workers' motivation and through the motivation on creativity and innovativeness?

The study contributes theoretically to a *better understanding of the effects of a democratically managed and owned firm such as a co-operative on knowledge workers' motivation and innovativeness. The study also contributes by discussing the differences of knowledge workers' motivation and innovativeness in different organisational settings.* In the study, four different organisational solutions were compared in order to elaborate on the effects of the co-operative form on the motivation and innovativeness of knowledge workers.

Motivation of knowledge workers and research of the co-operative form

Earlier research consists of work motivation in knowledge organisations and the research of the co-operative form.

Motivation of knowledge workers

Motivation and creativity of knowledge workers are key issues in today's organisations (Amabile & Khairé 2008). Creativity in business context consists of three essential elements: *expertise, creative thinking* and *motivation*. *Expertise* consists of technical, procedural and intellectual knowledge a person possesses. *Creative thinking* refers to people's capacity to put existing ideas together in new combinations. *Motivation* finally determines what people actually do and how well they carry out the work (Amabile 1998).

Intrinsic motivation, which refers to a person's internal desire to do something, is important for knowledge workers. It is about passion and interest. The work itself motivates when it is challenging. Other intrinsically motivating factors are possibilities to develop one's own competencies and well-working co-operation within the organisation and with the representatives of interest groups such as customers (Tämpöe 1996; Kelloway & Barling 2000; Kaajas, Miikkulainen & Troberg 2001; Kaajas, Nordlund & Troberg 2002; Kaajas, Nordlund, Troberg & Nurmela 2003; Luoma, Troberg, Kaajas & Nordlund 2004; Thomas 2009). A study made about worker motivation in Finland clearly shows that intrinsic motivators such as the meaning of work have become more important in recent years (Antila 2006).

Intrinsic motivation is linked to creativity. People are most creative when they feel motivated primarily by the satisfaction, and challenge of the work itself and not by external factors such as control, commands,

competition or financial remuneration (Amabile 1998). Csikszentmihalyi and Nakamura (1989) point out the linkage of intrinsic motivation to good performance. They claim that intrinsically motivated people get involved deeply in the work forgetting even time and place. Intrinsically motivated people also voluntarily tend to stretch themselves in order to carry out the task well (Csikszentmihalyi 1990). Intrinsic motivation has a connection to endurance in work. People, who are intrinsically motivated, tend to endure better work-based stress than those who are not intrinsically motivated (Korpelainen 2005).

All the three components of creativity: expertise, creative-thinking skills and motivation can be influenced. Motivation can be influenced most easily. Intrinsic motivation can be increased considerably by even subtle changes in an organisation's environment (Amabile 1998; Amabile & Khairé 2008). Key factors that affect motivation and innovativeness of knowledge workers include six categories: *challenge, freedom, resources, work-group features, supervisory encouragement and organisational support* (Amabile 1998; Thomas 2009).

Co-operative as a form of a knowledge organisation

A co-operative according to the definition of International Co-operative Alliance (ICA) 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. A co-operative thus aims to fulfil the needs of the members. It may have multiple aims; economic, social or cultural, which may cause management challenges.

The co-operative ownership structure with equality and participation possibilities of the members encourages co-operation and involvement of the members on the management of the co-operative (Troberg 2009). The participation possibilities of the members and their effects on workers/members' motivation or the productivity and success of the co-operatives have been studied by many researchers (e.g. Spear & Voets 1995; Logue & Yates 2006; Troberg 2008 and 2009). The results of these studies show that owning the co-operative and participating in the management of the co-operative often have a positive effect on workers' motivation.

The co-operative form is a flexible organisational form which gives the members freedom to decide on how to work (e.g. part-time, remote work). These factors have shown to motivate the members intrinsically and thus have a positive effect on innovativeness (Troberg 2000a, 2000b, 2005, 2008, 2009). Other positive factors

enhancing co-operation and intrinsic motivation of the members point to the emergence of social capital and social cohesion because of the democratic structure (Nilsson 2001; Spear 2000 and 2004; Fairbairn 2004).

Côté (2000) sees a co-operative as a future business model. According to him, a co-operative has a strong values basis and the activities are carried out for the customers. Co-operatives take into account both individual and joint aims and they point out the fairness of profit sharing, the meaning of good life before money, and the organisational form as a learning organisation. When co-operatives openly market their value basis, they can appeal to large customer groups and receive new customers. In Finland, the examples of small co-operatives have created positive images of solidarity and commitment, meaningfulness of activities, common values and inspiration to learn and develop jointly (Bernardi & Köppä 2011).

Ownership theories point to possible agency problems in co-operatives (e.g. Jensen & Meckling 1979; Vitaliano 1983; Schuster 1990, Hansmann 1996; Hakelius 1998; Nilsson & Björklund 2003). Agency problems may lead to difficulties of management, e.g. conflicts or slow decision making processes which may jeopardize the positive effects of the co-operative form such as a collaborative organisational culture, solidarity, trust and well-functioning joint entrepreneurship. The development of management which is both effective and suitable for a co-operative way of operating is a key factor to decrease the possible agency problems (Tiroberg 2000a).

The following figure summarizes the conceptual framework of the study.

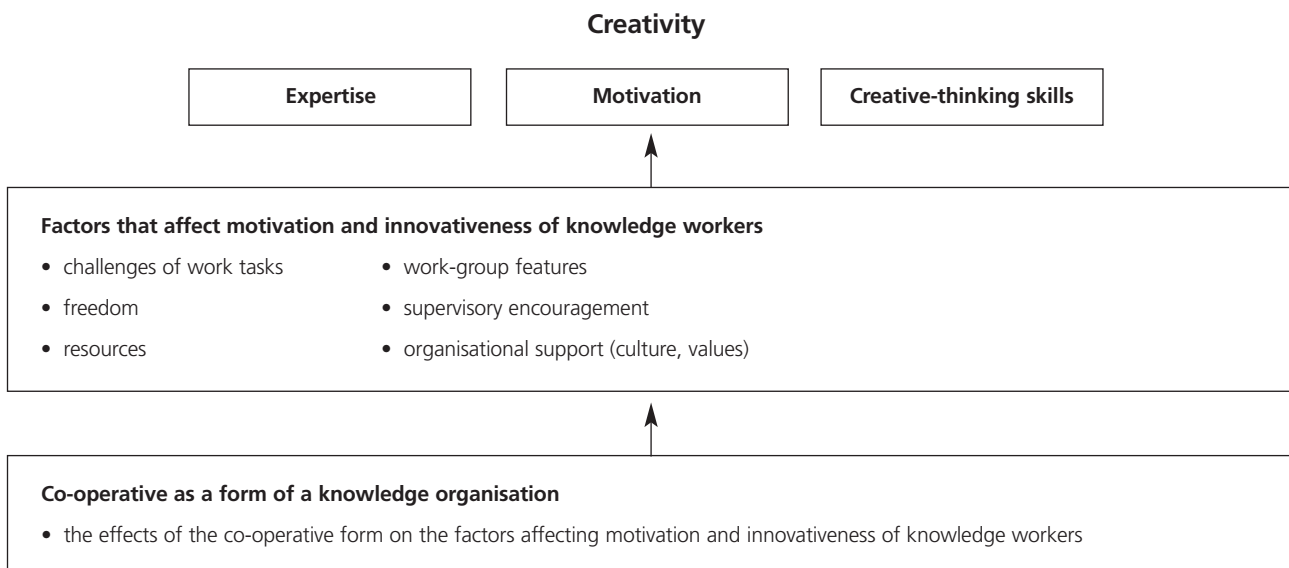
Methodology

In order to find out the effects of the co-operative form on knowledge workers' motivation and innovativeness, a comparative research method was used. The research was carried out by interviewing eight researchers working in four different types of research organisations. A research organisation is a good example of a knowledge organisation and researchers represent typical knowledge workers. The case organisations were a limited liability company, a unit of a major Finnish university, a co-operative and two researchers working independently. The major criteria for selecting these research organisations and actors were that they operate in the same sector of research, the number of employees is about the same (except the independent researchers) and they represent different types of organising research work.

The criteria for selecting the interviewed persons were: they were carrying out research work, they had several years' experience of research work and research organisations, both men and women were among the interviewed persons (3 men, 5 women).

The aim of the comparisons was to find out implications that the co-operative form possibly has on the factors enhancing motivation and innovativeness in knowledge work. The case method was chosen because there was not much earlier research made of knowledge co-operatives and workers' motivation in Finland or elsewhere. Theory elaboration from case studies is appropriate when there is not much earlier knowledge about the researched phenomenon

Figure 1. The conceptual framework of the study



(Eisenhardt 1989). The interview themes (see appendix 1) were derived from the major research question: *What is the relationship of the co-operative form to knowledge workers' motivation and innovativeness?*

The cases

The cases, a limited liability firm, a unit of a major Finnish university, a co-operative and researchers working independently without an organisational context, are shortly presented in the following.

One of the case organisations was a company of limited liability owned by a major Finnish university. The number of employees was about thirty. The main aim of a limited liability firm is to yield the best possible return on invested capital. The company is managed in such a way that the aims of the owners will be satisfied. The representatives of the university wanted to receive a good return on the invested capital. This meant that the organisation was expected to grow and be profitable. The organisation thus aimed to carry out research projects accordingly. Because the research company did not receive any state funding it had to sell and market its activities effectively in order to be competitive actor in the market.

The second case organisation was a unit of a major Finnish university. The number of employees was about fifty. The university was state-owned and the unit had to fulfil the objectives set by the management of the university. The guidelines and rules of the university determined to great extent the management of the unit researched. About 20% of the funding of the organisation came from the state, the rest of the funding the organisation had to acquire itself. Most of the acquired funding came from EU. The constant pressure to acquire outside funding had an effect on the management of the organisation.

The third case was an employee-owned knowledge co-operative. The number of employees was about fifty. The Finnish Co-operatives Act defines a co-operative as follows: "A co-operative is an organisation whose membership and share capital have not been determined in advance. The purpose of a co-operative shall be to promote the economic and business interests of its members by way of the pursuit of economic activity where the members make use of the services provided by the co-operative or services that the co-operative arranges through a subsidiary or otherwise." A major aim of employee-owned co-operatives in Finland is to employ the worker/owners. In the case co-operative, the worker/owners managed the firm jointly. Because they were the decision makers in the firm, they had a great amount of flexibility in their work.

Finally, one way of functioning as a knowledge worker is to operate independently without an organisational context. Some workers aim to full-time employment but some work only part-time. They may aim to moderate living standard e.g. in the case they prefer more leisure time. Customers or outside funding sources often set the restrictions to the work of knowledge workers working independently. Two of the interviewed people were researchers who worked independently without an organisational context. The workers themselves set the objectives for the work. Both researchers have earlier been working in universities.

The findings of the study (the factors affecting motivation and innovativeness of knowledge workers in the four different cases) are discussed in the following.

Factors affecting motivation and innovativeness of knowledge workers in the four organisational types

The factors identified from the data as affecting motivation and innovativeness were: *challenges of work tasks, freedom, resources, work-group features, supervisory encouragement and organisational support*. Each of them is discussed as follows.

Challenges of work tasks

In regard to challenges of work tasks the central observation was that all the interviewed people found it important that the work tasks are *challenging*. Challenges meant for them all that the work tasks have a meaning and there is a clear need for the results of the work (a linkage to practice). In order to enhance innovativeness the work tasks should also be *interesting for the researchers*. Intrinsic motivation seemed to have a clear linkage to innovativeness. According to all the interviewed persons, the factors enhancing innovativeness were more related to intrinsic than extrinsic motivators. There was a greater opportunity to select the research projects in the co-operative and in working independently than in the limited liability firm or the university unit.

Freedom

All the interviewed persons stressed the *importance of freedom*. The key to creativity is to give researchers autonomy concerning the means and process but not the ends. According to Amabile and Khaire (2008) the greatest successes come from workers' own initiatives when they have been given substantial autonomy in their work. The need for freedom, however, varies individually. Some researchers want to work almost isolated from other people while others want to interact actively with their research networks. A key

issue related to freedom is the fact how well the researcher's personality fits to his/her working environment. Puccio, Joniak and Talbot (2000) claim that the creative output of a researcher is dependent on this fit. It is difficult to be motivated and creative in the long run if the values and objectives of a firm are in conflict with one's own values, i.e. if one is 'imprisoned' in an unfit context.

The co-operative form and working independently gave the researchers more freedom, e.g. in regard to ways of working than the limited liability firm or the university unit. The researchers in the co-operative and the researchers working independently also had a greater possibility to choose the research projects themselves. In the limited liability company the effectiveness demands restricted freedom, e.g. the choice of the research projects. In the university unit, freedom was restricted by administrative work and internal development work of the organisation.

The interviewed members of the co-operative had both been working in public organisations in which they did not find sufficient amount of freedom. A major reason for one of the interviewed independent researchers to work without an organisational context was a need for freedom as she was a mother of small children. She wanted to decide herself how much to work and when to work. She also found that her prior working experiences at a university and a research company involved much more administrative work. There was not so much space and time for innovative ideas to emerge.

Resources

Two main resources that affect creativity are time and money (Amabile 1998). *Time pressure* as a negative factor was experienced by the interviewed persons in the limited liability firm and the unit of the university. In the co-operative and in the case of working independently the time pressure was not experienced so strongly. In the university unit the research directors had to work hard in order to acquire financing for the research projects. Because almost 80% of the financing came from outside the state funding, it can be said that the financial pressure directed the management and had an effect on innovativeness too. The organisation had a lot of administrative personnel which led to high fixed costs compared to the limited liability firm and the co-operative which both had low amount of administration within the organisation. In the co-operative, funding of research work was a major challenge, since other than university groups have difficulties to obtain research funding. The image of

universities as major research units is dominating in the world of research. A co-operative is not a well-known and common organisational form for knowledge purposes in Finland.

Work-group features

The importance of different networks and communities of practice is great in research work. According to the interviewed persons, the organisational culture of one's own team has an effect on innovativeness. One tries to combine the strengths of different people in order to be innovative. Researchers working independently were sometimes missing the social affiliation. They put forward that it would be good to have people with different skills to work with in research projects.

In today's research, networks inside and outside the organisation play a major role. Acting in different networks is important because of learning new things which one can later apply to one's own work. In the case of working independently the importance of research networks and colleagues become even more important. The other interviewed person working independently stated that it is very important to be in constant contacts to different people because otherwise the possibilities to innovativeness decrease.

Supervisory encouragement

Supervisory encouragement was found important both in the limited liability firm and in the university unit. In both forms, however, the interviewed persons claimed that the supervisors do not sufficiently know the content issues of the subordinate. In the co-operative and in the case of working independently, the role of colleagues and outside connections were experienced as important. The interviewed persons in those forms did not lack supervisory encouragement but enjoyed the freedom they had in their work. They stated that the feedback they received from colleagues and other people in different networks was important for them.

Organisational support

In this study, organisational support involves issues such as the *objectives of the organisation, management and organisational values and culture*. The major objectives of the researched organisations were believed to have a great impact on the innovativeness of the researchers. For example, in the limited liability firm the aim for effectiveness and the best possible return strongly directed the focus of the research projects and led to strict time schedules. The researchers experienced that they often had to carry out projects which they could not choose themselves; those projects

were carried out which they had been able to sell to customers. On the other hand, the limited liability firm was flexible and fast in reactions in the sense that there was not so much bureaucratic administration. In the university unit, there were not so great effectiveness demands. The culture of the organisation was favouring knowledge sharing and community building. The challenge, however, was that the organisation was bureaucratic and the internal development and administrative tasks took a lot of time.

In the co-operative, the ways of operating were flexible and the members had much freedom to decide how to work and when to work. The challenge was, on the other hand, the management of the co-operative when the members had different aims and needs. There were no clearly stated common objectives directing the firm. When the objectives of the worker/owners were different, it was difficult to create a community to prosper innovativeness.

The independent researchers set the objectives of their work themselves. They wanted to work according to what they considered was appropriate considering circumstances outside work. In the case of working without an organisational context it was easier to restrict the amount of work done. On the other hand, the independent researchers did feel they lacked organisational support from time to time as not part of a mission greater than themselves.

A summary of the major findings of the study regarding the linkages of motivation to innovativeness is presented in the enclosed table Appendix 2.

The finding

Our research results suggest that challenges of work tasks, freedom in work, time pressure, available resources, work-group features and organisational support all have an effect on motivation and innovativeness of knowledge workers in all the different organisational types. Supervisory encouragement was found important in the limited liability firm and in the university unit. Knowledge workers working independently and those working in the co-operative did not lack supervisory encouragement. Instead they were people who enjoyed the freedom without supervisory involvement. It may be that people like that become co-operative entrepreneurs or individual entrepreneurs.

Amongst the researched organisations the co-operative and the way of working independently gave the researchers more freedom to select their work tasks and their way of working. The time pressure was

also not so high as in the limited liability firm and the university unit. However, the co-operative clearly had challenges in acquiring funding for their projects.

Good work groups and networks outside the organisation were important factors enhancing creativity in the limited liability firm, the university unit and the co-operative. The researchers working independently were time to time lacking colleagues. The earlier research suggested that the co-operative structure enhances the emergence of social capital and social cohesion (Nilsson 2001; Spear 2000 and 2004; Fairbairn 2004). In this research, the interviewed people in the university unit found a strong social cohesion but not the interviewed persons in the co-operative.

The findings indicated that the major objectives of a firm have an effect on the organisational culture. When a firm aims to long term profitability and the management gives sufficiently freedom to knowledge workers, the organisation has a better opportunity to contribute to the emergence of a culture supporting innovativeness. In the limited liability firm the profit objectives were very clearly stated. The interviewees claimed that it is difficult to be innovative in the pressure of effectiveness. The interviewed persons in the co-operative and the researchers working independently experienced less time pressure because they had more possibilities to choose their work projects.

A major factor linked to the organisational culture in the co-operative is that the form is flexible and equal for the members. Flexibility means that the workers/owners can to great extent determine how they work (e.g. remote work) and how much they work (e.g. part-time work). This feature of flexibility is clearly stated in earlier research (e.g. Troberg 2000a, 2000b, 2008, 2009). The members are the owners who set the objectives of the firm. There are no outside investors demanding high return on invested capital.

Managing the co-operative, when the members had different aims and needs, was one of the major challenges. There were no clearly stated common objectives and management practices directing the firm. This finding is in line with the earlier research findings which state that agency problems easily emerge in a co-operative and jeopardize the positive features of a co-operative structure such as flexibility (e.g. Nilsson & Björklund 2003). There exist, however, knowledge co-operatives in which the owners form a homogeneous group with jointly agreed objectives which enhance innovativeness. Good management practices and a homogeneous group of members are keys for the success of these co-operatives (Troberg 2000a; Nilsson 2001).

This research has shown that the knowledge co-operative researched possesses more freedom and flexibility and less time pressure compared to the limited liability form and the traditional university form. These are factors that motivate knowledge workers and have a positive effect on creativity and innovativeness. Especially important is that in a co-operative the members can concentrate on work which is important for them. Interesting and challenging work tasks have a linkage to creativity and innovativeness.

A co-operative is a paradoxical form of an organisation in the sense that it allows a great amount of freedom to members but at the same time it is a form of joint entrepreneurship in which one has to take into account members and be able to co-operate well in order to be successful. Thus, the form may have disadvantages in order to prosper innovativeness. The different objectives of the members may cause a challenge. The key issue to manage this challenge is to create a management model which suits the co-operative culture and which at the same time effectively directs the business activities. Another major challenge is the funding of the activities when a co-operative needs investment, e.g. the research funding is difficult because co-operatives are rare actors in the research world which is dominated by large universities.

In the future, a large survey study of the motivational factors of knowledge workers in co-operatives could yield more comprehensive knowledge about worker motivation and its linkages to innovativeness. Also, a research of motivational differences at different business sectors would be useful. In a more extensive research project subjective elements will need to be validated against a clear measure of "innovativeness" that can be used in a comparison across the organisational types so that relative outputs to human resources can be established between the various alternative ownership models.

Notes

- 1 In this study a knowledge worker is defined as a person who works as an expert in knowledge sectors e.g. consulting, research, finance, media, high technology, information technology. Researchers at research organisations represent knowledge workers.

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Annexes

1 The interview themes

- What does innovativeness mean in research work and how does it present itself in practice?
- Which are the effects of innovativeness in research work?
- Which are the linkages between well-being and motivation of researchers, creativity and innovativeness?
- What promotes and depresses creativity, innovativeness and well-being in research work?
- What role does the organisational form and management play in regard to creativity and innovativeness?
- Does the co-operative form enhance creativity and innovativeness?
If yes, through which factors?
- Are there any challenges that the co-operative form places to the work of researchers?

2 Factors that affect motivation and innovativeness of knowledge workers

Organisations	Challenges of work tasks	Freedom	Resources	Work-group features (include outside networks and interest groups)	Supervisory encouragement	Organisational support
Organisation A (limited liability firm)	In order to have a positive effect on innovativeness it is important that the work has a meaning and is related to own interest areas. There is a limited possibility to choose research subjects that interest the researcher.	There is freedom in regard to ways of working, no fixed working time. The researchers would like to have a greater possibility to choose the themes of the research projects so that the personal interest towards the work would be greater.	Demands of effectiveness are high, there is no extra time for reflection. This is a disturbing factor in regard to innovativeness.	The importance of the work-group is great for the success of the projects. Innovativeness increases when competencies of different people complement one another.	Supervisory encouragement and involvement have an effect on researchers. More feedback and understanding of the contents of the research projects were desired by the supervisors.	The organisational climate is influenced by high profit objectives. The linkage to a major business school (owner of the research company) enhances research work. This linkage has, however, become weaker in recent years because of the consulting nature of the research company.
Organisation B (university unit)	The demands of effectiveness were not so great than in the Organisation A. The researchers have a greater opportunity to select the research themes. Thus, they have the possibility to aim for work tasks which interest them.	Time control is practiced in the organisation. This has a negative effect on the motivation of researchers. Researchers have freedom in the sense that they can choose when they acquire the financing themselves.	The researchers were lacking time for reflection. Issues related to the internal development of the organisation and bureaucracy takes too much time.	The importance of the work-group is agreed but there is the challenge that the research areas of the researchers are very different and that encourages the group to disintegrate.	More understanding by the management of the contents of the research projects would have been preferred.	The culture of the organisation supports community building and knowledge sharing. The culture is, however, bureaucratic.
Organisation C (co-operative)	There is a great possibility to aim for challenging work tasks in the case financing of the work could be managed.	There is a lot of freedom regarding how to work (e.g. part-time, distant work) and when to work.	A co-operative has major difficulties in obtaining financing for research projects because it does not represent a traditional research organisation.	The work-group has importance. In a co-operative, the aims and needs of the members may vary. Thus it is challenging to lead the co-operative with an egalitarian structure.	There is no traditional supervisory system in a co-operative. The researchers were not missing supervisors. The role of colleagues and different networks is important.	The objectives of the co-operative are set by the members. The organisation is flexible and there is a great desire to become a learning organisation by some of the members.
Organisation D (independent researcher without a company framework)	Working independently makes it possible to aim for challenging and interesting work tasks.	Freedom how to work and how much to work. One's own targets set the limits. Freedom is a very important motivational factor.	Working in this form means that there is not much bureaucracy that takes time and no effectiveness pressure set by outside owners. One often needs networking in order to have the needed resources.	The work-group consists of colleagues in other organisations. They have a great significance for motivation and innovativeness when working alone.	There are no supervisors. The researchers did not miss supervisors. The role of colleagues and different networks is very important.	Organisational support in this form means all the support received through colleagues and different partners. The interviewed persons found the way of working very satisfactory for them.

The State of Co-operative Entrepreneurship Education in Finland: an Exploratory Study

Eliisa Troberg, Elena Ruskovaara and Jaana Seikkula-Leino

Abstract

This paper deals with a study of co-operative entrepreneurship education at Finnish universities of applied sciences. Co-operatives have been used as a tool for entrepreneurship education at Finnish universities of applied sciences since 1993. The main objective of the study was to find out how co-operative entrepreneurship works as a tool for entrepreneurship education. The empirical data was collected through documentation material and by interviewing members of co-operatives and teachers at universities of applied sciences. The findings show that co-operatives work well as a tool for entrepreneurship education. They are experienced as *innovative learning environments* with many advantages. However, there also exist some challenges. A major one is that co-operative entrepreneurship education is not yet well integrated into other studies at universities of applied sciences.

Key Words

Co-operative entrepreneurship, entrepreneurship education, university of applied sciences.

Introduction

Entrepreneurship education was included in the education plans of the Finnish educational system around the middle of the 1990's (Remes 2003). Nowadays, it has become a popular subject at different levels of the system. According to the European Commission report (2002) developing and promoting the atmosphere of entrepreneurship and its potentials are one of the key aims in all educational levels in the future. Furthermore, the Commission of the European Communities (2006) has stated that entrepreneurship is a key competence of European citizens. It was shown in the report (European commission 2002) that Finland is the only country in EU which is committed to this challenge in all education.

This article deals with co-operative entrepreneurship education at Finnish universities of applied sciences. The Finnish higher education system consists of universities and universities of applied sciences. At universities of applied sciences the education that is offered is more practical and more focused on

professional skills than at universities. Education at universities of applied sciences emphasizes close contacts with businesses, industry and services, especially at a regional level. Bachelor-level degrees are designed to meet the changing requirements and development needs of working life.

The purpose of this article is to discuss the findings of a study regarding co-operative entrepreneurship as a tool for entrepreneurship education at Finnish universities of applied sciences. In the study, the major research question was: How co-operative entrepreneurship is fulfilling the objectives of entrepreneurship education? Also, the strengths and challenges of co-operative entrepreneurship were researched. This article first defines entrepreneurship, co-operative entrepreneurship and entrepreneurship education. The key issues of the literature of entrepreneurship education and the methodology of the study are presented. Then the major findings of the study are discussed and finally, some conclusions are made.

The concepts of entrepreneurship, co-operative entrepreneurship and entrepreneurship education

The concept of *entrepreneurship* is ambiguous and no consensus has been reached about one single, comprehensive theory of entrepreneurship (e.g., Bygrave & Hofer 1991; Shane & Venkataraman 2000; Davidsson et al. 2001; Eyal & Inbar 2003). According to Schumpeter (1934) the main function of entrepreneurship is *innovation* which means the reorganisation of resources to enhance productivity, the creation of new commodities or new ways of producing them as well as the creation of new markets and new materials. A number of researchers argue that entrepreneurship is about *bearing uncertainty* (e.g. Knight 1921; Drucker 1985), where the entrepreneur tries to strike a balance between the demand and supply of the market. Bygrave and Hofer (1991) argued an entrepreneur to be someone who perceives an *opportunity* and creates an *organisation* to pursue it. Shane and Venkataraman (2000) defined entrepreneurship as a study of sources of opportunities, the processes of discovery, evaluation and exploitation

of *opportunities*, and those individuals who discover, evaluate and exploit them. Sarason, Dean and Dillard (2006) pointed out that despite the fact that entrepreneurship is treated as a nexus of the individual and opportunity, entrepreneurship is a *social undertaking* and must therefore be studied within the context of a social system.

Co-operative entrepreneurship is one form of joint entrepreneurship. Joint entrepreneurship means that there is more than only one entrepreneur in the firm. In a co-operative there have to be at least three founders whereas one person can establish a limited liability company. The membership cannot be transferred or inherited. The power structure is different compared to a limited liability company. Each member of a co-operative has one vote irrespective of the number of owned shares. In a limited liability company the number of shares decides both the control of the firm and the distribution of benefits (Cooperative Societies Act 1.1.2002).

The research of *entrepreneurship* education builds its basis largely on the conceptual understanding of entrepreneurship and learning. As Gibb (2005) has stated, entrepreneurship education is about *learning for entrepreneurship, learning about entrepreneurship and learning through entrepreneurship*. The term entrepreneurship education has been defined in terms of 'entrepreneurial' and 'enterprising' within the research of entrepreneurship education (e.g., Berglund & Johansson 2007; Gibb, 2005; Steyaert & Katz 2004). 'Entrepreneurial' refers to *business activity* and 'enterprising' to *entrepreneurial attitudes and behaviors* manifested in any context (e.g., Gibb 2005). Entrepreneurship education introduces entrepreneurship as a career choice but also as an entrepreneurial way of seeing and doing things and a way of teaching and learning (Finnish National Board of Education 2003; 2004; Steyaert & Katz 2004; Berglund & Johansson 2007).

In the legislation, the state has entrusted universities of applied sciences with a special mission of building co-operation with local enterprises in order to promote employability, entrepreneurship and innovation. In the beginning of 2010 there were 27 universities of applied sciences in Finland. In recent years, team entrepreneurship as a form of co-operative entrepreneurship has become a learning innovation at the universities of applied sciences. Today, co-operatives function as a tool for entrepreneurship education in majority of the universities of applied sciences. The innovation has spread also to several colleges. According to a survey made by Pellervo

(Confederation of Finnish Cooperatives), the importance of co-operative entrepreneurship is increasing at many of the universities of applied sciences (Ot-lehti 3/2007). The sectors in which the co-operatives operate within the universities of applied sciences range from engineering, media, culture and marketing services to social and welfare services. The number of co-operatives usually varies from a couple of co-operatives to ten. The number of members varies from about 5 members to 40 members.

Entrepreneurship education

The objectives, the tools and the challenges of entrepreneurship education are discussed as follows.

The objectives of entrepreneurship education

In Finland the general objectives of entrepreneurship education are defined by the Ministry of Education (2009) as follows:

"Entrepreneurship education mainly refers to wide-ranging work done within the educational administration with a view to enhancing entrepreneurship. Entrepreneurship education is also provided and supported by many labour market parties and organisations. Practical measures are geared to inculcate positive attitudes and develop knowledge and skills relating to entrepreneurship, create new business, upgrade entrepreneurs and personnels competencies and bring about an entrepreneurial mode of operation at the workplace and in all other activities. Entrepreneurship education is rooted in lifelong learning and a networked mode of operation."

In Finland entrepreneurship education involves education and teaching of entrepreneurship given at different levels of the education system. Noteworthy, it includes both external and internal entrepreneurship. External entrepreneurship refers to working as an entrepreneur. It is about doing business (Ristimäki 2003). Internal entrepreneurship refers to the use of entrepreneurial traits such as innovativeness and tenacity as an employed worker in any organisation. Entrepreneurship education for younger students is more about internal entrepreneurship than external entrepreneurship. The aim is that students become active, discover opportunities and learn to cope with a complex society (e.g. Gibb 2006; Remes 2001; 2004). The inclusion of both external and internal entrepreneurship in the education allows development of skills that are applicable in many work settings for improving organisational performance (Holmgren & From 2005).

Holmgren and From (2005) state that the task of entrepreneurship education is twofold. First, there is the formation of entrepreneurial intentions. In this, entrepreneurship education is supposed to build an awareness of entrepreneurship as a career option and to lead to entrepreneurship as a calculated choice of career. Second, there is the formation of a certain world-view. As a result of entrepreneurship education students are supposed to act and react spontaneously in an entrepreneurial way. The idea is that entrepreneurship education will lead to entrepreneurship as normal behaviour.

Tools of entrepreneurship education

A variety of pedagogical tools (e.g., Fiet 2000a; 2000b; Fayolle 2008) are used in entrepreneurship education, such as lectures, readings, entrepreneurs' testimonies, case analysis, case development, journal writing, and computer simulations. Students who write a business plan and take part in a game where they have to make some decisions or even set up a real business ventures, learn much more than those attending traditional classroom lectures (Volery 2004). Entrepreneurship education must primarily include process and action-oriented approaches. Students and would-be entrepreneurs effectively learn only if they take part in the process. Therefore, according to Volery (2004) any education programme should include dialogue, rather than monologue, involving all students in knowledge creation.

Pedagogical tools should require students' active participation, communication, interaction with community and logical thinking (see for example Joyce & Weil 1980). Fiet (2000a) presents an interesting view how to successfully teach and learn the theoretical side of entrepreneurship. He encourages teacher to begin each class by introducing the concept to be mastered and the associated learning activities. The learning activities should be extensions of previously assigned reading material that provides the theoretical basis for the competency to be mastered. In the learning activities students are working actively in pairs or groups and during the student-led activities the teacher participates by initiating discussion and facilitating learning. Fiet (2000a) argues that using theory-based activities positions the teacher as a coach or mentor rather than lecturer who delivers information in a boring predictable manner. He also argues that theory-based activities potentially involve every student in the learning process.

Hynes (1996) divides the teaching focused on entrepreneurship education into didactic methods, skills building methods and discovery methods. By

didactic focus she especially mentioned readings and lectures where students become accustomed to using immediate data, analysis and interpretations of the data. Skills building methods, like case studies, group discussions, presentations, simulations and projects, are used to generate increased effectiveness in the behaviour of the students. Meanwhile discovery methods encourage learning through discovery and experiential learning. Not only learning by doing and problem based learning but also networking with external organisations and students' hands-on experience with the firm sector were mentioned, there.

According to a study carried out at Finnish universities of applied sciences (Paajanen 2001), teachers found the most appropriate teaching methods of entrepreneurship education to be businesses and projects carried out by students, learning by working, creative problem solving, guest lectures by company representatives, working as an entrepreneur and company visits. The lowest scores were given to exams, imaginative learning, audiovisual presentations, lectures and essay-writing. It is noteworthy however, that the teaching methods most commonly used at universities of applied sciences are traditional lectures and other forms of class-room teaching. A major finding of the study of Paajanen was that too few business projects related to their usefulness for entrepreneurship education were carried out by students at universities of applied sciences.

Challenges of entrepreneurship education

Entrepreneurship is said to be a way of thinking, reacting and acting. Entrepreneurship is above all about changing attitudes and motives. Several researchers argue that learning entrepreneurship is not taking place through traditional lectures and readings but by doing and acting as an entrepreneur. The learning should be personal, practical and experimental through discovery (Dana 1993; Gorman 1997; Fayolle 2001; Rae & Carswell 2001; Bird 2002-2003).

A major difficulty associated with entrepreneurship education is how well it fulfils its task. It is not easy to change people's attitudes and motives. Can students become more enterprising via pedagogical tools and techniques? Gibb (in Kellet 2006) strongly argues for a learning approach where students are given a learning experience that immerses them in a process which allows them to experience first hand the entrepreneurial flavour of business. Learning and teaching should be organised around solving problems, not functional paradigms, and this could be gained from different sets of people.

Entrepreneurship education is still a relatively new

phenomenon in education. Therefore, there are some challenges concerning the curriculum design and realizing the curriculum. How could we integrate entrepreneurship education into courses and subjects in meaningful ways? Moreover, how could we enhance purposeful collaboration between education and business life through curriculum design? (Seikkula-Leino 2010)

One of the challenges of entrepreneurship education is that it is very difficult to measure the overall effectiveness of the education (Holmgren & From 2005). A challenge is also that the meaning of so-called entrepreneurial traits like creativity and risk taking is likely to vary between times, cultures, contexts and practices (Holmgren & From 2005). For example, fifty years ago entrepreneurship in several sectors meant above all financial risk taking and investment. Nowadays, the situation is different in many sectors in the way that the major capital investment is human competence.

Co-operative entrepreneurship is a new phenomenon in Finland. Twenty years ago there existed only about 10 worker co-operatives in Finland. Today, the number of worker co-operatives is about 1500 (<http://www.pellervo.fi/osuuskunta/tilastot.html>). Some people experience employee-owned co-operatives more as associations than business enterprises. Joint entrepreneurship in any juridical form has not been common in Finland. Co-operative entrepreneurs have met prejudices from many interest groups such as the banking world and labour officials. Many bankers, for example, have not been willing to grant loans to co-operative entrepreneurs because co-operative entrepreneurship is not a known form of entrepreneurship in Finland. Bankers are not sure who is taking responsibility in a firm where there are many owner-entrepreneurs.

In sum, thinking about the challenges of entrepreneurship education there is another challenge concerning the development of co-operative entrepreneurship through entrepreneurship education. How is co-operative entrepreneurship fulfilling the objectives of entrepreneurship education and what are the strengths and challenges of co-operative entrepreneurship in this context? Such thoughts and questions lead us to study these themes through a case study which will be described next.

Methodology

The study was carried out in two phases. First, a literature review was conducted consisting of

entrepreneurship studies carried out at universities of applied sciences (Leinonen et al. 2002; Mäkäräinen & Lankinen 2006; Korhonen et al. 2007; Niskanen 2008) and surveys of co-operative entrepreneurship at universities of applied sciences made by OT-lehti (Finnish Journal of Co-operation) in 2006-2007. The literature review assisted in reaching a basic understanding of the research phenomenon and in coming up with appropriate interview questions.

The empirical data was gathered by interviewing members of co-operatives and co-operative entrepreneurship teachers at six Finnish universities of applied sciences in 2007, 2008 and 2010. The studied universities of applied sciences are located in Helsinki (South), Lahti (South), Turku (West), Tampere (West), Mikkeli (East) and Pieksämäki (East). These universities were chosen as cases because they had some years' experience of co-operative entrepreneurship and they represented different parts of Finland. Altogether 14 people were interviewed. From these interviewed five were teachers and coaches in the co-operatives and nine were students. In addition to these interviews, co-operative entrepreneurship at Jyväskylä University of Applied Sciences (Team Academy), which was the first university to introduce co-operative entrepreneurship in 1993, was studied through documentation material.

The case method was chosen because in order to reach the purpose of the study, a holistic and thorough understanding of the experiences of the students and teachers was needed. The case study method is recommended when the researcher aims to understand complicated social phenomena in a real life context, e.g. dynamics of organisational behaviour (Yin 1994). For this reason the case study approach is justified. There is not much research made of co-operative entrepreneurship at Finnish universities of applied sciences. In the case where little is known about the phenomenon, theory building from case studies is particularly appropriate (Eisenhardt 1989). Later on, a more comprehensive quantitative study about co-operative entrepreneurship at the universities of applied sciences would be needed in order to find results which could be generalized.

The aim of the interview phase was to identify the major reasons for using co-operatives as a tool for entrepreneurship education and to create an understanding about the dynamics of co-operative entrepreneurship as well as the strengths and challenges of it.

The research themes were the following: What are the reasons for using co-operatives in entrepreneurship

education? What forms of learning are there in the co-operatives? How effectively are co-operatives fulfilling the objectives of entrepreneurship education? Which are the major strengths and challenges of co-operative entrepreneurship as a tool for entrepreneurship education? The main findings of the study are discussed as follows. A summary and conclusions are presented at the end of the article.

Findings

As follows the major findings of the study are discussed. First, the reasons for establishing co-operatives at the universities of applied sciences as well as the forms of learning entrepreneurship are presented. Second, the effectivity of co-operative entrepreneurship in fulfilling the objectives of entrepreneurship education is discussed.

The reasons for establishing co-operatives at the universities of applied sciences

Below are presented some of the interviewed persons' ideas for establishing co-operatives at the universities of applied sciences.

There are several reasons for using the co-operative form in the entrepreneurship education at the universities of applied sciences. All of the interviewees found a co-operative being a flexible form of enterprise. Interviewed teachers at Haaga-Helia University of Applied Sciences (Helsinki) and Turku University of Applied Sciences argued that compared to a limited liability company the share capital of a co-operative is not fixed and it is therefore easier to join and exit the enterprise. Interviewed students at Turku University of Applied Sciences stressed the point that no starting capital is needed when establishing a co-operative. The share payments are usually not high and the financial risk is limited in the co-operative way of operating. This is very important to students who do not have substantial financial resources and who do not aim at developing growth enterprises but at learning entrepreneurship.

All the interviewed students pointed out that a democratic and egalitarian way of operating motivates them. A co-operative seems to be a practical form for team entrepreneurship. The interviewed teachers argued that a co-operative is a human community which makes it a good form for learning social and entrepreneurship skills.

Table 1. Quotations from the interviews regarding the reasons for establishing co-operatives at the universities of applied sciences

"Co-operative entrepreneurship is a flexible way of operating."

"A co-operative is a good learning environment in which the students learn together in a flexible manner."

"A co-operative is a human community, a better way to practice team and social skills than a limited liability firm aiming to profits."

"A co-operative is more flexible than a limited liability firm. It's easier to join and quit the co-operative."

"A co-operative is a good form of enterprise for learning purposes because the major aim is not to produce profit for owners."

"In a co-operative students learn by doing."

"From the customer point of view a co-operative is a flexible actor to produce services and products and to rent workers."

"Co-operatives have the same value basis as the social and welfare sector. We would not have established a business oriented limited liability firm. The value basis of co-operatives motivates us."

According to the interviewed teachers the co-operative form suits human intensive sectors such as training, media, culture and marketing of artisan products. The teachers claimed that these are sectors in which the competencies of people are more important than financial resources. They also found a co-operative to be a modern networking enterprise, which enables combinations of different skills and competencies. The students of social and welfare sector found the image of a co-operative as a not-for-profit enterprise suiting well for the social and welfare sector. Also, the value basis of a co-operative suits well the social and welfare sector.

The forms of learning entrepreneurship in the co-operatives

At the majority of the universities of applied sciences, students spend one year studying principal studies e.g. business, computer science or social and welfare services before starting to work in the co-operative. The students found a team company of their own or they join a co-operative already existing. The customers pay the co-operatives for their services. In some co-operatives the students earn money when working in the co-operative, in others they do not earn money but the earnings received from the customers are used to develop the co-operatives and/or to organise different events for the students.

At the minority of Finnish universities of applied sciences the students work with their companies during their whole study time (three-and-a-half-years). In that way they can learn and practice the knowledge and skills needed in entrepreneurship and simultaneously they obtain the degree of Bachelor of Business Administration.

The number of co-operatives within the Finnish universities of applied sciences varies from a couple of co-operatives to ten in each. According to the interviewed students there are usually several teams within one co-operative. Every team member has his or her own task in the team. There are e.g. team leaders, project managers and marketing managers in the teams. Usually the teams have their own coach who participates in the training sessions, gives tips and advices and also encourages the whole team to better results. It is important that the coach has entrepreneurship experience. In the starting phase the role of the coach is very important.

Learning is based on *learning by doing* methodology. The studies consist of team meetings, small group workshops and projects. Projects

concentrate on e.g. marketing, communication, sales, event organisation, graphical design, project management, innovation and utilization of computing skills. In the co-operatives, the students learn e.g. bookkeeping and how to act as a board member. Because every student has customer projects, customer visits are an important part of the work (Leinonen et al. 2002).

In addition to the projects and team activities, the studies are also performed by reading business literature. The literature includes subjects such as entrepreneurship, management and leadership, marketing and innovating. The purpose of reading is not to learn by heart or to read for exams. At some universities of applied sciences, the students can choose themselves what kind of literature they want to read and what they wish to learn. There is usually a large selection of different kinds of books at use. After reading the students transfer the knowledge into practice by using the ideas they got from the books in the projects (Leinonen et al. 2002).

Is co-operative entrepreneurship fulfilling the objectives of entrepreneurship education?

The interviewed teachers pointed out that co-operatives are experienced as *innovative learning environments*. This means that through co-operative working students learn important entrepreneurial skills and assumption of responsibility that one cannot learn through lectures. Students learn by doing things in different real life situations. All of the interviewed persons stated that traditional ways of learning, such as listening to lectures and passing exams, do not motivate and inspire the students in the same way as working in a co-operative. Learning entrepreneurship through co-operative working is, however, a new and innovative way, which is not yet widely utilized.

The interviewed teachers stated that on the whole co-operative entrepreneurship meets well the objectives of entrepreneurship education. A core issue is that in co-operatives students learn both *external* and *internal entrepreneurship*. By working in the co-operatives the students integrate knowledge and skills in order to carry out complicated entrepreneurial tasks.

There are two major ways of forming co-operatives at the universities of applied sciences. One is that new students always establish a co-operative of their own. The other way is that there is an existing co-operative at the university, which the new students join. When students found their own co-operative the advantage

is that they experience the co-operative more as an enterprise of their own than when they join an already existing co-operative. They also have the opportunity to continue the operations of the co-operative after completing the studies. According to the interviewed students, both forms have their advantages and disadvantages. When the students join an existing co-operative the advantage is that customers already know the enterprise. On the other hand, an interviewee at the Turku University of Applied Sciences argued that students might commit themselves more and act more as owners of the firm when they found a co-operative of their own. When founding a co-operative, they also learn the starting phases of entrepreneurship.

It is noteworthy that only few students become entrepreneurs after completing their studies. In 2007 the number of students who completed their studies at Finnish universities of applied sciences was 21 000 (Ammattikorkeakoulutuksen työelämälähtöisyyden kehittäminen 2009). The percentage of the students who become entrepreneurs within five years after completing their studies is only 2 to 3 % (OT-lehti 4/2006). Although the large majority of the students do not start their own enterprises, it is important to learn internal entrepreneurship and practice entrepreneurial skills at work elsewhere. When working in the co-operatives, students form contacts to the business world. Many times they are offered jobs by the companies with which they have worked during their studies.

At the universities of applied sciences in which students establish their own co-operatives they seldom continue the operations of the co-operatives after completing the studies, and the co-operatives are terminated. In minority cases students continue the operations in the form of a co-operative, or they transform the co-operative into a limited liability firm. One reason for changing the form of the enterprise is that a company of limited liability is a more suitable form for growth and for profit purposes. Another reason is that students experience the co-operative as a learning tool for entrepreneurship not as a real business firm.

The major strengths and challenges of co-operative entrepreneurship as a tool for entrepreneurship education

Strengths

According to the interviewed persons co-operative entrepreneurship is *a good way of learning*

entrepreneurship because students receive real life entrepreneurship experience. Students e.g. plan the economy of the firm, carry out product development projects, create contacts to customers and learn to negotiate agreements. The interviewed students at Turku University of Applied Sciences stressed the fact that as entrepreneurs their position in relation to customers is better than in the role of students. At Pieksämäki University of Applied Sciences learning through co-operative working was experienced to counterbalance theoretical studies (Niskanen 2008). At Haaga-Helia University of Applied Sciences (Helsinki) the students stated that they have learnt a lot more by working in the co-operative than by listening to the lectures or working as employees (Mäkäräinen-Suni & Lankinen 2006).

Co-operative entrepreneurship involves a certain kind of freedom which the interviewed students find a major strength and a motivating factor. They like the fact that they can decide themselves on many issues and innovate and conduct their own projects independently. When students are intrinsically motivated they tend to be more creative in their work (Amabile 1997).

As compared to individual entrepreneurship, co-operative entrepreneurship has a major strength in the sense that it helps develop team skills, which are among the most important skills in working life. At Mikkeli and Pieksämäki Universities of Applied Sciences the students stressed the co-operative way of working and the good joint spirit. By acting as entrepreneur students also learn a lot about themselves and their way of acting, group working skills and sales skills (Mäkäräinen-Suni & Lankinen 2006).

According to the Finnish Co-operative law, a co-operative is an open form of enterprise, where the number of members and shares need not be determined beforehand compared to a limited liability company, which has a fixed number of shares. This suits well students' entrepreneurship, in which the number of entrepreneurs is changing. Many founders of worker co-operatives have chosen the co-operative form because they have not known at the starting phase how many new members will join the co-operative later (Troberg 2008).

The value basis of co-operation is especially well-suited for social and welfare studies. At Pieksämäki University of Applied Sciences the interviewed members stated that they wanted to establish a co-operative because it is not profit-oriented in the same way as a company of limited liability typically is.

Customers have often found student co-operatives responsive and adaptive to their changing needs. According to the interviewed students at Turku University of Applied Sciences, a challenge, however, is that many customers expect lower prices because the entrepreneurs are students.

The table below shows some quotations of the interviews regarding major strengths of co-operative entrepreneurship as a tool for entrepreneurship education.

Although co-operative entrepreneurship seems to have many advantages as a form of entrepreneurship education there also are challenges. The major challenges are discussed as follows.

Challenges

As compared to traditional lecturing and exams, teachers have found the co-operative learning system to be more challenging. For example, it is more difficult to estimate the students' performances (OT-lehti 4/2006). This is partly due to the fact that some teachers do not possess sufficient knowledge about co-operative entrepreneurship or entrepreneurship in general.

A major challenge at many Finnish universities of applied sciences is that co-operative entrepreneurship is not yet well integrated into the studies. At one of the case universities co-operative entrepreneurship is almost completely separate from

other studies. The students cannot compensate studies by working in the co-operative. It is therefore challenging to find time to work in the co-operative because other studies are primary. Jyväskylä University of Applied Sciences (Team Academy), the forerunner in co-operative entrepreneurship, has well managed to integrate co-operative entrepreneurship into the examination of Bachelor of Business Administration (Leinonen et al. 2004).

There are also challenges in regard to student activity and the management of the co-operative. Co-operative entrepreneurship is a new demanding method which presupposes active working and commitment from the students. Entrepreneurship with some freedom suits some students well, while others may be more passive. According to the teachers, however, only a small minority of the students are "free riders". Working in the co-operative is an important time for some students to find out that there is not an adequate fit between who they are and what entrepreneurship requires (Mäkäräinen-Suni & Lankinen 2006).

According to one interviewed student, in the beginning, there is often the difficulty that most students do not know each other well and they may have different aims and needs regarding the business activities. Prior to establishing a new co-operative it would be important to include a period of social

Table 2. Quotations from the interviews regarding the strengths of co-operative entrepreneurship as a tool for entrepreneurship education.

"This is a very good and innovative environment for learning entrepreneurship. Students learn social skills, co-operation and internal and external entrepreneurship."

"The greatest point is that we establish a real enterprise, in which we can work."

"The point is that everybody is him/herself responsible for the activities in the co-operative. This is counterbalancing the normal lectures."

"Everything depends on oneself. When you are actively involved in the operations of the co-operative, you receive good working experience and contacts."

"The atmosphere here is free, the situation would be different in a limited liability firm, it would not be so flexible."

"I feel free, nobody is commanding. We are fast and flexible in customer projects."

"The values of co-operation are the same as in the social and welfare sector. We would not have joined the co-operative without the same values. We do not like profit-oriented business."

Table 3. Quotations from the interviews regarding the challenges of co-operative entrepreneurship as a form of entrepreneurship education.

"The university should make a greater contribution in order to develop co-operative entrepreneurship. The importance of co-operative entrepreneurship is not well understood."

"Co-operative entrepreneurship should be better integrated into the studies of universities of applied sciences."

"The starting phase of co-operative entrepreneurship is very important. There should be better coaches directing the operations and motivating the students."

"The point that the membership is changing, when students finish their studies, is a challenge for the operations of the co-operative."

"The membership is so large that it is difficult to find time for joint meetings and there are challenges of communications. A smaller team would make things easier."

exchange and study. This period is important in order to find out what kind of competencies and skills the students have. In addition to formal meetings, informal gatherings are needed.

Some co-operatives have had difficulties in finding motivated board members. Many students want to work and learn business skills but not to be involved in the administrative and managerial tasks. One of the interviewed students pointed out that members have to be motivated to act as entrepreneurs and give their time to the co-operative in order to learn entrepreneurship. The fact that most students have no earlier business or entrepreneurship experience may create challenges. At Turku University of Applied Sciences the interviewed students stated that in order to minimize this challenge they have apprentices following up the working of more experienced students.

Also structural and group dynamics challenges have been identified. At one of the researched university of applied sciences there is a variety of sectors within the co-operative which makes the management of the co-operative challenging. The members have had some communication challenges as well as challenges to find joint time for meetings. The interviewed students at that university argued that a smaller team could make things easier in the sense that the members could easier find joint time for meetings.

At Haaga-Helia University of Applied Sciences they have found that internal group dynamics has an important impact on the emergence of innovativeness in the co-operative. A challenge is that when students do not have a similar value basis, and understanding and

trust for each other, they will be less innovative in their work (Mäkäräinen-Suni & Lankinen 2006). Jyväskylä university of Applied Sciences (Team Academy) has put a strong effort to overcoming this challenge. It has supported values of openness, trust and companionship in the co-operatives and, today, it is a prominent example of successful entrepreneurship education (Huttula 2000). Team Academy has introduced its pedagogical methods of entrepreneurship education to universities in France, Holland, Germany and Spain. Mondragon University in Spain has started to use Team Academy methods in 2010 (<http://partus.fi/partus-oy/tiimiakatemia-menetelmakayttoon-mondragonin-yliopistossa-espanjassa>).

The changing membership in the co-operatives is sometimes a challenge to long term development of activities. Also, at some universities of applied sciences (e.g. in Mikkeli), students' holidays hamper to some extent the activities of the co-operatives.

Financial issues and salary payment have also caused problems. In some co-operatives no salary is paid to students in order to avoid financial conflicts. In those co-operatives, however, there is the challenge that the co-operative is seen as a "learning enterprise", not as a real business firm.

The following table shows some quotations of the interviews regarding the challenges of co-operative entrepreneurship as a tool for entrepreneurship education.

Summary and conclusions

Traditionally, entrepreneurship education mostly deals with individual entrepreneurship. Joint entrepreneurship in the form of co-operative entrepreneurship is a novel concept in the overall Finnish educational system. Seventeen years of experience at universities of applied sciences shows that co-operatives work well as a tool for entrepreneurship education. Co-operative entrepreneurship has also started to spread to other educational institutions. However, it is still not well known in the overall Finnish educational system. One reason is that entrepreneurship education, as a relatively new theme in the curriculum (Seikkula-Leino 2010), is not yet well integrated into the system. Also, majority of teachers have no experience of entrepreneurship. Thus, using real enterprises such as co-operatives as a tool for entrepreneurship education is not an easy task.

Co-operative entrepreneurship has many advantages as a tool for entrepreneurship education. The core issue is that students work in real companies and learn entrepreneurial and team skills in action. This means that students have to be truly active and also assume responsibility for their activities. They learn both external and internal entrepreneurship. Therefore co-operative entrepreneurship gives a good basis for developing entrepreneurship education. Moreover, this is in line with Dana (1993), Gorman (1997), Fayolle (2001), Rae & Carswell (2001) and Bird (2002-2003) who argue that learning should be personal, practical and experimental through discovery in entrepreneurship education.

A major advantage of joint entrepreneurship as compared to solo entrepreneurship is that it teaches team skills as well as enables the combination of different skills and competencies. A co-operative is a human community, not a capital community. It means that students really have to learn social skills, work well together and manage the enterprise together. As Hynes (1996) points out, entrepreneurship education deals with didactic methods, skills building methods and discovery methods. Therefore, in our context we would like to stress the aspects of skills building and discovery methods. But in line with Hynes we argue that there is a major need to develop teachers' competencies in didactic and pedagogy of entrepreneurship education.

The major challenges include the lack of knowledge of co-operative entrepreneurship, prejudices against co-operative entrepreneurship and the fact that some sectors, such as the social and welfare sector as well as the culture sector, do not have a tradition of

entrepreneurship education in Finland. There are many teachers who do not know co-operatives well. They often prefer other forms of entrepreneurship in the educational programs. According to a survey made by Pellervo (Confederation of Finnish Cooperatives), teachers at universities of applied sciences wish that information about co-operative entrepreneurship would be better disseminated (Ot-lehti 3/2007).

The culture of learning at universities of applied sciences still emphasizes traditional lectures. Some teachers have no entrepreneurial experience or knowledge about co-operatives. They often find the substance issues such as social and welfare, information technology or construction technology more important than teaching entrepreneurial skills.

Often teachers find that the use of co-operatives is not adequately supported by the university. Co-operative entrepreneurship is a new phenomenon at many Finnish universities of applied sciences. This means that all universities are not ready to investigate adequate resources for the long term development of co-operative entrepreneurship.

According to a study of co-operative entrepreneurship made at Pieksämäki University of Applied Sciences (Korhonen et al. 2007), the educational structures of universities of applied sciences are not flexible enough for new learning innovations like co-operative entrepreneurship. In the future, it would be important to better integrate co-operative entrepreneurship into other studies. Especially it would be important to put an effort at the beginning phase of co-operative entrepreneurship. This means that in addition to active students, teachers would be active in guiding the students. They should also have good contacts to business life.

In order to develop co-operative entrepreneurship it would be important for the teachers to create networks between different Finnish universities, discuss the challenges of co-operative entrepreneurship and to find out best practices. Also the students could co-operate more with students at other universities of applied sciences (Mäkäräinen-Suni & Lankinen 2006).

It is noteworthy that only few students become entrepreneurs after having completed their studies. Although the majority of the students do not start their own enterprises, they can use their internal entrepreneurship skills as employees. After completing their studies, the students who become entrepreneurs very seldom establish a co-operative but rather a limited liability company. The major reason is that they

have learnt that a co-operative is a learning form of entrepreneurship. The limited liability firm is better appreciated for growth and profit purposes.

Co-operatives are experienced above all as *innovative learning environments*. They are good environments to learn entrepreneurship in action. The experiences of the universities of applied sciences could be benefited at many other educational institutes. However, more research about co-operative entrepreneurship as a tool for entrepreneurship education is needed. Questions such as longer term outcomes of co-operative entrepreneurship as a tool for entrepreneurship education are important areas of future research. A large survey study about the outcomes, the major advantages and challenges of co-operative entrepreneurship in all Finnish universities of applied sciences would yield data on how co-operative entrepreneurship works as a tool of entrepreneurship education, which are the most effective pedagogical and philosophical approaches and which are the means to empirically test them.

The innovative idea of co-operative entrepreneurship has been introduced to some part of the Finnish educational system. Co-operatives could work as a tool for entrepreneurship education in upper secondary schools too and students could also do some work or voluntary work in the co-operatives. According to this article the major point of using co-operatives in the educational institutes is that co-operatives enable well-working learning environments which support the learning of entrepreneurship as well as team and social skills. In the future, co-operatives could have a huge potential in the learning of entrepreneurship at all levels of the educational system.

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A Study of Learning Experiences in a University Network of Co-operative Studies

Eliisa Troberg and Pekka Hytinkoski

Abstract

The purpose of this report is to discuss a study concerning the learning experiences in a university network of co-operative studies. The key question was; what are the learning experiences in an e-learning environment, in which the students come from different university disciplines and the subject itself is multidisciplinary. Answers to the question are based on a web survey and student feedback. The findings show that the network has been successful in creating meaningful learning through student motivation, allowing the combination of new knowledge to previously acquired knowledge, good student guidance, and practical relevance of the studies. Interdisciplinary arbitrage between students has been the greatest failure.

Key Words

Co-operative Studies, Meaningful Learning, E-learning, University Network.

Introduction

During the last decades, several university networks have been established in Finland. The general goals of the networks are to produce university education and to develop the research, education and access to data of the researchers and students. Some of the networks enable such education which has not existed before in Finnish universities. One of these networks is the Co-op Network Studies (CNS), which was founded in 2005. The network consists of seven Finnish universities: University of Helsinki, University of Eastern Finland, University of Oulu, Aalto University, Turku University, Lappeenranta University of Technology and University of Tampere.

The CNS network provides multidisciplinary courses focusing on co-operative activities and co-operative economy. The network is coordinated by the Ruralia Institute in Mikkeli (a part of the Helsinki University). The content of the courses is produced jointly by experts of co-operative research and teaching in the participating universities.

All the courses of CNS Network are internet-based. E-learning has been chosen for many reasons. First of all,

co-operation is a multidisciplinary phenomenon which concerns different faculties. The universities as well as students and experts of co-operative education are living and working in different parts of Finland. The network of universities and e-learning enable studying everywhere and the contributions from the best teaching resources.

Learning in a university network is a subject which has not been researched much. Most networks are multidisciplinary. The implications of this feature on the learning of students are not well known. We need that knowledge so that the actions of university networks can be analyzed and developed.

Meaningful learning results when new information is acquired by linking the new information to the learner's own cognitive structure. Regarding meaningful learning (Karpinen, 2005 and Troberg and Hytinkoski 2010) the following aspects were studied; students' motivation and self-activity, guidance of the students, possibilities of combining earlier knowledge with new knowledge, collaboration and conversation between students (arbitrage), and contextual linkage of the courses to practice (relevance).

The purpose of the report is to discuss the learning experiences of students in a multidisciplinary university network of co-operative studies. Through the learning experiences we point out the major success factors and failures of teaching a multidisciplinary subject via the internet in a network of several universities. The key question is *how effective meaningful learning is in a multidisciplinary e-learning environment, in which the students come from several university disciplines and in which the subject of the study itself is multidisciplinary.*

The study

The study was carried out in two phases in the fall of 2009. Firstly, the student feedback from 2005-2009 was analysed. The aim of this first phase was to develop a preliminary understanding of the students' learning experiences and to assist in planning the survey questions for the second phase of the study. The second phase of the study consisted of an internet-based survey for students who had participated in the Co-op Network

Studies during 2005-2009. The survey, which was carried out in November 2009, was sent to a total of 200 students of which 37 students responded to the survey. The majority (68%) of the respondents were women. The ages ranged from 21 to 55. The respondents represented the following faculties in 7 different universities: 1) business and economics, 2) agriculture and forestry, 3) law, 4) social sciences, 5) behavioural sciences, 6) arts and 7) science. Of the respondents 46% had studied one course, in most cases the basic course of co-operative studies. 11% of the respondents had studied two courses and 11% five courses.

In the following sections we will report the findings of our study concerning the successes and challenges of Co-op Network Studies.

Major successes of Co-op Network Studies

A good starting point for meaningful learning is that the subject matter is interesting. The network is unique in Finland in the sense that it is the only network providing multidisciplinary courses focusing on co-operative activities and co-operative economy. Therefore, the students have experienced that they have learnt interesting new things. In the data, several respondents pointed out good course materials and comprehensive contents of the courses as motivating factors.

The meaningfulness of studying was promoted also by motivating teachers, a positive learning atmosphere, good and clear time-tables, and well-functioning guidance to course work. This is positive feedback considering that guidance to course work has been seen as important in internet-based learning and, thus, the CNS network has put an extra effort to it. The net pedagogue gives clear instructions in the beginning of every course and he continuously activates and motivates the students in their studies. One of the respondents stated that the guidance s/he had received was better than in traditional university courses.

Importantly, the way of studying, e-learning, was found to be good, even inspiring and different as compared to traditional lectures. Two of the respondents stated that e-learning is a more efficient way of learning than traditional lectures. The majority of the respondents are of the opinion that internet-based teaching promotes the learning objectives of co-operative studies.

Flexibility was mentioned several times as a motivating factor. It is typical issue in internet-based learning that allows studying everywhere and at every time. One of the respondents stated that *"there was no*

stress about lecture dates, in a way the academic freedom is only working in e-learning."

Many students mentioned the good possibilities of combining earlier knowledge with new knowledge and the contextual linkage between studies and practice. CNS-students were good in finding, evaluating, and constructing knowledge.

Students commented that they could transfer the learnt contents to practise. This is interesting because on web courses students "only" sit in front of the computer in different places and at different times. Still they felt that they have learnt something useful both by combining their own knowledge and the learning contents and through writing and reading the texts and comments of the other students. Writing is a central academic practice, but also an important way to reflect on and analyze one's own experiences in relation to the learning contents. The learners former information and beliefs play a crucial role in the process of learning new things. It could be possible that students' possibility to combine their earlier knowledge with their studies positively affect their whole learning process.

In sum, regarding meaningful learning the following aspects were seen as successes in the network studies; students' motivation and self-activity, guidance of the students, possibilities of combining earlier knowledge with new knowledge, and contextual linkage of the courses to practice (relevance).

Major challenges of Co-op Network Studies

The students have an important role in the network also in the sense that their knowledge and comments enrich the contents of the web courses and thus help continuously develop them. Nevertheless, there remain issues in which the network has not fully succeeded.

Most of the students have experienced e-learning as a flexible and independent way of studying which appeals them. Students' learning styles are, however, different. Some students claimed that they prefer traditional lectures where they can study face-to-face with the teacher and other students. One of them described it as follows:

"I like lectures and the fact that the teacher and students are present. I learn best when I can listen and discuss the subject".

As indicated above, e-learning presupposes self-motivation and good time control. One of the respondents was pleased that through network studies

they learnt to work independently, which is important considering further studies and working life. However, for most the self-activity is not an easy issue. Many students are used to listen to lectures at a certain time. Some students have experienced the time-tables too strict while others too slow. Also, some students have had difficulties to get used to the independent nature of studying.

Heterogeneous groups have been a challenge in the sense that some students have expected to benefit from the multidisciplinary background of other students but this has not always been realised. Also, the level of interaction has been a challenging issue because students are different. Some students have expected much more interaction while others have been pleased with the amount of interaction. There have also been differences between the courses regarding the level of interaction and discussion. The majority of the respondents were of the opinion that multiple discussions are a good way of learning.

Several development suggestions were made by the students. The suggestions represented three major areas; more developed techniques, better instructions and new pedagogical solutions. In regard to more developed techniques, the students suggested multimedia presentations, role-plays to activate interactive communications and up-to-date information. More information and better instructions were suggested for written reports which students write in most courses. New pedagogical solutions included e.g. more discussions between students. The students also wished to act more often as a critical reviewer of other students' papers.

Summarizing the findings

This report has discussed learning experiences of students in a multidisciplinary university network of internet-based courses. The study showed that the network has succeeded in relation to almost all criteria of meaningful learning. This seems to be true especially with students who have an intentional learning attitude so that their own views and information change when studying. The major challenges were collaboration and conversation and the fact that internet-based learning presupposes self-activity from the students. The students' views about collaboration were not unanimous and the self-activity of the students varied.

Steadily growing popularity of the courses is one indication of the satisfied students. In 2005 the number of students was 40. During 2009 altogether

150 students passed their studies. Some courses have been so popular that they have been renewed. In order to be effective, the interactive e-learning method does not allow too many students at the same time. Several students have also written their post-graduate work on co-operation and some have written dissertations with thematic links to co-operative action and economy. The good contextual linkage of the courses to practice has encouraged several students to establish or join co-operatives.

A couple of factors explain the success of the CNS network. First of all, e-learning suits well the teaching of co-operation which is a multidisciplinary phenomenon. As much as 62% of the students fully agreed that e-learning is a suitable method to learn co-operation. The internet-based learning easily enables studying at different universities and disciplines and the use of the best experts which contributes to interesting and good contents of the courses. The good contents of the courses motivated the students and strengthened meaningful learning.

An important factor contributing to the success of the network is that the courses have been well instructed by a full-time internet pedagogue. The resources of the network have been limited but used effectively. Instead of putting an effort on complicated and expensive technical issues, a strong effort is put on the guidance of students by the internet pedagogue. The internet pedagogue also advises and encourages how to interact and construct knowledge in web courses. This has especially contributed to a positive atmosphere and motivated the students. Guidance and motivation of the students have clearly been essential elements contributing to meaningful learning in the network. The emotional side plays an important role in meaningful learning.

Conclusions

CNS-network is a unique approach to teaching in a multidisciplinary framework co-operative and social economy knowledge – both academic and practical by internet. In that way the network produces insightful knowledge both in regard to everyday pedagogy and even theoretical contributions.

It is noteworthy that in addition to enabling university studies, the CNS network has had a great impact on enhancing the overall teaching and research of co-operation in Finland. When students obtain information, report and comment on other students' papers, their readiness for discussion and networking becomes better. There are more students writing their

post-graduate work about co-operative studies than earlier. Also, more students have written their dissertation about co-operation and some of them have continued as researchers. Teachers and researchers of co-operation have established joint projects with one another. The network has also organised several research seminars during recent years. Major Finnish co-operative firms have experienced the CNS network as a linkage between the needs of working and academic life. Therefore they have started to fund the network.

Co-op Network has been a success story which has benefited e-learning to form a novel concept of learning a multidisciplinary subject. However, there remain future challenges. The success of the network is to great extent dependent on a competent internet pedagogue. His role is and has been great in actively guiding the students. In the future, another internet pedagogue would be needed in order to develop the different means of interaction and sustained dialogue between the heterogeneous groups of students. In regard to meaningful learning, the low level of interaction was the major failure of the network.

Developing the web courses is an important future issue. The courses should continuously be updated and developed to diffuse students' new ideas outside the learning environment. Also, the contextual linkage of the courses to practice needs attention. At the moment, the financial resources of the network are not sufficient enough to afford another instructor which would be needed in order to develop the courses and the network. There are many students who are interested in studying in the network but the chosen e-learning method does not allow too many students per one course. Another instructor or new teaching methods could be solutions to this problem. Also, students have expected even more comprehensive course supply. Developing new courses would above all presuppose more financial resources for the network.

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Developing “Co-operational” Entrepreneurship in the Virtual Learning Environment of Entrepreneurship Education

Jaana Seikkula-Leino and Eliisa Troberg

Abstract

Developing the entrepreneurial skills of the citizens is one of the European Union’s most central goals. The Finnish Ministry of Education published strategies linked to entrepreneurship education both in 2004 and 2009. However, entrepreneurship education requires notable measures. Concrete tools, which present all forms of entrepreneurship, should be created both for learning institutions and for the fortification of the collaboration with the working- and business-life. This report presents a virtual learning environment of entrepreneurship education and discusses the role of co-operative entrepreneurship in it. The development of the learning environment is taking place in Finland during 2009 – 2012. Although co-operative entrepreneurship is one form of entrepreneurship, it has not automatically been included in entrepreneurship education. The starting point of “The virtual learning environment of entrepreneurship education” is that co-operatives play major role in the Finnish business-life and co-operative entrepreneurship is a suitable form of entrepreneurship education at all educational levels. “The virtual learning environment of entrepreneurship education” presents co-operative entrepreneurship as an up-to-date form of entrepreneurship which has an important role among other forms of enterprises.

Key Words

Co-operation, Co-operative Entrepreneurship, Entrepreneurship, Entrepreneurship Education, Virtual Learning Environment

Introduction

The development of entrepreneurship has shifted from a focus on the start-up of firms and business to broader canvases particularly accentuating the importance of entrepreneurship education. Developing the entrepreneurial skills of the citizens is one of the European Union’s most central goals (Commission of the European Communities, 2003). Countries competing with the European Union also have lifted entrepreneurship education to their most

central development area. A similar schooling system linked to entrepreneurship education is being developed for example in the United States and China (Smelstor, 2007 and Wang, 2007). In Finland the current and previous administration has announced entrepreneurship and entrepreneurship education as central goals of action. The Finnish Ministry of Education published strategies linked to entrepreneurship education both in 2004 and 2009.

One of the major challenges of entrepreneurship education is the creation of well-working learning environments. These kinds of environments form the physical, mental, social and developmental experience for the learner. Creating a learning environment does not in itself create a learning experience, but the pedagogical planning, goal-setting and the meaningful organising of goals create it (Manninenetal, 2007). Additionally, information technology has the possibility to enhance the authenticity of learning environments and to solve the kind of problems that could not be dealt with in a traditional learning environment (Hudson, 2008). The creation of a virtual learning environment does, however, require paying attention to the criteria for both pedagogy and technology (Piiksi, 2007).

In addition to learning environments, a notable challenge in both entrepreneurship and entrepreneurship education relates to the strengthening of different forms of entrepreneurship such as co-operation. For the future of co-operation it is crucial to renew the membership-structure of the Finnish co-operatives and especially to include young people in the activities. This requires that co-operative entrepreneurship is included in the nationwide entrepreneurship education (Köppä et al, 2008). This is gradually taking place. Co-operative entrepreneurship has been used as a tool of entrepreneurship education in Finnish universities of applied sciences since 1993. The learning experiences of co-operative entrepreneurship have been good. Co-operatives have been experienced as innovative learning environments of entrepreneurship education. In recent years co-operatives have been established in other institutes to enhance entrepreneurship. However, as discussed in this special issue, co-operative entrepreneurship is not

commonly included in entrepreneurship education. The absence of co-operative entrepreneurship does not apply only to Finland. There are not many examples on entrepreneurship education linked to co-operation in international article databases (e.g. EBSCO, Elsevier – Science Direct, ERIC).

The importance of communality and social capital has not been paid enough attention in the development of entrepreneurship (Ben-Nev, 2002). Entrepreneurship, responsibility, communality and collaboration do however interact in a meaningful way in co-operative entrepreneurship (Köppä et al, 2008 and London Economics, 2008). Profits can be used for the abatement of welfare and, therefore, there is a demand for this kind of entrepreneurship and entrepreneurship education in the communality-lacking society of today. Communality is also expressed in that co-operatives strengthen the development of local and regional operations (Osuuskuntien edistämistä Euroopassa, 2004). These elements are not so much highlighted by other forms of entrepreneurship. In that way *co-operation* creates a meaningful basis for the entrepreneurship education of children and youth.

In the following we present “The virtual learning environment of entrepreneurship education” and discuss the role of co-operative entrepreneurship within. The virtual learning environment is a nationwide, multi-science development and research project of entrepreneurship. We discuss the implications the project will have on entrepreneurship education and on the strengthening of co-operative entrepreneurship. Finally, we make some conclusions and suggestions for future actions.

The virtual learning environment of entrepreneurship education

A number of Finnish scholars and practitioners (the authors included) are involved in a multi-year effort to 1) generate a virtual learning environment for entrepreneurship education, 2) create a dynamic model for entrepreneurship education, in which planning, implementation and evaluation develop, and which will be integrated into the virtual learning environment, 3) strengthen the network collaboration and regional development among the developers of entrepreneurship education, 4) improve the knowledge-level of the implementers of entrepreneurship education, and 5) increase the knowledge of entrepreneurship education especially among representatives for working- and business-life (e.g. teachers and entrepreneurs), and to broaden their view about the benefits of entrepreneurship education.

In order to promote diversity in the forms of entrepreneurship, particular goals have been set concerning co-operative entrepreneurship: 1) co-operation as a form of entrepreneurship has equal standing with other forms in the nationwide entrepreneurship education, 2) the general knowledge of co-operation is increased, 3) an interest for co-operative entrepreneurship arises and the intentions towards it are strengthened, and 4) learning institutions engage in increasing collaboration with co-operatives. Noteworthy, while realising these goals, *research on co-operatives is promoted as co-operative entrepreneurship is introduced to researchers not previously familiar with co-operation.*

Implementation plan and timetable

During the time period of 2009-2012 the above presented effort is carried out the form of a research and development project. The research surveys has been allocated in two phases in the years 2009 and 2010 in the South-West region of Finland, to the educational system, representatives for business, working- and business-life, like entrepreneurs and people in charge of municipalities' industry and commerce issues (e.g. trade and industry officials). The environment is tested more broadly on the national level in 2011. A nationwide application of the virtual environment will start in 2012. The current Finnish version of the learning environment is found in <http://www.yvi.fi>.

Implementers

The research and development project is implemented by a large network of partners. The partners are: Teacher Training School, University of Turku, Lappeenranta University of Technology, Turku University of Applied Sciences, University of Helsinki, The Marketing Agency Alkuvoima, Turku Region Development Centre, Ministry of Employment and the Economy (The Policy Program of Work, Entrepreneurship and Working life), Entrepreneurs of South-West Finland, Loimaa sub-region.

Sponsors

The sponsors of the project are: The European Social Fund, Ministry of Employment and the Economy (The Policy Program of Work, Entrepreneurship and Working life), Ministry of Education, Turku Region Development Centre, the Co-operative Delegation, and Pellervo Confederation of Finnish Co-operatives.

Implications of the project

On the basis of research knowledge it is possible to create a development environment for entrepreneurship education on a regional level, and this can later be spread nationwide. In this sense the development and research project particularly strengthens local entrepreneurship and the reinforcement of entrepreneurship education. Since a similar environment has not yet been created, it is to be evaluated whether it can be utilized internationally. The results of the research project and the developed environment can be utilized also in teachers' basic education and in-service training.

Earlier created entrepreneurship education materials primarily relate to the kind of entrepreneurship which brings forth solo entrepreneurship, entrepreneurship in the form of limited liability companies, and commercial undertakings. In this virtual environment also co-operation and its background and impact in Finland are presented and discussed. Additionally, as a tool for those with entrepreneurial intentions, the learning environment presents how one can establish a co-operative. The research also supports the mapping of good examples of collaboration between learning institutions and co-operatives to the learning environment. The tool helps the representatives of teaching- and business-life to collaborate more consciously than before with the representatives of co-operatives. Additionally, the implementers can evaluate their own activities and students' knowledge about and interest for co-operatives. Therefore, this virtual learning environment of entrepreneurship education has the potential of having a significant impact on the future development of co-operative entrepreneurship.

In the research associated with the development of the virtual environment, entrepreneurship education is approached from the perspective of behavioural and business sciences. Entrepreneurship education requires the consolidation of an interdisciplinary approach, on which, accordingly, this project is based.

Discussion

Entrepreneurship education is an important issue at every educational level. It is still rather a new topic that needs further development. This report has presented one example of learning environment innovations in entrepreneurship education "The virtual learning environment of entrepreneurship education". One major focus of this report has been co-operative

entrepreneurship which is often missing in the literature of entrepreneurship and entrepreneurship education. This report has discussed a good example of a learning environment in which co-operation and co-operative entrepreneurship have been considered from different perspectives.

Co-operative entrepreneurship has already proven to be a good tool of entrepreneurship education at the universities of applied sciences. "The virtual learning environment of entrepreneurship education" is a good way of disseminating the experiences of the universities of applied sciences to other educational levels. There is, however, a lot of work to be done in order to help pupils at elementary schools and second level learn about co-operative entrepreneurship. One of the first tasks is to inform teachers about co-operatives and co-operative entrepreneurship and here the virtual environment is believed to be extremely useful.

"The virtual learning environment of entrepreneurship education" is an effort of an extensive network of actors enabling an effective and broad dissemination of knowledge both nationally and internationally. The extensive network of different partners enhances the combination of different skills and competencies as well as the emergence of new innovative ideas in entrepreneurship education. From the perspective of co-operatives and co-operative entrepreneurship this network of partners forms a unique possibility to disseminate knowledge about co-operatives and co-operative entrepreneurship to many actors who have not been familiar with the phenomenon earlier. In the future, co-operative entrepreneurship should be included in the tools and literature of entrepreneurship education as a viable form of entrepreneurship.

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Developing Support and Consultancy Services for Co-operative Entrepreneurship in Finland from 2009: the Case Study of the Tampere Region Co-operative Centre

Niina Immonen

Abstract

The aim of this case study is to provoke opinion on the methods and objectives involved in promoting entrepreneurship especially in terms of co-operative entrepreneurship. The opportunities and significance of "enterprising together" will only become clear to the general public, business and career service consultants and different business developers by promoting different forms of co-operative entrepreneurship and bringing into focus their benefits in terms of promoting entrepreneurship and employment policy. In order to develop and identify these forms of co-operative entrepreneurship, unprejudiced project activities are needed as well as commitment from the public sector to mainstream the results achieved. This report aims to provoke discussion on the vulnerability of development activities if only carried out through projects and initiatives, as well as on the relatively rare nature of best practices developed within projects in terms of truly adopting the expertise gained on a general and widespread scale.

Key Words

Co-operative Entrepreneurship, Promotion, Enterprising Together, Consulting, Business Development, Policy, Best Practice

Introduction

This report describes the development and promotion of small co-operative entrepreneurship in Finland from the mid-1990's until the present day. The report gives an account of the integration of co-operative entrepreneurship into business consultancy services as well as the challenges involved in applying co-operative entrepreneurship in practical terms and promoting awareness of this form of enterprise.

The report starts by presenting an analysis of the situation in which consultancy to small co-operative enterprises was carried out from the mid-1990's onwards through projects and initiatives funded by the EU. Then it moves on to describe the change in

paradigm at the turn of the century as well as recent developments since the year 2000.

Having remained in operation and having convinced local decision-makers and national operators of the results and necessity of its expertise, the Tampere Region Co-operative Centre is presented in this report as being an exceptional case among organisations engaged in co-operative entrepreneurship. The Co-operative Centre's activities are an excellent example of best practices brought about through EU funding and this expertise is now being adopted on a national level.

The report also presents the Enterprising together project, through which these best practices are implemented. The project is a practical example of the shift in paradigm on promotion of co-operative entrepreneurship which, in practical terms, means integrating expertise in co-operative entrepreneurship into business consultants' normal working practice.

Background for co-operative entrepreneurship

Co-operative entrepreneurship has existed in Finland for over a hundred years. The first act on co-operatives was passed in 1901, and the history of co-operative enterprise has since been a success story of Finnish ownership. Finland is currently the most "co-operative" country in the world – with more than seven million members consisting of 80 per cent of citizens. Strong co-operative enterprises in our country include consumer co-operatives, banks and insurance companies. Although co-operative entrepreneurship is part of the Finnish consumer's daily life, the number of co-operatives in the Trade Register is low compared with the number of limited liability companies, for example.

The new surge of small co-operatives (the so-called new co-operative activity) is not an old phenomenon. It started in around the mid-1990's and had much to do with the economic depression of the early 1990's, which led to a sharp increase in unemployment. People out of work saw co-operatives as being a way of organising their skills for the market, which gave co-operatives a strong profile as jobless activity and even coined a new

concept “jobless co-operative”. Co-operatives were regarded as being a kind of labour policy instrument to encourage people towards independent enterprise and to actively promote and sell their skills actively.

However as a means of dealing with unemployment blemished co-operative entrepreneurship as a whole. Entrepreneurs established under other forms of enterprise believed that co-operatives, as recipients of various subsidies, distort competition, and many public officials would refuse to consider so-called new co-operatives as genuine businesses. Since those days, it has remained an enduring belief in our country that co-operative entrepreneurship should be counted as being part of the third sector and it is easily confused with collective activities.

During Finland’s first EU programme period, which ended in 2000, we carried out a number of projects especially designed to support various forms of new co-operative activity. The projects would provide consultancy and related materials, but integration of co-operative entrepreneurship into national business consultancy services remained limited. The objective was rather to set up a special consultancy network for co-operative entrepreneurship. However, the many projects designed to support co-operatives during the first programme period left us with little permanent structure and just a few consultancy units survived.

The challenges of initiatives taken to promote smaller co-operative entrepreneurship

In Finland, we have carried out a number of initiatives to promote co-operative entrepreneurship – quite a large number during our first EU programme period. The challenges have been significant and we have encountered many issues. Quite often, the project objectives were not outlined in sufficient detail and monitoring of results was also inadequate. This led to a situation where reporting on the results and relevance of the project was not sufficient and the significance of co-operative entrepreneurship to promotion of small entrepreneurship and employment was not understood.

It proved to be problematic that indicators for measuring the development work of small co-operative entrepreneurship were not in place, which added to the challenge of measuring the results of the activities. Measurement of social added value in particular was difficult and different projects reported to a surprisingly low extent on the economic impact, which is easier to measure. Inadequate indicators

together with inadequate reporting often resulted in regional administrative and financing authorities considering the initiatives as being unwarranted and not granting them continued funding, i.e. the national financing required for EU funding.

It also proved to be a pitfall that small co-operative entrepreneurship was seen as being a solution to the high level of unemployment. Authorities financed projects even if the ways of using co-operative entrepreneurship to solve problems were not adequately identified. This led to a situation where projects to promote co-operative entrepreneurship existed but their focus was much too broad.

Inadequate definition of indicators and objectives also led to inefficient performance in terms of the client interface. For instance, even though labour market training in co-operative entrepreneurship often led to establishment of a co-operative, the business never properly got past the start-up stage or genuinely led to creation of new jobs. In other words, initiatives had difficulties in terms of yielding permanent results and of utilizing regional strengths as part of the process.

In many regions, it has been hard to persuade local officials (such as municipal economic development offices) to back and finance initiatives. In many places, images of co-operative entrepreneurship have been negative and attempts to convince decision-makers have failed. Thus, co-operative entrepreneurship has been pushed to one side by other business consultancy services and excluded from initiatives designed to promote entrepreneurial activities.

Naturally, there has been success as well, but most initiatives have failed to establish permanent activities in their respective regions for some reason.

The development of consultancy services for new co-operative entrepreneurs since the year 2000

The situation has been paradoxical throughout the beginning of this century, with the biggest co-operatives increasing their market shares and the co-operative ideology clearly resonating with consumers. On the other hand, development of small co-operatives has had all kinds of shortcomings and awareness of this form of enterprise has hardly improved during this century.

At the beginning of this century, the majority of co-operative entrepreneurship consultancy initiatives funded by the EU had to be discontinued. It came to a

point where co-operative entrepreneurship consultancy services were completely inadequate especially for start-ups. Just a handful of active operators specializing in co-operative entrepreneurship were left. The most important of these were the Ruralia Institute of the University of Helsinki, the Pellervo Confederation of Finnish Cooperatives, The society of co-ops activities Coop Finland and the Tampere Region Co-operative Centre. Also, a few single consultancy points remained in service, such as the co-operative Sataosaajat in Pori. Ruralia Institute is engaged in co-operative research and has contributed greatly to development of network-based education in co-operative activity. Pellervo is a national confederation of co-operatives and plays a significant role in protecting co-operative interests and producing materials. The Tampere Region Co-operative Centre has been producing consultancy services for start-ups in the Tampere region.

The biggest challenge was that basic level business consultancy lacked adequate knowledge in co-operative entrepreneurship and hardly any related material was available. The public image and poor awareness of co-operative entrepreneurship remained a significant challenge. Neither business consultants nor clients could consider it to be an option. Co-operative entrepreneurship was not discussed at all in entrepreneurship education materials or in the contents of entrepreneurship studies. Also, entrepreneurial guides published by different operators provided incomplete information on co-operative entrepreneurship or did not address the matter at all. The authorities did not fully understand the opportunities and significance of co-operative entrepreneurship. It was not clear whether co-operatives were still seen as being an employment policy issue or a form of enterprise advancing entrepreneurship. The view on application possibilities for co-operatives was too narrow and no public operator took responsibility for full-scale promotion.

In 2004, the EU Commission issued a communication on promotion of co-operative societies in Europe. The Pellervo Confederation had the communication translated into Finnish and it was distributed to various public officials. This did not lead to any immediate action in terms of advancing the matter. The end of the programme period in 2006 involved further major changes in EU-funded initiatives. The start of the new programme period was considerably delayed and the projects actually only went live in early 2009. In practical terms, no national and very few regional initiatives have been in operation during the current programme period 2007-2013, with the exception of consultancy services in the Tampere region.

The Tampere Region Co-operative Centre as an example of a co-operative entrepreneurship promotor

Tampere Region Co-operative Centre has served as a consultancy organisation for co-operative entrepreneurs since 1998. The mission of the centre is to promote and improve co-operative entrepreneurship and to support co-operative activity in order to boost members' well-being. Between 1998 and 2003, the Co-operative Centre operated locally in the Tampere city region. Its operations have always been backed by funding from the region's municipal economic development offices as well as the ESF. Since it was set up, the Co-operative Centre has carried out about a dozen projects and employed 1-3 people, which makes it a very small organisation.

At the moment the Co-operative Centre's services include:

- consultancy in special issues relating to co-operative entrepreneurship and activity or legislation;
- a wide range of hands-on training in co-operative activity and entrepreneurship;
- research into the societal impacts of co-operative entrepreneurship;
- active distribution of information to the media and interest groups.

In 2003, the Tampere Region Co-operative Centre was appointed to support business consultants in issues relating to co-operative entrepreneurship on a national scale together with another initiative relating to regional business service units. The work began in collaboration with the Pellervo Confederation but was later continued by the Tampere Region Co-operative Centre on its own. The project included various training courses and new material on the activity.

The national project ended when the programme period ended in 2006. In the course of the project, Tampere Region Co-operative Centre maintained active contacts with various public officials, presenting the idea of a nationwide structure to support co-operative entrepreneurship; a structure which, most importantly, would enhance the expertise of existing consultancy organisations in co-operative entrepreneurship. This idea later led to the Enterprising Together! project.

The centre is visited each year by around 300 new clients with a preliminary business idea. The centre helps start up 10 to 15 new co-operatives each year.

More than half of the clients are women and 70 per cent have a university degree. Most of the clients come from the sectors of communication, arts and crafts, culture, home-help services and education.

Between 1998 and 2009 the centre organised 30 longer-term training courses for a total of 600 participants and also arranged various public occasions and lectures on co-operative activity for annual audiences of a thousand.

The results in numbers are:

- the number of smaller co-operatives in the Tampere region area has increased by about 500% (1998-2009)
- the average turnover of a smaller co-op was 270,000 euros in 2008. (Turnover/per co-op was 97,000 euros in 1998). Co-operatives have improved their business activities remarkably in recent years.
- it is estimated that each co-op employs the equivalent of 6.3 full-time workers (salaries are paid for 24 employees/co-op = part-time workers)
- the total amount of turnover for smaller co-ops in Pirkanmaa was about 38M euros in 2008 (in 1998 the amount of turnover was 2.91M euros). So there has been an increase of over 1200%.

The key factors in success as a co-operative centre have been the extent of services, staff and approach. The approach is strongly client-driven and based on solid expertise. The co-op centre offers a comprehensive range of services at a client-specific level. Throughout the existence of the centre, staff members have been strongly committed to promoting the philosophy and have believed in the opportunities provided by co-operative entrepreneurship. They have constantly upgraded their skills and been service-minded. Service has been available even at weekends and in the evenings.

The centre remains guided by the founding principles: emphasis on enterprise and collaboration with interest groups that are as large as possible. In many ways, The Co-operative Centre has been a trendsetter and a model, both in the Tampere region and nationally.

During its operation, the Co-operative Centre has developed many best practices. One of the most important achievements has been the packaging of the consultancy process for clients and drawing up related materials. Consultancy services are provided on a personal level and founders of co-operatives are addressed both as individuals and as a group. A range

of marketing materials has been produced to support activities. The Co-operative Centre was the first to produce a DVD aimed at co-operative entrepreneurs just starting out as well as the "Tarinoita menestyksestä" (Success stories) brochures that have become very popular. Increasing public awareness of successful and exemplary co-operatives through brochures has proved to be effective in terms of informing entrepreneurs just starting out on the versatility of the co-operative model as well as decision-makers on the fact that co-operative entrepreneurship is an eligible and lucrative form of business. The Tampere Region Co-operative Centre has also been the first in Finland to publish a brochure on micro-enterprises' co-operation in co-operatives.

Ever since it was set up, the Co-operative Centre has kept accurate statistics on its clients and monitored the labour and economic impact of small co-operatives in the Pirkanmaa region on a regular basis. What makes this particularly significant is that there are no national statistics on clients interested in co-operative entrepreneurship or on the social impact of co-operatives.

In its own area, the Tampere Region Co-operative Centre has made its mark as an active developer of new procedures. The centre has won awards such as a certificate in a regional innovation contest for a training model, which was implemented together with the regional retail co-operative Pirkanmaan Osuuskauppa.

Co-operative entrepreneurship offers a lot of development potential which, when realized, helps generate new businesses and even creates completely new job opportunities. New procedures to be developed include, at least the following:

- employee-owned worker leasing model;
- collaboration between enterprises organised into co-operatives;
- reorganisation of networks into co-operatives and registration as social enterprises;
- opportunities for creative professionals offered by a new network-type form of enterprise;
- school incubator models (permanent and movable structures) and development of completely new school models, for instance together with businesses;
- co-operatives as incubators which generate entrepreneurship for other forms of enterprise;
- opportunities for softer values and risk management (women, university graduates);

- opportunities for academic incubators at universities, communitarian entrepreneurship education at universities;
- labour pool models in major companies;
- substitute service models, new approaches in the intermediate labour market;

The Tampere Region Co-operative Centre has succeeded in developing the co-operative business model to the extent that approved procedures have also been tested elsewhere in Finland and many of the concepts have also been acknowledged by public authorities and started to be advanced.

In 2010, the Co-operative Centre also received international recognition when it took part in The European Enterprise Award 2010 competition. The competition is arranged by the European Commission for Entrepreneurship and Industry. The competition is supported by the assembly of European regions, Eurocities, the Committee of regions, Eurochambers, The European Association of Economic Development Agencies (EURADA) and the UEAPME which is the employers' organisation representing the interests of European crafts, trades and SMEs at an EU level.

In 2010, almost 400 local and regional authorities from all the EU Member States and Norway competed in the national round of the European Enterprise Awards, which recognise and reward initiatives to support entrepreneurship at a regional level. The competition had five categories and the Tampere region centre took part in category 5: Responsible and inclusive entrepreneurship which recognises regional or local actions promoting corporate social responsibility and sustainable business practices.

The jury consisted of a representative of academia, a representative of a business organisation, an entrepreneur from the Autumn 2009 European Council Presidency and a high-level government representative of the Spring 2010 European Council Presidency. It also included two permanent representatives, one from DG Enterprise and Industry, and one from the Committee of the Regions, and the winner of the previous Jury's Grand Prize. Tampere region co-operative centre was selected second best in Europe in its category.

Support structures for establishing and developing micro co-operative entrepreneurship in Finland 2009 – 2013

Against the background described above, it is fair to say that promotion of co-operative entrepreneurship

has not been sufficient in terms of supporting structures. The surge of setting up new co-operatives, which was brought about by the depression of the early 1990's, is here to stay. Now co-operative entrepreneurship is expected to offer many solutions to economic problems.

A kind of breakthrough in terms of promotion of co-operative entrepreneurship occurred in early 2009, when the Ministry of Employment and the Economy decided that Finland would embark on a nationwide project to enhance co-operative entrepreneurship. In a public acquisition process in early 2009, the Tampere Region Co-operative Centre was chosen to implement this project in partnership with the Ministry.

The project – Enterprising Together! – is part of the ESF Operational Programme for Continental Finland titled "Entrepreneurship as a way to use workforce and as a labour market motor". The Tampere Region Co-operative Centre is implementing the project together with the Ministry of Employment and the Economy. The project started on 1st June 2009 and will continue until the end of the present programme period (end of 2013). The Employment and Entrepreneurship Department of the Ministry is in charge of project administration and the Ministry has a key role in terms of marketing and information and in terms of integration of the project into other nationwide projects aiming to enhance entrepreneurship.

The project was designed not only to promote co-operative entrepreneurship but also to improve public awareness of the entire field of social economy and to identify its potential.

Co-operative entrepreneurship as an integral part of the services of business and career development organisations

Promotion of co-operative entrepreneurship seeks to integrate it into the range of services provided by all business and career development organisations. The related training needs of all consultancy organisations will be charted this autumn for implementation of regional training programmes. The training will start at the basic level and advance to Coop Expert training, which is a course developed by the Tampere Region Co-operative Centre. The modules dealing with co-operative entrepreneurship and social economy will be included as part of the national training programme for business consultants and will form part of their vocational qualification requirements. The telephone consultants of Enterprise Finland will also be trained through this module. Enterprise Finland is an internet-

based nationwide business service comprising all issues relating to entrepreneurship. In future, the portal will be supported by telephone consultants, who will be increasingly responsible for providing services to entrepreneurs just starting out. This will help the Enterprising Together! project ensure competent consultancy in co-operative matters. The project will also produce supporting material for the consultancy process and for marketing co-operative entrepreneurship in general. The portal can be used as a practical tool by telephone and business consultants, offering them access to all materials related to co-operative entrepreneurship.

In addition to training and material, the Enterprising Together! project will serve as a nationwide information provider in matters relating to co-operative entrepreneurship. This is a service that has been designed for business consultants all over the country, not for end users. When a client contacts a regional business consultant, the latter can revert back to the project in matters that are unclear. If necessary, the client's problem can be solved in tripartite discussions. The project aims to ensure that co-operative entrepreneurship and, if possible, a more extensive presentation of social economy will be included in all entrepreneurial guides. This is a goal that can be achieved by good collaboration with the Ministry's national support initiative for regional business services, with Employment and Economic Development Centres, with employment offices, economic development functions and with the network of new enterprise service units.

A further goal of the project is to advance the choice of co-operatives as a form of enterprise and to improve their image and recognition. Co-operatives are excluded from business consultancy, because many consultants see them as being an unknown form of enterprise which they are prejudiced against. Yet another goal is to promote innovative applications of co-operative entrepreneurship, such as worker leasing co-operatives and deployment of co-operatives in areas suffering from structural change, for example where major companies are closing down. It is also important to enhance use of co-operative entrepreneurship as a tool for entrepreneurship education and, in general, increase its role in entrepreneurship education. This can be done by teaming up effectively with the National Board of Education.

Overall, Enterprising Together! is a programme working towards building a dense network of business and career service consultants, who are interested in co-operative entrepreneurship, willing to learn more

and to maintain their knowledge of the subject. The project will be linked with all other related national projects, whether in the sector of caring, creative, rural or any other type of entrepreneurship.

Promotion of the social economy in a wider sense

Enterprising Together! is a way of introducing the entire field of social economy. It was designed to improve public awareness of social economy and to provide a framework for clarification of the concept and for general development of social economy. We shall organise teams to discuss the various areas of social economy and to consider the prospects of promoting and developing social economy more extensively. Towards the end of the project, we shall introduce such features of social economy actors as might beneficially be adopted by other types of business as well. Recognition of social economy actors will be enhanced through various campaigns. An example is a business idea competition to find new forms and procedures of social economy.

During the project there will be a debate on the contents of the concept "social economy" in Finland and actions to link co-operative entrepreneurship with development of social enterprising and, more widely, with social economy (the idea of social entrepreneurship). We shall work with researchers, for example, by communicating ideas of topical research themes of co-operative entrepreneurship and social economy in a wider sense. The project will include a nationwide study and political analysis of small co-operatives as businesses and as a form of social economy, and possibly some further studies of social economy.

The project can bring a significant amount of added value in terms of utilizing co-operative entrepreneurship as an instrument of employment policy and entrepreneurship policy. People need flexible alternatives to bring their competence and know-how to the market. Co-operative entrepreneurship offers an excellent opportunity to work at the interface of entrepreneurship and salaried work and benefit from the best of both. Yet, this is a potential that has not been sufficiently made use of in our country, for several reasons that have been discussed in this report.

Conclusions

Promotion of co-operative entrepreneurship among both start-ups as well as existing micro-enterprises

brings about completely new concepts and ideas. A co-operative provides a concrete and legally defined network which can have a very broad spectrum of objectives. Co-operative entrepreneurship may be a key to increasing employer enterprises' growth as well as promoting exports.

Co-operation is the cheapest resource available in society for business risk management as well as for increasing productivity. There are many good examples showing that our society cannot afford to let opportunities offered by co-operative entrepreneurship pass. The foundation for promoting the matter should have been much more solid than it has been to date. The survival of one consultancy centre combined with its convincing performance has played a significant role in grabbing the attention of public authorities across the nation. Of course, other operators who have persisted have also contributed to this achievement and to the positive image of co-operative entrepreneurship. The situation, however, demonstrates how close a thing advancing important issues can be and how thin a thread development activities have been hanging by.

From this moment on, responsibility for promoting co-operative entrepreneurship has also been adopted at a ministry level, and there is a light at the end of the tunnel. However, there is a long way to go and a lot still to be done until promotion of small co-operative entrepreneurship is truly mainstreamed. All people and organisations involved in promoting co-operative entrepreneurship have their work cut out. It is often the case that many of the people swimming upstream are doing so with all their heart, because their head would have told them to stop long ago. At the moment, there is a fairly small number of operators working for promoting co-operative entrepreneurship, but all of them are passionate about it and strongly committed. True commitment grows from getting to experience the significance of your own work and in this case from the tremendous potential that co-operative entrepreneurship has to offer our society.

The future will show how integrating co-operative entrepreneurship into general consultancy services for start-ups has succeeded. We are, however, facing a long road that is made harder in places by changes occurring in the field of business services. A growing amount of services offered to entrepreneurs are becoming virtual and one might ask how the process of establishing a communal enterprise can possibly be carried out using on-line services. After all, it should always involve human co-operation and interaction aiming at building a joint co-operative

entrepreneurship. Business consultancy services are developing as a whole as is the significance of co-operative entrepreneurship. Small co-operatives are, in the end, needed for building a new kind of entrepreneurship and our future society. Development policies have been set out for the next few years and the results of establishing co-operative entrepreneurship in the field of business consultancy can then be assessed and subsequent actions planned.

The Management of Change in a Co-operative Society: the Suur-Savo Case

Leo Laukkanen

In East-Finland one finds the province of Etelä-Savo. This territory of 150 000 inhabitants is surrounded by clear waters including Lake Saimaa, which is the world's 3rd greatest inland lake. The waters and the beauty of the nature have made the province a fine place to live and enjoy. Consequently, Etelä-Savo is one of the most significant areas in Finland in terms of recreational living. The province has more than 45 000 recreational houses, which means that during summer time the number of seasonal residents tops that of the permanent residents. Most of the leisure time inhabitants come from Helsinki, or the neighbouring areas of the capital city. The additional cash flow brought by the seasonal residents and travellers is extremely important for the province and its private service providers.

Early years are a struggle for survival

A variety of co-operatives have operated in Etelä-Savo during the past hundred years. Retail co-operation started as early as year 1906 in a small co-operative society of Himalansaari. The province has seen the operation of altogether about 40 retail co-operatives, which have over time been merged (due to migration and profitability issues) to finally form the provincial co-operative society of Suur-Savo in the mid 1980's. Many other co-operative societies of the S Group have a somewhat similar history. After the mergers, the operational area of Suur-Savo covered 20 cities, towns, or municipalities. The co-operative also operated in several lines of business: groceries, specialty goods, agricultural goods, liquid fuels, car trade and services, hotels and restaurants, and bakeries.

When establishing Suur-Savo, the biggest co-operative societies composing it were in a poor economic condition. During the phases of fusions, the managers and other decision-makers had no courage to make significant structural changes or other manoeuvres to adjust costs. In rural areas, the network of small shops was wide and out-dated. Also, as a result of fusions, the proportion of employees working in management had grown substantially. Management functions were clearly oversized and bureaucratic as they included altogether 18 people. Because of a high share of liabilities, capital costs were too high (about

6% of the sum of the balance sheet) and also personnel costs were extremely heavy (more than 60% of sales margin). Possibilities for renewal and development through investments were non-existent.

Overall, as a result of several unsuccessful streamlining attempts, the organisation was worn out. Actually, the co-operative society had been in a state of bankruptcy for years and was evidently one of the most unsuccessful co-operatives in S Group, both financially and operationally. The co-operative continued to exist only due to backup from SOK (the central organisation of S Group) when closing the books. Finally, SOK ran out of patience: a change was needed, which would be initiated by the change of the CEO.

Turn round requires determined management

In 1986 I was invited as the new CEO candidate. At that time I was the CEO of small Koljonvirta Co-operative Society, which had faced financial and operational challenges similar to those of Suur-Savo, but in a smaller scale. In Koljonvirta, we had been able to overcome the challenges through reorganisation. After interviews for the position, the selection committee and supervisory board of Suur-Savo announced that they had selected me as the new CEO.

However, I did not accept the position off-hand. Instead, I set two conditions. The first condition was that during the first two years of reorganisation, SOK should not interfere in any way. The background was that SOK (being the backup) had the right and duty (according to the principles of S Group) to appoint a representative on the board of a co-operative that is in critical condition. The second condition was that the administration grants me full legitimacy to all changes so that there will not be a thing or a person in the co-operative that is out of my reach.

The purpose of these conditions was to have enough time and space to reorganise without possibly fatal interferences. Based on my previous experiences I knew that a company in such a critical condition should have only one person in charge – one vision and line as opposed to there being many of them. In this context, decisions have to be made fast and boldly.

Both of my preconditions were accepted and I got absolute independence in reorganisation of Suur-Savo and also proof of the designators' full confidence in my capabilities to make the required change. Thus, I accepted the offer. While I remained in my previous position in Koljonvirta for another three months, I presumed that no decisions in Suur-Savo should be made without my approval.

The formula for successful strategy is simple

While I begun preparations for reorganisation, I did not allow making the appointment public yet. I wanted to make sure that certain critical elements were in place for successful strategy: realistic evaluation of the co-operative's resources, intimate understanding of the competitive environment, and simple long-term objectives.

To evaluate the co-operative's resources, I read up on the co-operative's financial information (profit and loss account; balance sheet) and even went undercover to familiarize myself with the co-operative's business places. As a "customer," I interviewed the personnel and other customers. In order to achieve sufficient understanding of the competitive environment, I also investigated the business places of our main competitors in a similar fashion.

My findings were quite devastating: the competitiveness of our units was very weak and both customers and personnel had to some extent lost their belief in the potential of the co-operative to succeed. We were competing against time. Based on my calculation, the co-operative had about a year until death! SOK recommended that I simply smooth things for fusion with neighbouring co-operatives. I saw a different future and reminded SOK that we have been promised a two year time to work without interference. Of course, if we would not succeed, we would have to proceed with SOK's plans. However, that was not going to happen.

I set myself a 10 year goal to make the co-operative the number one retail and service-company within the Etelä-Savo province. The operational area, competitive situation and company form made it a possible goal, but one had to seize the day and renew the whole social structure as well as the way things were done. This goal was taken, at first, with disbelief. It was acknowledged that after restructuring and streamlining the share of the co-operative of, for example, daily groceries was around 11 % of the market – the lowest of the competing groups in the

operation area. The main competitor's (merchants of Kesko Group) share of the market was around 60 % – and at that time it was quite commonly believed that Kesko's model was simply superior. In other business areas the co-operative's share was around 15 %. Only in agricultural trade the share was around one third of the market. Thus, in order to realize the goal, belief in success had to be built. A specific style of leadership had to be introduced.

Authenticity removes obstacles of change

Before starting, I interviewed each member of the management (18 people). My goal was to downsize the management group down to five people including myself. While it was essential to have a competent management group to back me up in the turn round, it is worth noting that the managers were not necessarily incompetent. In Suur-Savo there were simply too many of them. I invited an outsider, a trustworthy and experienced streamliner, to help me with the process. After thorough consideration, I had to let go 11 managers. Over time five more managers left the co-operative and they were replaced with three new managers.

I started as the CEO of Suur-Savo on the 27th of October 1986. An official introduction to key stakeholders was organised along with an operation area wide briefing. The purpose of the occasion was to make decision-makers (representative body, supervisory board, and board), personnel, members, other customers, and the media understand the company's real and severe situation. Otherwise they would not accept the province-level decisions that were tougher than ever before.

As support from the personnel was crucial, we started the official introduction with the announcement of a layoff of 11 managers. This was an important psychological trigger, since the personnel was primarily used to witnessing layoffs of on the shop floor and supervisor-level, not management. The briefing was continued with an honest account of the extremely severe financial and operational state the co-operative was at. It was essential that the communication and interaction with key stakeholders was as open and authentic as possible. As a consequence, everyone understood that drastic moves had to be made.

Empowerment secures potential for efficient implementation

After being introduced, I started trainings of decision-makers and personnel and engaged them in discussions about Suur-Savo's future. Perhaps most importantly, the process of intensive training and discussions lead to commitment of these key stakeholders. As their voice was heard, they genuinely felt they had a say in the dramatic and somewhat risky reconstruction and renewal plan.

While I prepared a thorough strategic plan including all operations with a clear rhythm of goals for the years of 1986, 1990, 1995, and 2000, I did not reveal my plan to the management and personnel. Instead, I organised several educational meetings in which decision-makers in particular were able to develop a deep and detailed understanding of the state the company was in and I gave them the opportunity to work in groups and define themselves (without any imposed program) how to save the company and initiate rapid development of operations. Of all the personnel groups, I chose those in positions of trust, especially chief shop stewards, as the target of intensive education and active interaction.

Conveniently, the decision-makers ended up in a strategic plan very similar to that which I had prepared myself. Thus, my strategic action plan was quite readily accepted. Also the personnel representatives (those in positions of trust) fully supported the plans, even if the renewal program included the shutdown of more than forty business places and notices for about 350 employees. These stakeholders saw that I had introduced a credible vision and together we had come up with plans for making Suur-Savo the leading retail and service-company in the province. It was understood that the reorganisation and renewals would secure the future employment of those, who did not lose their jobs as a result of the re-organisation.

After these important and substantial phases, all the decisions required to change the course of the co-operative were made in a short period of time during April and May 1987. These decisions and related actions are described in detail below.

The most important decisions and actions leading to success

First, in order to strengthen the balance sheet and initiate investments, capital had to be released. Thus, we decided to sell the Sokos-shopping centre (real estate) property and the site to SOK –federation. Such an in-group deal would allow the possibility to buy

back, when possible. We also decided to sell our car shop to an entrepreneur. In addition, as put forward above, more than forty business places and unit were closed. These actions gave us a sufficient start.

Second, with the released capital, we paid away all the liabilities to get rid of the burden of high capital costs. With the remaining capital we initiated an investment program covering the whole province. Our aim was to build one or more retail trade units in each municipality. The cutting edge of the program was two hypermarkets and big S-markets of supermarket category. Notably, each unit was built bigger and more up-to-date than those of competitors (e.g., cold storage space was five times the space our competitors had in their units). In order to meet the required volumes in the units within a one year period, the price-level was also dropped 5-10 percent.

Third, in order to develop governance of the co-operative, we restructured decision-making as well. The representative body as well as the supervisory board were both downsized. We also established a committee to prepare elections of members of administration. Such committee was an innovation. The committee looked after circulation of board members and the composition of other decision-making bodies. At first, as the CEO I was considerably involved in the selections to secure required provincial-level vision and top-tier competence in the bodies. I had come to understand that decision-making was previously too much based on political and other organisational interests – with one or two parties dominating. The goal was to get rid of political influence in the co-operative and move towards minding only about the interests of the members. Business and co-operation related competences were highlighted in the selections.

Fourth, in order to make a rapid and sufficient turn round possible, we revised the whole management culture of the co-operative. Quality management was introduced to Suur-Savo as the first retail and service-organisation in Finland. Its introduction was run with the help of adjunct professor U. E. Moisala from Helsinki University. A related three-year development and training-process was initiated immediately. Individual employees were empowered on every level of organisation from the shop floor to higher management. The change process was so large and long-lasting that it would not have been realisable without some important factors promoted by the new management culture (e.g., beliefs of efficacy, internal motivation resulting from employees feeling they make a difference, respect for the co-operative, and pride in one's work).

Fifth, we lifted our attention to the values and principles of co-operation and accepted them as our main ideology. This was a crucial element in the rise of Suur-Savo. It made us different and superior as compared to competitors that mainly operated (and still do) according to the rules of short-term market economy. Co-operatives follow a different mission, which is to provide services and benefits to their customer-owners on the long-term. While being profitable and maintaining a strong economic position is important for continuity and competitiveness, in co-operation they are merely tools and not the purpose per se. We defined that the success of a co-operative is measured primarily through the realization of customer-owners' service and quality expectations, competence of the personnel, success of management, job satisfaction, efficiency, and the extent to which profitability, economic position, competitiveness, and continuity are secured. These are the starting points for strategic management of consumer co-operatives and the values through which the overall success is realised.

Sixth, public relations were assumed as top-management responsibility. For about 10 years since introduction as the new CEO, communication with public stakeholders was a responsibility of me only. Partly a result of this choice, the co-operative became central in the regional network of organisations. The co-operative's role on the societal-level was further highlighted by its growing position as one of the few provincial level companies (as opposed to operating for example in only one municipality). Eventually, as the CEO of the co-operative society, I became the holder of several provincial level positions of trust. Such leading positions contributed to the co-operative's influential role in regional development. Together with the successful development of business operations, the above described developments contributed to making the position of the co-operative transcendent as compared to other retail groups.

The rise and success of Suur-Savo

The above listed central strategic initiatives, along with strong determination in Suur-Savo, lead to the co-operative rising from near death to being a profitable company in about eighteen months. Already in year 1990, Suur-Savo took the number one position in S Group in internal financial and market share comparisons and held the position through the decade and the first years of the new millennium. With the renewal and the investment program, Suur-Savo became one of the leading actors in S Group in terms of unit size and energy-efficiency. The champion role is

highlighted by the fact that many investments were done independently, even with opposition from SOK. However, constant success led Suur-Savo to eventually being a benchmark for the entire group (e.g., hypersize ABC –service stations can be seen as a Suur-Savo innovation). Many regional co-operatives followed with the similar models and local modifications.

In 1995, Suur-Savo became the leading retail actor in the province of Etelä-Savo. The co-operative beat the merchants of Kesko Group in daily groceries with the market share of more than 35 %. In year 2000, the co-operative's share of grocery market broke the magical limit of 50%. Notably, during the reorganisation of Suur-Savo, its main competitor lost close to 30 % of its market share, being around 30 % in year 2000. The co-operative's sales had grown 15-fold and its equity ratio had gone from minus to about 70 %. The heavy investment program was a long-lasting effort. By year 2004, each municipality of the province had got its share of investments. About 70 % of the province's households are members of Suur-Savo. To close this chapter of Suur-Savo story, the Sokos real estate buy back was realised in 2010.

As a result of the success of Suur-Savo, I was appointed to several national level positions of trust as one of the key representatives of regional CEOs. The requirements of these positions helped to create frameworks and experience that contributed back to the success story of Suur-Savo in Etelä-Savo.

Support from the group-level

On the S Group level, centralized strategic management was clearly behind that of the most successful regional co-operatives between late 80ties and year 2000. During this period, no support from the group-level could be expected. Instead, the CEOs of successful regional co-operatives were required to use their time and managerial competences to handle group-level issues. It was only due to the persistence and activeness of the regional co-operatives that required change was seen in SOK strategic management. The co-operatives acted as owners that they are and took control over SOK supervisory board and the board by placing the co-operative CEOs and the chairmen of co-operatives' supervisory boards to these positions of trust.

Also the coordination of commerce and business management were almost totally reshaped during this group-level renewal process. In the renewal, the operative managers of co-operatives formed chain boards. As a result, SOK became the development and

support organisation it is supposed to be. It services the customer-owner-based network of regional co-operatives in their mission. Today, S Group's centralized strategic guidance is strong in SOK federation and almost all operations are coordinated through chains. It is even justifiable to ask whether this has gone a bit too far.

Suggestions for future practice

Based on my experiences and observations of recent developments in S Group and its operational environment, there are a couple of recommendations I wish to make for co-operative managers, especially those of consumer's co-operatives.

First, top-management must look far to the horizon: strategic management of the co-operative is the top-priority and –responsibility. Maintain your own competence and capabilities – being the CEO of a co-operative is not just any job, it's is a vocation. If operating in a group, do not allow guidance and coordination from the group go too far. If you outsource your responsibility to consultants or other strategy developers, you are sure to lose your hold of the position as the chief strategist and manager. *You* must be the one who is charge, since you are accountable to the members.

Second, even if you are the top-manager, do not grow away from praxis. Cultivate your intimate relationship with customers, since they are decisive in the success of the co-operative and yourself. Treasure the competitive advantage of the co-operative – differentiate. Always have it crystal clear that a consumer co-operative exists to provide benefits and services to the customer-owners. Be sure to know that this requires solid profitability and strong balance sheet. Yet, always keep in mind that these are merely tools to secure the future of the co-operative and, thus, the future of member benefits. The success of a co-operative is measured in the extent to which it is able to meet the members' service-expectations better than its competitors.

Third, understand that a successful co-operative is a movement of people. This necessitates that you are an extrovert, speak out, and assume responsibility of the development of the operation area of your co-operative. If the operation area flourishes, so does the co-operative and its members.

Finally, acknowledge that the one who has determination will find means, but the one who does not have the determination will come up with explanations!

We Need Stronger Bridges Between Co-operative Research and Co-operative Business

Sami Karhu

The Finnish national organisations Pellervo and the Co-operative Delegation have invested increasing effort in developing the collaboration between co-operative research and co-operative business in recent years. As part of the effort, Finnish foundations and enterprises have funded co-operative research with 1.6 million euro during 2005-2011. Without academic information, knowledge and thinking capacity the development work within co-operative business would be on a very narrow basis. Also without working together with the universities the co-operative subject would be absent at all levels in the education system. The collaboration between universities and co-operation demands devotion from both business leaders and researchers. Further more it demands sufficient economic resources, perseverance and international collaboration.¹

Scientists involved in founding Finnish co-operation

The collaboration between Finnish co-operation and scientists is as old as the co-operative movement in Finland. When Pellervo was founded in 1899 to promote co-operation among the founders were several representatives of the educated class of that time. Many of them had a university degree and some even held positions at universities. Co-operation was brought to Finland for societal reasons and was planted from above by a strong central organisation and through central co-operatives. Many of the founders would eventually work in leading positions within co-operation for decades.²

It was typical for the founders to look upon co-operation from a socio-political, especially agricultural political and a legal viewpoint. And they also, without idealistic illusions, studied co-operation from business economy and management aspects. Doctor Hannes Gebhard, who is considered to be "the father" of both Finnish co-operation and Pellervo, understood that it was very demanding to run co-operative businesses in a liberal market economy. He concluded that it is a difficult job to be a spokesman for co-operation and that the management of co-operatives requires the very best leaders. Managing of co-operatives was backed up by the central co-operatives and organisations giving

detailed instructions for local co-operatives, handbooks and also by direct surveillance and control. The competitive advantages of co-operation were well known and efficiently realised. Thus the co-operative business model established a firm foothold in Finnish economic life in just a few decades.

Considering that the academic community was well represented among the founders of Finnish co-operation it is surprising that co-operation had a very weak position in both research and teaching at Finnish universities during the first decades of the 20th century.³ The reasons for this remain to be investigated.

Absence of scientists during the period of national economic regulation

Economic regulation started after World War I and got even stronger during the 1930-ties to be almost complete after World War II. This meant that the food supply and the financial sectors, both with strong co-operative representation, were protected by national regulation and trade policy until 1980-90-ties.

The universities in Finland showed almost no interest to the co-operative business model. On the contrary, the only co-operative professorship that was founded (by donations from the different co-operative groups) in 1966 was abolished in the early 1990-ties. To some extent co-operative research and teaching was indeed performed. The research had its focus on socio-political or rural development issues.

The research was competent and had perhaps some importance in society. However, looking back the perspective was quite limited, since business economics was completely absent in the research. New co-operatives were scarcely founded after World War II and the traditional large scale co-operation was not interested in looking upon itself during the period of strong economic regulation. Hence, the co-operative business model was not a subject that would interest researchers.

There would certainly have been interesting subjects to study. Co-operation with its origin among farmers or the working class had great difficulties in adjusting to a changing environment with people getting wealthier, strong urbanisation and a quickly growing middle class.

The competitive advantages in the beginning of the 20th century were not valid any longer in the changing society in the end of the century. Though co-operation was large in scale, clear signs of a crisis were present. Similar development could be seen for the co-operation in many other countries.⁴

A new start at the opening of the economy

The Finnish integration with the west accelerated in the end of 1980-ties and culminated when Finland joined the European Union in 1995. Companies again had to compete in a liberal market economy as they had almost a hundred years earlier when co-operation was introduced into Finland.

The management of co-operative businesses had to face new challenges. Adjusting to competition in a harsh market economy meant that co-operatives were compelled to produce better products and services than before, enhance effectiveness, cut costs while simultaneously developing their structures and changing company cultures to survive in the new environment. Once again it was crucial to find competitive advantages of the co-operative model, now in a free market economy under the pressure of a new form of globalisation.

This difficult task opened the minds to forming new ways of working together with the scientific community. A new beginning wasn't easy as the number of people working with co-operative science was small, the position of their research was weak in the universities and it thus lacked economical resources. The co-operative businesses were not used to taking advantage of research and academic business economics as a discipline continued to show no interest in co-operation.

Co-operative research made good progress especially in studying the development of new wave co-operation. The researchers went to the roots of co-operation and in a manner of speaking rediscovered the co-operative model together with the co-operative advisors and the co-operative organisations.⁵

The international seminar of 1999

With support from international researchers progress was made also in the disciplines of economics and business economics. Thanks to new contacts opening with international researchers all through the 1990-ties Pellervo, Pellervo Economic Research Institute, the Finnish Economic Association and the Helsinki School of Economics and Business Administration organised a

top level international seminar "The role of Co-operative Entrepreneurship in the Modern Market Environment". The seminar was part of the programme of the centenary year of the Finnish co-operative movement and Pellervo 1999. It was held at the Helsinki School of Economics and Business Administration.

The seminar covered the use of the co-operative business model for organising economic activity, with economic theory as a starting point. From a historical point of view the founding and development of co-operative businesses were studied. One question was "how will co-operatives survive the challenges of the future?" International guest speakers were Professor Henry Hansman (Yale university, USA), Professor Murray E. Fulton (Saskatchewan university Canada), Professor Gert van Dijk (Wageningen agricultural university and Nijenrode business school, the Netherlands), Professor Jerker Nilsson (Swedish agricultural university) and Professor Michael L. Cook (Missouri university, USA).

These guest speakers and their specialties show what Finnish co-operation then expected to receive and what scientific thoughts could promote co-operative research and development in Finland. There was a need for theories that would reshape co-operative thinking and help developing the co-operative business model to better competitiveness on the markets. These researchers and their experience from developed market economy countries had proven to be the most suitable for the mentioned objectives.

One conclusion from the seminar was that one can no longer say that co-operatives do not work well in practise, but there is no theory to support this. Resent development in the theory of economic organisations had brought out new ways of thinking. One could now better understand that if something is working in practise it may also work in theory. The development work of the co-operative theory had also brought out the possible weaknesses of the co-operative model into light. These were particularly the heterogeneity of member interests and their unwillingness to adjust to a changing operational environment. The seminar proved that theory helps understand the nature of co-operatives better. It was also made evident that the co-operative enterprises had chosen to meet the challenges of a modern market economy in different ways.

Scientific articles were produced on the basis of the lectures held at the seminar. They were published in a special issue of The Finnish Journal of Business Economics.⁶

New researchers emerge and new infrastructure is created

The infrastructure of Finnish co-operative research started to improve by collaboration between the researchers and the co-operative organisations. This work demanded a lot of planning and patience and any outcome from this was not easy to achieve.

A Co-operative Delegation was formed in 2001 with Pellervo, Op Bank Group (currently OP-Pohjola), and the two consumer co-operative groups the S-group and Osuuskunta Tradekayhtymä as founders. Tradeka has its roots in the labours movement and through the Co-operative Delegation the whole of Finnish co-operation sat around the same table for the first time in more than 80 years. A central task for the delegation was to improve co-operative research in Finland. As introduced, the collaboration within the delegation resulted in investments to co-operative research.

It was vitally important that co-operation also could inspire new and often young scientists. Least important was by no means that the co-operative businesses had great success on the open markets in the years before and new co-operatives had been formed in new fields as well. It was interesting to find and study the co-operative success factors in the open market economy or to figure out how companies should be managed to take advantage of these factors as well as possible. As new co-operative enterprises started to arise many researchers took interest in how to use co-operatives as a tool for entrepreneurship in different fields, or for improving employment, for organising infrastructure services or rural development.

In order to bring together co-operative actors and research groups from all different disciplines,⁷ an annual co-operative research seminar has been arranged. The seminar has proved useful, but new ways to promote interaction between researchers and practitioners are also needed.

The second international seminar⁸

When Pellervo and Finnish co-operation had their 110th anniversary in 2009 another international top level research seminar on co-operation was held at the Helsinki School of Economics and Business Administration. Other co-organisers were Pellervo, the Co-operative Delegation and Co-op Network Studies – university network (an intercollegiate network with several Finnish universities co-ordinated by University of Helsinki). The seminar covered current co-operative research and gave good opportunity for networking between researchers from different fields, business life and interest groups.

The topic for the seminar was “The Competitiveness of Co-operatives in a Changing Business Environment”. The question was: “How will co-operatives survive the economic crisis?” The starting point was that co-operatives perhaps might strengthen their positions as the crisis proceeds. However this demands vigilant updating of business strategies. Top researchers from Canada, Netherlands, Great Britain, Italy, Belgium, and Finland attended the seminar.

At the seminar research from a variety of disciplines and approaches was presented. Co-operatives were approached from economic, business economic, agricultural economic as well as social scientific point of view. Current research was presented in four different subjects. The first subject was the economic crisis and co-operatives, where especially activities of co-operative banks were examined. The time was very suitable for this, because world economy had dived into an extremely deep crisis due to failures on the financial markets. When examining the competition benefits of consumer co-operatives the question was how little do we really know about these benefits and where can we find new knowledge? In the case of the position of agricultural co-operatives in the food chain the main topics were members’ participation and internationalization of companies. The fourth subject was the position of co-operatives in society in the light of local and global influence.

The conclusion of the seminar was that co-operation should be integrated into all education in the fields of economics and business economics. Economic thinking needs new approaches and the focus should be more on pluralistic entrepreneurship than on listed companies and maximizing shareholder value. The co-operative business model forms a convenient basis for teaching business ethics and social responsibility of companies.

Towards a stronger bridge between research and practise

The seminar of 2009 managed to promote contacts between co-operative research and the co-operative businesses. Also the goals to increase self understanding within co-operation and to deliver useful knowledge for the managing of co-operatives were fulfilled. The Finnish researchers managed with help from their international colleagues to show that a well functioning co-operative scientific network can bring out lots of useful information to business life.

Central objects for co-operative research with the aim to develop co-operation in Finland are at least 1)

the competitive advantages of co-operative businesses and management of co-operatives in this respect, 2) special questions for producer co-operatives concerning competitive advantages, business structures and internationalisation, 3) the managing of collaboration within worker owned enterprises, 4) the role of co-operatives as a local or regional actor for strengthening scarcely populated areas, and 5) the use of the co-operative model in new growing branches. We need collaboration between different scientific disciplines and different business sectors to achieve successful co-operative research and development.

It is in the Finnish perspective of great importance that our co-operative research is working closely together with researchers from other countries. The aim has to be to have a strong international scientific network to support the co-operative business model. It is also important to continuously discuss how scientific results may be popularised for the use in both society and companies. Hereby intensive collaboration is needed between the business world and the researchers. The collaboration between universities in co-operative research will have a central position for the strategic choices when developing co-operation during this decade.

Unfortunately, financing co-operative research is a great challenge. Universities teach what they study. They have research in areas that are in the scope of the strategies and for which they can get funding. Co-operative research may get financing from independent foundations or directly from co-operative enterprises or organisations. The specialists at public foundations evaluating the research projects and making suggestions about who will get funding are often not at all acquainted with co-operatives or co-operative research. One can suspect that projects with co-operative topics have very large difficulties in being successful in these evaluations. We have few or no foundations specialised on co-operation, at least with resources enough to finance larger research projects. The funds given directly from co-operative enterprises and organisations have been limited. During the coming years the aim is to find the right means to permanently improve the funding of co-operative research. One good solution would be form a foundation specialised completely on co-operative research. However, this demands quite large capital and it would be a hard task to collect these funds from the co-operative enterprises and their organisations. Nonetheless, this is something we must succeed in. Co-operatives must prove themselves also in theory and allow decision-makers the possibility of familiarizing themselves with the model through schooling and education – not only practice.

Notes

- 1 Collaboration within cooperative research (in Finnish) Jussila, Kalmi, & Troberg (2008).
- 2 Organising Finnish co-operation, prominent persons and their networks (in Finnish and English) Kuisma, Henttinen, Karhu and Pohls (1999). Mäkinen, Sysiharju 2006, p. 73-103; Digital library of early publications of Pellervo www.pellervo.fi.
- 3 Köppä, Troberg, Hytinkoski (2008, p. 142-143).
- 4 Kalmi (2003, p. 39-40; Köppä, Troberg, & Hytinkoski, (2008, p. 144).
- 5 The vast changes in environment for Finnish co-operation in the 1980-1990-ties has been described in Samuli Skurnik's (former managing director of Pellervo) thesis, Skurnik (2005, p. 5-6; See also Köppä, Troberg, & Hytinkoski (2008, p. 145-149).
- 6 The Finnish Journal of Business Economics 4/1999. Special Issue. The Role of Cooperative Entrepreneurship in the Modern Market Environment.
- 7 Jussila, Kalmi, & Troberg (2008, p. 33-38; Pellervo Annual Reports 2005-2009; Pellervo's magazine *Osuustoiminta* special edition on cooperative research (in Finnish), 3/2004 p. 18-30; *Osuustoiminta*, 1/2007, p. 21-36).
- 8 Material from the seminar on the web: www.osuustoiminta.coop/tutkimuspaivat2009.html; *Osuustoiminta* 5/2009, p. 15-17, 32-33; *Osuustoiminta* 6/2009, p. 17, 24-25.

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Development of co-operative research and education in business economics (In Finnish: Osuustoiminnan liiketaloustieteellisen tutkimuksen ja opetuksen kehittäminen). Report by Panu Kalmi to the Co-operative Delegation. Helsinki School of Economics and Business Administration 15.9.2003. *Osuustoiminta*, 5.

Miscellaneous

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The Role of Co-operative Entrepreneurship in the Modern Market Environment.¹ Material from the seminar on the website of Pellervo: <http://www.pellervo.fi/finncoop/proceedings.html>

The seminar "Role of Co-operative Entrepreneurship in the Modern Market Environment" (Osuustoiminnallisen yrittäjyyden rooli nykyaikaisessa markkinaympäristössä) at the Helsinki School of Economics and Business Administration 11.6.1999.

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Gold, Lorna (2010) *New Financial Horizons. The Emergence of an Economy of Communion*, New City Press, New York, pp224 ISBN978-1-565-48354

Although there is some repetition of materials and rehearsal of argument in this work deriving from her earlier book Gold, Lorna (2004) *The Sharing Economy. Solidarity Networks Transforming Globalisation* ISBN 0-7546-3345 reviewed in the *IJCM* Vol. 4, No1, September, 2008, pp82-83 we would recommend this new book on the same subject as it contains much that is new including an insightful forward by Prof. Michael Naughton who draws attention to the deep underlying cultural crisis afflicting the contemporary business world. Whether the perpetrators of the recent, indeed on-going, financial crisis were for the most part law abiding as Michael suggests however may be to err too much to the side of generosity. Documentary evidence suggests those concerned knew they were selling high risk investments as triple-A rated. Surely charges of fraud could and should have been issued by the authorities. Not to mention charges of professional negligence if on investigation not more serious charges of conspiracy to mislead and cover up fraud, should have been levied against the large audit firms who signed off as sound the accounts of so many of the key players who went bust. In the UK when the Royal Bank of Scotland was taken into public ownership even the Treasury could not be certain as to the true extent of the toxic debt the taxpayer was inheriting. So how was it possible that the audit firm responsible for the banks accounts did not manage to pick up on the problem?

Lorna Gold's view of the crisis in the introductory chapter is that it provides evidence of the need for a new economic vision. She rightly in my view attacks Social Darwinism as underlying much of the philosophical perspective of modern business. This is used to justify corporate behaviours leading to the continuing over use of resources, social injustice, poverty, environmental degradation and climate change. There is a very interesting review of the academic debate on the role of religion in evolving different economic systems from Weber to Schumacher. The Focolare are presented as an important laboratory for an alternative economics. Just prior to her development in chapter 4 of this alternative economic vision the author gives an account of the Trinitarian grounding of the Focolare spirituality which really deserves to be widely discussed particularly in the light of *Caritas in Veritate*. I personally feel that the idea of linking 'non-existence' to living for others is unfortunate and unnecessary and will be off-putting to many. In fact it's only by living for others that our true self is realised for we are social beings in our essence. In

the experience of God's love for us we come to know ourselves and to experience the true dignity of our individual personhood? Thus the two principles of Catholic Social Doctrine – dignity of the individual person and the common good are grounded in Trinitarian doctrine.

There is a lot more developed empirical and statistical material in the book which gives us a view of the Economy of Communion Firms development and identifies some important dimensions where they have failed to meet their own aspirations. Towards the end of this detailed empirical account comes a candid recognition of failure in the realisation of one of the fundamental goals of the Focolare. Dealing with some of the underlying tensions Lorna Gold notes (p193) that 70% of the Focolare firms surveyed had yet to distribute profits. It may well be the case as she suggests that being new businesses growth and development requires retention. It may also be argued that generating employment is the most important work a Focolare firm can do given the 30% global unemployment or under employment that exists in our world today. Ensuring a high quality of working life is also an important social and ethical goal for any Christian business. In this regards Lorna Gold and the Focolare could do well to consider the use of qualitative measures used in the paper in this volume by Bernardi and Köppä where regrettably their data did not give a very resounding endorsement of the benefits of co-operative working for the experience of a good quality of working life. Good intentions do not always lead to good results.

In the Focolare case the management and ownership of many of their businesses is one suspects in the same hands. There is a reference to participation by employees in the management of Focolare firms. Also concerns about the level of employee awareness in the spiritual foundations of the business are expressed. But beyond these odd references there is little data concerning employee relations. Despite the references to pluralism I could not find a single reference to the existence, let alone encouragement, of trade union membership or to the recognition of trade unions by the EOC firms surveyed in this book. From a purely secular perspective the superior economic performance of German and Northern European firms together with the generally superior working conditions and quality of life and job security of their employee suggests that management itself is improved where it faces an external informed organised challenge to its policies. This is possible on the basis of

mutual trust and respect between the unions and management which leads to the lack of adversarial styles in the management and trade union cultures of this region. Surely this is possible to replicate in an EOC firm? Perhaps the ownership perspective and rationalisation for profit retention over distribution needs to be challenged in an informed way by trade unions?

It's not simply a matter of what Trade Unions can do to support the realisation of internal Focolare organisational goals. It's also a case of what the Focolare firms can do for the Trade Unions. These organisations are in need of support in today's global labour market in order to achieve their key goal of economic justice in society as a whole. Trade Unions are associations for the wider mobilisation of the poor and for the development

of civil society and democracy. They have always been supported within Catholic Social Doctrine. All Catholic led businesses particularly firms with the spirituality of the Focolare should practise solidarity with the wider society. By interacting with those associations who share their objectives of greater economic justice and a different more inclusive vision of how economic society should work the EOC can express a clear social solidarity at the macro level of the labour market. Surely the EOC is both an alternative theory of the firm and an alternative theory of the market including the labour market? If the EOC firm is live up to its mission it must practice solidarity with other associations of labour to achieve the common good.

Peter Davis

Bouchard, Marie, J. (Editor) (2009) *The Worth of the Social Economy. An International Perspective*, P.I.E. Peter Lang, Bern, pp263 ISBN 978-90-5201-4

This book represents an ambitious undertaking to develop a set of conceptual frameworks to establish a means for definition and analysis of the social economy. These early theoretical chapters are important interventions that raise profound philosophical and methodological issues that go to the heart of the current state of the philosophy of the social sciences and the ability of the social sciences to act as an informed and critical agent for social change. The issues are complex but they have to my mind very important practical consequences both for researchers and for practitioners. In the second half of the book we are provided with a series of National Studies on the empirical operation of the Social Economy in order to give an overall if still partial and qualified assessment of its importance as a sector. The theme underlying and linking these two parts of the book is that of the evaluation of performance.

Each separate chapter's content is very different in content and focus. The individual chapter's provide some interesting materials in their own right but the linkage is about accountability and evaluation rather than a coherent mission or structure for the social economy. The evidence provided addresses more or less single sectors. These national studies offer a predominately northern hemisphere perspective with Brazil being the single exception. Akira Kurimoto's chapter offers an excellent account of the Japanese co-operatives sector and in doing so also provides an important insight into the role of the state in creating legislative contexts that can be barriers to co-operative development. In the chapter on America we have the Social Economy identified as agents for the US system of providing welfare. Here the state and private foundations directly fund the not for profit (NPO)

organisations and accountability and evaluation of effectiveness can be clearly identified and evaluated.

Anyone interested in the growth of evaluative tools and their applications to support the process of accountability can do no better than to read the chapter by Roger Spear on Social Accounting and Social Audit in the UK. Roger Spear notes the political momentum in the UK for this deriving from the New Labour agenda. In his discussion of the close relationship between the state and the development of the Social Economy Roger steps outside UK experience to reflect on the role of government in Quebec. His is one of the most theoretically oriented of the national chapters with extensive discussion on resource dependency and its elimination or mitigation in the context of various frameworks of governance. Roger presents an interesting application for the methodologies of accountability as potential tools for reducing resource dependency across various sectors of social economy activity. He concludes that the focus for the development of tools of evaluation and accountability as a methodology to use in reducing resource dependency needs to be developed in the context of a particular sector and cannot be generalised to the social economy as a whole.

The chapter on Brazil gives an insight both into the historical dimension providing a means to categorise the social economy organisations and in the survey undertaken suggests that external evaluation rather than internal evaluation is the more significant mechanism for accountability. The authors in concluding their survey call for a wider discussion of the relationship between the state and civil society in the development of the democratic project. Whether the democratic project

can ever be achieved in the context of acute polarisation between rich and poor is clearly problematic. In the context of promoting both democratic development and social justice civil society has always seemed to me a clearer concept than the social economy. The key defining feature of civil society organisations is their resource autonomy not dependency on the state. It is that which enabled trade unions, co-operatives and other associations of labour and membership organisations to both establish independent interventions in the economic sphere and be campaigning bodies for reform in the political sphere.

The growth of globalisation and liberalisation have undermined civil society and prevented it from effectively stemming the erosion of welfare and privatisation of nationally owned assets by the state in the West. Whether state monopolies were progressive or repressive depended on whether the state itself was accountable to the democratic process. Clarity over what constitutes genuine civil society bodies whether subsidised by government or not hinges on this point. Is the NGO supported by a political process and by a civil society that can ensure adequate transfer of resources through the legislative process. As politics in the West continues its degeneration from a discussion of policy to a management of perceptions and expectations the argument for being cautious concerning the optimistic

view of the concept of social economy seems to be the more compelling side of the argument.

Any prospect of a coherent statement of the relative performance of the social economy seems doomed to failure given the breadth of organisational forms and purposes. Is the size of a sector covering such diversity as exists in the Social Economy a true measure of its utility? Measurements such as numbers involved, capital assets or revenues seem arbitrary given the range and diversity of the types of organisations included. To the question what is the purpose of the social economy and is it succeeding there appears to be no simple direct answer. But if no answer can be given due to the diversity of types and forms one is entitled surely to ask whether the concept itself has any value? What do charities like the Red Cross really have in common with a New Zealand Farmer Co-operative Agri-business? One has to ask is the Social Economy really a coherent third sector demonstrating rich complexity or rather is it a miscellaneous category spreading confusion.

Whichever side of the argument one tends to support there is much in both the theoretical and the empirical material contained in this book that deserves careful thought and wide discussion by academics and practitioners.

Peter Davis

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