

The Co-operative Trilemma. Co-operatives between market, state and civil society

Caroline Gijssels

Patrick Develtere

Working Papers on Social and Co-operative Entrepreneurship

WP-SCE 08-01

2008



The Co-operative Trilemma. Co-operatives between market, state and civil society

Caroline Gijssels^{*}

HIVA - Catholic University of Leuven

Patrick Develtere

HIVA - Catholic University of Leuven

Working Paper on Social and Co-operative Entrepreneurship

WP-SCE 08.01

2008[†]

Abstract

In this paper we focus on financial co-operatives as economic enterprises with a civic mission, their process of repositioning vis-à-vis the market, civil society and the state, and the resulting 'co-operative trilemma' that they face. A recent qualitative analysis of five major co-operative financial cases in Belgium (*Group ARCO*, *Cera*), the UK (*The Co-operative Group*), France (*Le Crédit Coopératif*), and the Netherlands (*Rabobank*) shows sound enterprises, with a long history of co-operative entrepreneurship dating back to the nineteenth century, which underwent profound transformations in response to the challenges of the financial-economic market (Gijssels, Develtere & Raymaekers, 2007). Unlike Coté (2001) we did not find a degeneration of co-operative principles and strategies under market pressures. We found a transformation in the sense of a renewal of their co-operative identity and mission. The five cases developed innovative methods to secure shareholder participation and a multi-stakeholder approach. They turned out to become pioneers in so-called social responsible consuming, banking and investing. They organise professional backstopping for social and environment-friendly economic ventures and non-profit initiatives. By doing this, they are questing for a repositioning in the economic and social landscape. In this quest they have to find non-contradictory answers to the contradictory demands of the market, the civil society and the state, in other words: they face what we would like to call a 'co-operative trilemma' (see also Develtere & Raymaekers, 2005).

^{*} Corresponding author: Caroline Gijssels, PhD, HIVA - Catholic University of Leuven, Parkstraat 47, 3000 Leuven, Belgium, caroline.gijssels@hiva.kuleuven.be

[†] Paper presented at the 8th Conference of the European Sociological Association on 'Conflict, Citizenship and Civil Society', sessions of the Economic Sociology Research Network, Glasgow, 3-7 september 2007. This paper has been written on the basis of a research, commanded by Group ARCO and the 'Fondation pour l'Enseignement de la Coopération' (Foundation for Education in the Co-operation). The authors also wish to thank Cera for the financial support it provides to their work at the *Cera Steunpunt Coöperatief Ondernemen (Cera Centre of Expertise for Co-operative Entrepreneurship)*, which created the possibility for the presentation of this paper. Please address your correspondence to Caroline Gijssels, PhD, HIVA - K.U.Leuven, Parkstraat 47, 3000 Leuven, Belgium. caroline.gijssels@hiva.kuleuven.be

1 Introduction

This paper is about co-operatives, i.c. autonomous economic associations of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise. In co-operative business enterprises ownership, control, and beneficiary are vested directly in the hands of the user. Because they are owned and democratically-controlled by their members (individuals or groups and even capital enterprises) the decisions taken by co-operatives inherently try to balance the need for profitability with the needs of their members and the wider interests of the community.

The Co-operative Identity Statement elaborated in 1995 by the ICA is the internationally recognized definition of co-operatives, their values, and principles. The 7 co-operative principles formulated in this Co-operative Identity Statement are:

1. voluntary and open membership
2. democratic member control
3. member economic participation
4. autonomy and independence
5. education, training and information
6. co-operation among co-operatives
7. concern for community

Profound transformations in the global economic context, often called the globalization of the economy, have had a major impact on co-operatives (Defourny, Simon & Adam, 2002). Some (e.g. Coté, 2001) feared a degeneration of co-operatives. They feared that these profound transformations in the market would lead co-operatives to relinquish their identity and degenerate into typical capitalist institutions (e.g. Coté, 2001).

Indeed, numerous co-operatives succumbed to the pressure of a highly competitive market, to hostile take overs or to processes of demutualisation. Those who survived had to deal with mimetic isomorphism (Powell & DiMaggio, 1983) with non-co-operative financial enterprises copying products, services and advantages developed by co-operative ones. In order to face these transformations in the market, some surviving co-operatives felt it was necessary for them to undergo major transformations, often including mergers with non-co-operative enterprises. Thus, many co-operatives disappeared and the co-operative identity and functioning of those who survived became less obvious.

However, unlike Coté we do not a priori accept this thesis of degeneration. More in line with the perspective of Charles Gide we claim that co-operatives go through a 'life-cycle' (Brazda &

Schediwy, 2001). In elaborating this perspective, Brazda & Schediwy suggest a path of foundation and continuation. In order to stress the possibility that co-operatives might transform themselves, we prefer the concepts of foundation and elaboration instead to describe the co-operatives' life-cycle. Elaboration, as used in an Archerian critical realist social theory for instance (Archer, 1995, 2001, 2003; Gijssels, 2006), pinpoints to the fact that objects, like co-operatives, once established, may continue to exist as they are, which means an elaboration in the sense of reproduction, or they may experience transformation and renewal. Of course, as empirical evidence of demutualisation, hostile take overs, and decline under pressure of strong competition in the market shows, co-operative might also cease to exist as a co-operative or as an enterprise all together.

We claim that those co-operatives who do not decline, do not stay the same all the time, but constantly undergo processes of renewal and transformation - though the fundamental characteristic in order for them to continue to exist as a co-operative is to stay in line with the fundamental principles of co-operation, as expressed by the Co-operative Identity Statement.

As Levi (2001) rightly remarks, the last of these principles, i.e. the concern for community, opens new avenues beyond the traditional realm of member servicing. We will see that the renewal that can be observed in the co-operative cases studied precisely illustrates a shift from a traditionally inward-economic orientation toward a more outward-community orientation, resulting into a shift from a traditional single-stakeholder to a newly emergent multi-stakeholder co-operative.

The five co-operative cases studied are major financial co-operatives in Belgium (*Group ARCO* and *Cera*), the UK (*The Co-operative Group*), France (*Le Crédit Coopérative*), and the Netherlands (*Rabobank*). They are all sound enterprises, with a long history of co-operative entrepreneurship dating back to the nineteenth century. Recently, they all went through profound transformations in response to the challenges of the financial-economic market. They all developed innovative methods to secure shareholder participation and a multi-stakeholders approach. They turned out to become pioneers in so-called ethical and social responsible banking, in offering financial and professional backstopping for social economic ventures and non-profit initiatives in their own country as well as in the third world. By doing this, they are questing for a repositioning in the economic and social landscape. In this quest they have to find non-contradictory answers to the contradictory demands of the market, the civil society and the state, in other words: they face a 'co-operative trilemma'.

In this paper we will chalk out the the life-cycle of the co-operatives concerned. We point to their transformations in response to the changing demands of the financial-economic market, after which we will present some evidence of co-operative renewal that we observed in these

organizations. Hereafter we delve into the sociological consequences of the repositioning of these elaborated co-operatives in the Belgian social and economic landscape that emerged out of their co-operative renewal and the trilemma they face.

2 The life-cycle of the co-operatives concerned

2.1 Foundation

The co-operatives studied were all established in the wave of social struggle that flooded all over the rapidly industrializing western societies of the 19th century. In this time of social struggle, social movements emerged as groupings of what we, inspired by Margaret Archers (1995, 2000, 2003) social theory could call 'primary social agents', i.c. people who found themselves in the same primary living conditions (workers, farmers, retailers,...), i.c. who had the same structural properties that shaped their options. They formed 'corporate agents' (Archer, 1995; Gijssels, 2006), set up to reflect about their living conditions and to strive collectively for the improvement of them. Co-operatives sooner or later emerged as economic organizations within or closely linked to these social movements. They were set up as economic organizations, aimed to satisfy the needs of the members of the movement, i.c. to enhance prosperity for their members. They did so by offering them access to saving, credit and insurance products which were otherwise not accessible to them (in the case of financial and insurance co-operatives) and by creating economies of scale, thus increasing their members' purchasing-power (in the case of consumer co-operatives) or increasing the possibilities to purchase or manufacture their products (in the case of farmer or production co-operatives). Thus, they emerged as responses to the socio-economic challenges of the western societies in the 19th and early 20th centuries.

The form these co-operatives took and the path of elaboration they followed, however, was largely influenced by the socio-economic and political context within which they were set up and elaborated. Thus, major differences between the co-operatives studied can be observed. In the UK the Co-operative Group can be seen as the major contemporary economic pillar of a real co-operative movement. It developed as a diversified economic group, operating in economic sectors so diverse as the financial services, the funeral services, the consumer coops, the

agricultural sector and the travel industry.³ No such a unified co-operativism exists in Belgium. In Belgium the co-operative sector has always been firmly embedded within other social movements, such as the christian and socialist workers movement and the christian farmers movement. In more recent times co-operatives also arose in the wake of the Third World movement and the ecological movement. The National Council for Co-operatives, established in 1955 as a vehicle of self-regulation against the aberrations of the very liberal law on cooperative enterprises, so far has not been able to create a unified co-operative movement. The co-operatives remain more or less closely tied to their respective social movement. Thus Group ARCO was established and still operates as the strategic partner and vehicle of the Belgian christian workers' movement. By answering to the demands of this movement, it developed as a financial holding with participations in diverse economic sectors such as the financial world, the energy sector and the awakening social economy.⁴ Cera on the other hand, was founded within the Belgian christian farmers movement, but it always had its own inspiration, the Raiffeisen tradition, and it had also more autonomy than the Christian Workers' Co-operatives. Contrary to Group ARCO Cera does not have a background in a multipurpose co-operative movement and developed as a financial services holding, mainly involved in the banking and insurance sector.⁵ In the Netherlands, the Dutch culture of trading gave rise to a far more pragmatic co-operative approach. Although the Rabobank and its predecessors developed largely within the farmers

3 The cradle of the co-operative movement all together and the immediate predecessor of the British case studied, the Co-operative Group, is the Rochdale-experiment. It was the first successful attempt at consumer co-operation, set up by 28 flannel weavers in 1844. The Rochdale pioneers broadened the scope of their organisation and experimented with co-operative production, insurance, wholesaling and education (Reeve & Brooke, 2004). They set in motion the liberal democratic tradition of co-operation which is characterized by an emphasis on private property, a basic tolerance of capitalism and a pragmatic unifunctionalism (Melnick, 1990). It was the involvement of the pioneers and their followers that led to the formation of the Co-operative Wholesale Society (CWS) in 1862. In 1973 CWS merged with the SCWS (Scottish Co-operative Wholesale Society). In 2001 the Society changed its name to 'the Co-operative Group', reflecting its new role as a family or conglomerate of co-operative businesses, including the Co-operative Financial Services (The Co-operative Bank and the Co-operative Insurance Services).

4 Group ARCO has its origin in and still belongs to the Christian workers' movement of Belgium. ARCO has opted to remain an integral part of the Christian workers' movement, which is the biggest social movement or social conglomerate in the country and particularly the Flemish region. Group ARCO is one of the four branches of the movement, along with the Christian trade union, the Christian Mutual Health Insurance Funds and a set of socio-cultural organisations such as a working women's movement, an adult education movement and a youth movement. These movements have always had a lot of influence on the developments of their co-operatives. For a long time, movement militants collected savings and insurance premiums and movement representatives were the directors of the co-operatives (Kwanten, 1987; Gerard & Martens, 1991). It was a system of "indirect co-operation par excellence". The consequence of this institutional starting point was that the Group ARCO has remained a strategic vehicle and partner of the Christian Workers' Movement and has developed its new agenda in close interaction with the movement leadership. As such its co-operative agenda, as we will see, reflects the broader multipurpose agenda of the movement (Develtere & Raymaekers, 2005).

5 Cera, the other Belgian co-operative studied, has its roots in the Christian farmers' movement and is the Belgian wing of the Raiffeisen rural co-operative movement. Cera, although closely linked with the farmers' movement "Boerenbond", always had its own inspiration, the Raiffeisen tradition, and had also more autonomy than the Christian Workers' Co-operatives. Still, within and close to the farmers' movement some other important co-operatives also existed. These co-operatives were and are involved in insurance, farm supply and commercialisation of products. Although belonging to the same social movement, these co-operatives had less institutional linkages and were less intertwined than was the case in the workers' movement. Only between the financial and the insurance co-operatives did there exist close ties (Develtere & Raymaekers, 2005).

movements, they, alongside with other (mainly farmers') co-operatives, developed as a more pragmatic economic approach of co-operative business undertaking (Van Dijk & Klep, 2005). From the start they were even further detached from their original social movement background than Cera is nowadays in Belgium. Rabobank remained an operational bank, and, through mergers with other financial institutions, it succeeded in offering the full range of financial services.⁶ In France, the co-operative sector can be seen as part and parcel of a broader secular and more centralized tradition of social economy. Le Crédit Coopératif elaborated itself as the financial pillar and banking group of the social economy and the social profit.⁷

Today, all five cases are still economically sound enterprises. But in order to be so, they underwent major transformations in response to the exigencies of the financial-economic market, which itself experienced major changes.

2.2 Elaboration: financial-economic transformations

The form the co-operatives concerned have adopted today is not the same as the one out of which they emerged. Basically, in order to find an answer to the processes of economic globalization, sustained by rapid technical advances in communication and information, by the opening up of markets and increased liberalization in the circulation of goods, services and capital, by the consolidation of large, integrated economic zones, and by the decline of the national states as economic producers and regulators, they amalgamated and merged with other companies, the latter not always being co-operative enterprises. They developed into broad and complex cascading structures along the lines of their non-co-operative competitors (Defourny, Simon & Adam, 2002).

The Co-operative Group developed as a highly diversified economic co-operative conglomerate. The Rochdale pioneers already broadened the scope of their organisation and experimented with co-operative production, insurance, wholesaling and education (Reeve & Brooke, 2004). The CWS

⁶ Rabobank is the result of a merger in 1972 of two major farmers saving and credit co-operatives that were created in 1898: the (catholic) Coöperatieve Centrale Boerenleenbank and the (non-catholic) Coöperatieve Centrale Raiffeisenbank. They were inspired by the liberal principle 'help yourself' and the Raiffeisen-principle of mutual responsibility. From the start they were created as economic solutions to problems of individual households and enterprises, along with other co-operatives generating economies of scale such as auctions and distribution co-operatives. They were not really seen as economic vehicles of a social or political movement, but as pragmatic and economic solutions to individual questions (Van Dijk & Klep, 2005).

⁷ The French Groupe Crédit Coopératif resulted originally out of a reform of the former Caisse Central du Crédit Coopératif, which traditionally was a specialised financial co-operative for co-operative enterprises, mutuals and voluntary associations. Thus, its clients happened to be the three typical actors in the French social economy. This French social economy is build on a strong tradition of associationism, relying itself upon the ideas of the Utopistes and the Idéologues. The French co-operatives developed from the start a stakeholder in stead of shareholder-approach. They were not set up to favour shareholders interests, but to construct a collective patrimony (Chanial & Laville, 2003).

quickly realised that the best way to maintain continuity of supply and high quality products was to enter manufacturing. From that modest base, its manufacturing and productive capacity grew rapidly. For most of its history it was a secondary co-operative, procuring, manufacturing and supplying the retail co-operative movement. But following the collapse of the former Scottish CWS in 1972, and subsequently the perilous financial position that many retail societies found themselves in the 1980s, it received transfers of engagement from retail societies, and fundamentally changed its nature from a wholesale supplier to the movement to become the largest co-operative retailer in the UK. The CWS diversified into many areas other than retailing and banking. As supplier to the retail co-operatives, the CWS had a ready-made market for many products and this enabled members, as well as producers, to share the benefits of co-operation (Reeve & Brooke, 2004). However, it has not been easy for the co-operatives of the economic group and the Group as a whole to keep their co-operative identity through sometimes violent attacks of competitors (for example in the banking sector) and through strong tendencies of demutualization. Although membership in the co-operative movement peaked in the 1950's, public commitment to the co-operative movement had weakened to such an extent that an Independent Co-operative Commission was instituted to review the situation and make recommendations, but its 1958 report was largely ignored. In 1973 the SCWS (Scottish Co-operative Wholesale Society) merged with CWS, bringing with it a substantial retail portfolio. But the movement did not find a new position in the rapidly changing British society and economy. The abolition of retail price maintenance instigated a significant change in the relationship between business and society during the 1960's and 70's. This also dramatically changed the context of co-operation. It was consumerism and not the supermarket chains that were the nemesis of the co-operative sector (Reeve & Brooke, 2004). Slow to respond and stuck in their old, but not necessarily co-operative ways, the Co-operative Societies failed to respond to the competition. To find a solution for the existential crisis of the movement a second Independent Co-operative Commission was established in 2000. The Commission reported in 2001, presenting the leading agencies of the movement with a new challenge and revitalising tonic: 'ethical and co-operative consumerism'. That very same year the Society changed its name to 'the Co-operative Group', reflecting its new role as a family or conglomerate of co-operative businesses.

In search for synergies and economies of scale, the Belgian co-operative cases originally consisted of a large number of primary financial societies. They federated into a larger unit and later on they created their own bank (BACOB and Cera Bank). In order to prepare their new relationship with the financial institutions in the country the co-operative structures were reorganised. BACOB, the bank of the Christian Workers' Movement, and its sister-insurance institution DVV/LAP, had an atomised shareholders structure. The consequence was that strategic and economic decisions were hard to take. The transition to a new structure and strategy was facilitated by the creation of intermediary co-operative financial holdings in which

individual and institutional shareholders could invest. This was in turn instrumental in the expansion of the BACOB-co-operative bank that bought a number of smaller Belgian banks. At the same time the fusion of the regional co-operative societies into Arcofin allowed for greater concentration of capital and a strengthening of strategic management. In 2001, Arcofin traded its bank and insurance activities for 15,3% of the shares of Dexia Bank and - as such - became a reference shareholder of one of Belgium's most important banks. Dexia however was not a co-operative enterprise. Arcopar and Arcoplus are the financial co-operatives of the group and provide the financial means of the Group. These financial institutions are the most important shareholders of the investment companies Arcofin and Auxipar. Arcofin is the reference shareholder (15%) in the Dexia Bank but also a principal shareholder in the savings bank VDK that is a regional bank that also originated within the same movement. The investment company Auxipar manages the participation of the Groep ARCO in the services and utilities sectors. Through Auxipar the Groep ARCO pursues a policy of diversification. Besides participation in a number of pharmaceutical co-operatives of the movement, the Group has taken important positions in companies active in wastewater treatment, energy and the environment.

The Cera Bank, the bank associated with the farmers' movement also faced severe challenges in the 1990s, thus formulating an appropriate answer to the many mergers and the Europeanisation of the banking sector. Consequently, the number of remaining local co-operative societies was reduced significantly through mergers. The present-day Cera came into existence in 1998 on the basis of the merger between the Cera Bank, the ABB co-operative insurance company (linked to the 'Boerenbond' /Farmers Union and the Cera Bank) and one of Flanders' major financial groups, namely the Almanij Group, the main shareholder of the Kredietbank - a non-co-operative bank. As a financial co-operative holding, Cera Holding regrouped the shares of the former shareholders. Cera, first had - directly and indirectly - a 37% participation in Almanij, which on its turn is the major shareholder of the new KBC-Bank and Insurance. Early 2005 Almanij ceased to exist. With 27% of sharecapital directly and indirectly the Cera became the reference shareholder of the KBC-Group.

The Dutch Coöperatieve Centrale Boerenleenbank and Coöperatieve Centrale Raiffeisenbank merged into Rabobank in 1972. During the 1990s and the first years of 2000 Rabobank took over several financial companies such as the asset manager Robeco, the participation society Gilde Investment Management, the brokers Stroeve and Alex and the estate agents APB and FGH Bank. As such it developed its spectrum of financial services and products. For Rabobank, the satisfaction of the clients, not of the shareholders, is the central goal to be reached by the local establishments of the Rabobank - who, as a matter of fact, dramatically decreased in number. Since Rabobank creates its capital by retaining its profits it does not have individual (private or institutional) shareholders. The local establishments of Rabobank are its parent companies.

The French Groupe Crédit Coopératif also developed as a complex and cascaded financial group. At first the Caisse Central de Crédit Coopératif merged with the Banque Coopérative des Associations Ouvrières de Production de France. Later on the GMF Banque and the BTP Banque as well as the Banque Fédérale des Banques Populaires (itself a merger of the Banques Populaires and Casden Banque Populaire) joined the group. Like the co-operatives of The Co-operative Group, but unlike the partners of the Belgian cases Group ARCO and Cera and the Dutch companies that were taken over by Rabobank, all these companies were co-operative banks.

Thus the five co-operatives concerned developed as large and complex economic structures, in some cases developing partnerships with and handing over their original banking activities to non-co-operative business enterprises. The adaptation to the systemic features of the market-environment have led many to believe that these co-operatives were 'degenerating' and 'denaturalising' (Coté, 2001). The large and complex structures were not very favourable for retaining a clearly visible co-operative identity and certainly the collaboration with non-co-operative enterprises by Group ARCO, Cera and Rabobank was seen as a capitulation to capitalism. However, the five co-operatives studied did not reach the point of losing their identity through these mergers and fusions.

2.3 Elaboration bis: co-operative renewal

Internal and external mechanisms accounted for a regeneration of the co-operative identity and mission within the co-operatives concerned. Among the internal mechanisms that force co-operatives to remain 'co-operative as much as possible' or 'co-operative in another way' the voice of the membership base theoretically seems the most forceful. But it can also come or be reinforced by co-operative leadership, especially if or because leadership is very often embedded in other social movements that want 'their co-operatives' to remain theirs and more than ordinary businesses. Among the external forces the call for corporate social responsibility and business contributions to sustainable development stimulates reflections about co-operative social responsibility and the special links co-operatives have with sustainable development. In addition, the emergence of a new social economy with new co-operatives, mutuals, social enterprises and non-profit organisations is an additional challenge for co-operatives as the flagships of the old social economy. And last but not least, the social movements linked with the co-operatives in question have made themselves a shift in which they transcended their traditionally more restricted and parochial socio-economic focus and became champions of 'social responsibility'.

2.3.1 The Co-operative Bank

Ironically it was consumerism that first threatened the co-operative sector in the UK, but also provided the leading agencies of the movement with a new challenge and a revitalising tonic. The Co-operative Commission was set up in February 2000 following a call by leaders of the Co-operative Movement after the attempts to demutualise the CWS with the objective of asset stripping. Demutualisations had devastated the formerly strong building society sector in the UK, and few would have expected the co-operative movement to be the organisation that derailed the demutualisation express. Leading figures in the movement (particularly Sir Graham Melmorth, the then Chief Executive of the CWS) feared that further attempts at demutualisations would be inevitable unless the movement refocused itself.

The other significant factor in this period was the continued economic and financial failure of CRS, at that time the second largest consumer co-operative society in the UK. It subsequently transferred engagements to CWS, leading to the reviews that led to the change of name to the Co-operative Group. The members of the Commission comprised business leaders, politicians, trade unionists and co-operators, under the chairmanship of John Monks, General Secretary of the TUC. Their task was to take an independent and fundamental look at the co-operative sector, and propose ways to modernise and develop the Movement to help ensure its success in the 21st Century both in terms of its commercial objectives and its social goals. The report was published in January 2001.⁸ It was an important instrument in the awakening to and revival of the co-operative movement. After an analysis of the failures as well as the successes of the co-operatives in the group, the co-operative advantage was described and a vision on co-operative entrepreneurship was outlined, including practical recommendations and a mission statement for the co-operative group.

After the publication of the Report the Co-operative Group was established as a strong family or conglomerate of co-operative businesses, the economic pillar of the co-operative movement in the UK, centred around its mission of supporting and promoting 'ethical and co-operative consumerism'. The national bodies for the retail co-operative and workers' co-operative sector have come together to create a new national federal body, Co-operatives^{UK}. Co-operatives^{UK} has been born out of the merger, in December 2001, between the Co-operative Union and ICOM (the Industrial Common Ownership Movement). The merger effectively brought together the consumer-owned wing of the co-operative movement with the employee-owned wing, for the first time in over a hundred years. In February 2003 the merged organisation was renamed as Co-

⁸ The Co-operative Commission (2001), *The Co-operative advantage. Creating successful family of Co-operative Businesses.*

operatives^{UK}. It is a member-based organisation for co-operative enterprises and seeks to represent the interests of their member co-operatives, developing and extending the co-operative sector as a whole.

The Co-operative Group has radically adapted its governance systems combining traditional co-operative democracy and decision-making with a well-considered application of some new techniques of corporate governance, stakeholderism and member-management. One can think of the the democratic structure of the Co-operative Group build up around the consumer co-operatives. Members can be elected to participate in the government of their consumer coops through a cascaded system of 50 area committees, 8 regional boards and the Main Board of Directors. There is also the partnership approach of the Co-operative Bank and the Co-operative Financial Services, adopted in 1997. This approach is founded on a commitment to serve the interests of the seven partners, or stakeholder groups, involved in the bank's activities, i.e. shareholders, customers, staff and their families, suppliers, local communities, national and international communities, and past and future generations of co-operators (Reeve & Brooke, 2004). The Co-operative Financial Services (CFS), the recently formed holding company of the Co-operative Bank and the Co-operative Insurance Society, seeks to 'deliver value to its partners in an ecologically sustainable and socially responsible manner'. CFS has identified six groups, or Partners: shareholders, customers, staff, suppliers, society, the co-operative movement. The member-surveys organized by the Co-operative Bank are also to be mentioned in the series of new ways of member participation organized by the group and its member-companies. In these member-surveys the Bank asks its members about their values and principles.

Its involvement in sustainable entrepreneurship and investment are illustrated by the use of an external auditing system by the Co-operative Bank and the Sustainable Reporting and Social Accountability Programme of the Co-operative Group.

2.3.2 Le Groupe Crédit Coopératif

The French Groupe Crédit Coopératif also remained a distinctive co-operative financial group, incorporating only co-operative banks and groups and presenting itself as the 'banque au coeur de la solidarité' (the bank with a solidary heart). Thus it pinpoints to its associationist goal of supporting the social economy and non profitsector in France. Although this financial co-operative evolved into a complex and large financial group, it developed a new structure of member participation. Remember that the members are institutions and organizations.

In its attempt to develop a system of democratic member participation along the principle 'one member, one vote', the groupe created 21 regional councils and one national general assembly

in which a representative of each regional council has a seat. These councils confirm the annual accounts, they decide about the distribution of profits and designate the managers. In a more informal way, 'les conseils d'agences' operate as think tanks and inform the regional councils about the values and needs of the members. Financially, the Groupe Crédit Coopératif fills the position of mediator between organisations and institutions in the social economy and the non-profit. It created mutual guarantee funds and finance companies for mutual guarantee.

Since nonprofit and social profit institution, more than ever, rely upon gifts and donations by private persons, the Groupe Crédit Coopératif also developed various 'solidary products', creating possibilities for clients of the bank to give away a certain amount of their profits out of savings or investments to organisations in initiatives in the social and nonprofit sector. For example the 'Carte Agir' is a creditcard with a unique property: every pick-up of money is accompanied by a deposit by Le Crédit Coopératif of 6 Eurocent to an association of the choice of the card owner. 'Livret Agir' and 'Codesol' are saving products, of which the interests are divided between the owner and an association of his choice. 'Fonds Commun de Placement' are investment funds in which 5 to 10% are invested in solidary economy. The 'Fonds Communs de Partage' are also investment funds of which the profits are handed over to social profit associations. 'Assurance-vie-solidaire' is a simplified legacy of which the amount of one or two years of capitalisation is yielded to an association of the choice of the owner. Le Groupe Crédit Coopératif is founding member of France Active Garantie, an initiative that was set up to finance unemployed starters of enterprises, solidarity organizations and enterprises for the insertion of the long-term unemployed. It is also founding-member of Avise (Agence de Valorisation des Initiatives Socio-Economique) which was set up to promote employment. Through a partnership with La Caisse des Dépôts it also promotes the establishment of social economy enterprises and the renovation of cities. It is also a partner of FONDA, an organization that promotes and analyzes partnership between social economy enterprises, as well as of ORSE (Observatoire sur la Responsabilité Sociétale des Entreprises), established to promote CSR. It finances various magazines and journals analyzing and promoting the social economy and it finances various socio-cultural manifestations.

2.3.3 Group ARCO and Cera

From an organisational-institutional viewpoint, the Belgian and Dutch cases had more difficulties than the British and French ones studied to retain their co-operative mission and operation. Unlike the British and French cases that clearly stayed co-operative groups, meaning that all the companies that were/are part of these groups are co-operative ones, Group ARCO and Cera have been the results of mergers between co-operative and non-co-operative enterprises. Furthermore, they visually disappeared after having handed over their banking activities to their

partner banking and insurances companies Dexia Bank and Kredietbank. They became virtually invisible financial holding structures, associated with non-co-operative companies who were more in the forefront of marketeers and media. However, for the leadership of both groups, the manifold interactions they had in that period with other banks and financial institutions produced moments of reflections about their co-operative distinctiveness. This feeling was reinforced by the vivid reactions to the mutations within very restricted but militant movement circles that were still very attached to 'their' co-operatives. The opportunistic reactions of some shareholders, stirred up by shareholder-defence actors (Deminor and Modrikamen, in particular) forced the leadership to find genuine co-operative solutions to the many tricky legal transformations they managed. The actualized co-operative content of the two groups can be gauged by the way they reformulated their mission, by their partnerships, their investment policy and their member-management approach.

Group ARCO opted for limited change in its co-operative identity (Spiessens, 2003). Just as before the transformation, the prime mission of the co-operative holding is to manage and defend the financial and economic interests of the social organisations and the individual shareholders. Group ARCO also insists on its social and ethical approach as a co-operative holding: non-speculative investments (by individual shareholders and by the Group as a whole) in sectors of high social importance, long-term participation and stakeholderism. The choice for Dexia-Bank was - amongst others - motivated by the fact that Dexia itself has its origins in the "*credit communal*" which was largely owned by the Belgian cities and communes. The latter are - next to Group ARCO - a major shareholder of Dexia. So, in fact, we see the coming together of a co-operative bank with expertise and interests in the social profit sector and a bank with expertise and interests in the public sector. As a second investment strategy, the group invests in the utilities and service sector. Through its investment co-operative Auxipar Group ARCO participates in a wide variety of sectors such as water purification, the energy and environment sector, pharmaceutical co-operatives, the media, and some others. The holding follows a number of principles in its participation policy. Investments go solely to businesses and enterprises that produce a social plus-value and pay attention to sustainable development aspects. Participation is a long-term and not a "hit and run" option. The businesses and enterprises must take into account the interests of the shareholders as well as those of personnel, clients and society at large. Group ARCO's policy is to actively participate in the businesses in which it invests. As a matter of principle the holding insists on sustainability and stakeholderism within each of its partner-enterprises. This is the case for Dexia, as well as for the public utilities companies in which it invests. Group ARCO, for example, insists that Dexia would remain the market-leader in ethical investment funds and would remain firmly embedded in the Belgian society (recently withholding a take over from an Italian banking group, for example).

Apart from this participation and investment policy the Group ARCO also develops co-operative advantages and services for its shareholders, both individual shareholders and social organisations. As is the case for all co-operatives that are recognised by the National Co-operative Council, the co-operative dividend of Group ARCO benefits from a tax exemption. Group ARCO also developed a legal service that can be consulted by shareholders on a wide variety of issues such as consumer rights, family and property rights. The holding also established two non-profit organisations that support initiatives in the social profit and the social economy sector (Procura and Syneco). The interest for the new social economy within Group ARCO is increasing as is witnessed by the recent capital investment it has made in two financial co-operatives that provide credit to social economy enterprises (Hefboom and Crédal). Finally, Group ARCO also “socialises” some of its profits by supporting amongst others different segments of the Christian workers’ movement, the non-governmental development organisation of the movement (Worldsolidarity) and the Belgian Olympic Committee. This is called the “social dividend”.

In terms of member-management and participation, Group ARCO does still follow an indirect approach. The president of the Christian Workers’ Movement acts as president of the two largest financial co-operatives (Arcopar and Arcofin). The boards of the co-operatives are composed of elected representatives of the different organisations of the movement (the umbrella organisation, the trade union, the mutual health funds, ...).

Cera still explicitly refers to its Raiffeisen background. The holding advances five values that give direction to its operations: embeddedness, concertation, rural and agrarian perspective, ethic entrepreneurship and commitment of directors and management (Tanghe, 2002). The co-operative approach of Cera is reflected in the four “products” that Cera offers to its shareholders: the financial dividend, other member-benefits, social projects and participation in decision-making. The co-operative dividend is determined every year. Just like the dividend of Group ARCO, the Cera dividend benefits from a tax exemption. As a matter of (co-operative) policy the dividend gives a fair but not necessarily maximum return. Co-operative members can also get substantial rebates on certain goods and services such as tickets for music festivals, sport events or tourism activities. The criteria used for these goods and services are multiple: they have to be collective and reach as many people as possible, they have to be non-elitist, local, substantial and if possible have a link with one of the social projects Cera supports. Cera has a double objective with this member-benefit system. It has to help for members to identify themselves with the organisation and it has to create opportunities for multiple interactions between the members and the co-operative holding.

Commitment to society is one of the major missions of the new Cera. Cera has become one of the biggest Maecenas of the country. Cera supports social projects that reflect the fundamental values of the co-operative (co-operation, solidarity and respect for the individual). Cera sees the investment in social projects as a "retribution" for past and future co-operative generations (Tanghe, 2002). Cera distinguishes between national projects that receive support from the Cera Headquarters from regional and international projects. Regional projects are selected and monitored by the regional advisory councils of Cera. International projects taking place in southern countries are supported by its non-profit organisation BRS.

45 regional advisory councils play a key-role in the new organisation structure and dynamics. They are the regional antennas of the holding. Each board has about 20 members. Apart from their involvement in selection and monitoring of regional projects, these boards also play a role in the decision-making process of the co-operative holding. Each board has four seats in the national advisory board. With 14 of the 20 seats, these co-operative representatives subsequently have a majority position in the board of Cera. Recently the Cera has broadened its participation approach by organising regional shareholders meetings. These meetings are used to inform the shareholders about the holding's investment policy and the social projects. In this way about 3% of the shareholders are reached in a face-to-face manner. Some 13.000 shareholders with special interests into the operations of the holding receive an e-magazine. While the active shareholders are considered the core stakeholders of Cera, the holding also identified the KBC-group, its own personnel, the personnel of the bank, the other shareholders and the beneficiaries of the social projects as the stakeholders of its new co-operative model.

2.3.4 Rabobank

The Dutch Rabobank, by remaining an operational bank, kept having direct contact and communication with its member-clients. In the structure of the group the local Rabobanks are the true financial members of Rabobank Nederland. The group does not have private persons as shareholders. But clients can become a member, just by declaring themselves as one. In order to reinforce the commitment of the clients towards their bank, a 'ledencertificaat' ('member-certificate') was created. It is not exactly the same as a share - since the bank does not have shareholders, but accumulates its capital by retaining its profits - but it is a kind of loan for which the return is 1% higher than the returns offered by long-term government loans. When it was launched in 2000 it showed to be a bull's eye: existing clients subscribed massively and many new clients were attracted by the product. This product reinforced the financial commitment of the clients towards their bank, but was itself no guarantee nor an instrument for democratic participation of the member-clients in the governance of the group.

In order to reinforce the democratic participation, the group, despite its large expansion, decided to keep a very decentralized structure. The autonomy of the local banking co-operatives and the idea of shared governance by member-clients as well as professionals were the leading principles for the reform of the groups structure in 2002. In order to give shape to the latter principle, each local Rabobank can opt for a model of partnership or a model of management. In the partnershipmodel, the governance of the local bank consists of a professional manager and a minimum of three elected members, under the surveillance of a supervisory board. In the management model the board of directors consists only of professionals. Member-clients have 30 to 50 seats in a members council. These members councils confirm the annual accounts, they decide about the distribution of profits and designate the managers. At the national level, representatives of the local Rabobanks are involved in the management of the group.

The bank developed green banking (Rabo Green Bank) and social responsible investment products. Its asset manager Robeco developed a specific investment policy screening the companies in which it plans to invest with respect to the sustainability of their entrepreneurship. Rabobank developed a type of 'management overlay' with the companies it invests in, thus trying to have an impact on the social responsible entrepreneurship of these enterprises. It developed a CSR monitoring system, subjects itself to external social audits and reports systematically on the basis of the GRI-guidelines (Global Reporting Initiative). It also subscribed the Equator Principles. Via Rabobank Foundation and Rabo International Advisory Services the group supports and promotes co-operative systems of saving, financing and insurances in developing countries. Thus Rabobank provides financial but also professional backstopping in the South. It also supports voluntary projects of local development, meaningful time spending, social activation and enhancing the quality of life in the Netherlands. A partnershipapproach is developed towards these projects. Most of the time, local Rabobanken are actively involved in these projects. With NGO's, authorities and private enterprises, public-private-partnerships are established in order to contribute to the wellbeing and welfare of the people in the Netherlands as well as in the South. Through 'position papers', published on its website, Rabobank takes a position with respect to various CSR-themes.

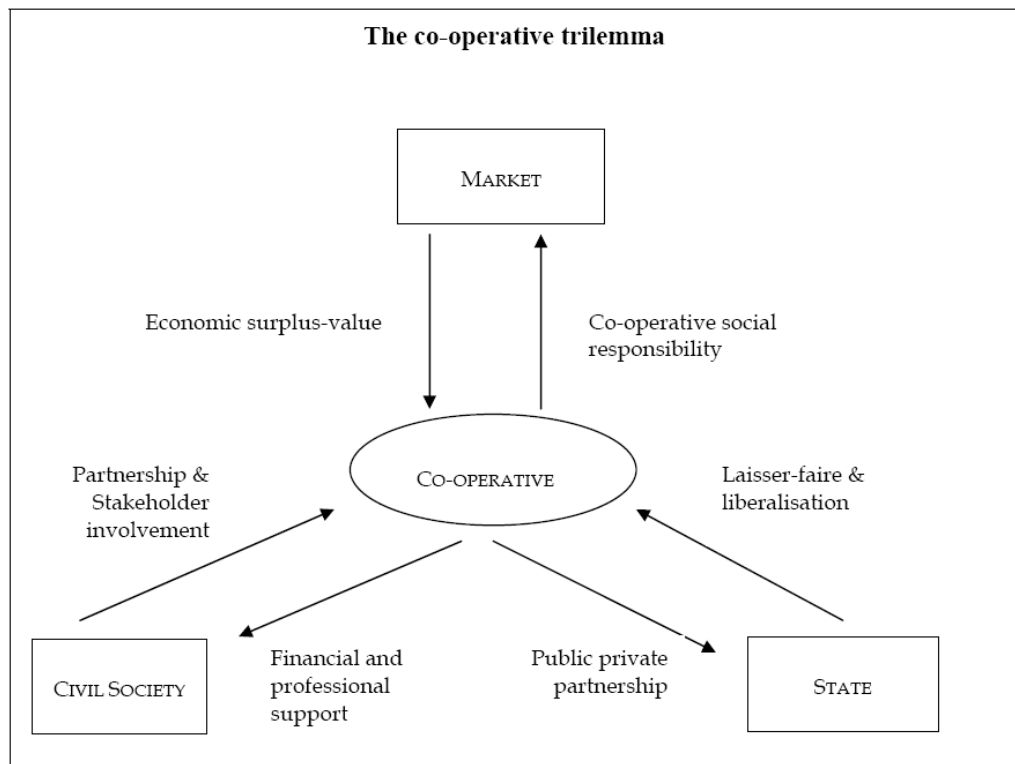
3 The co-operative trilemma

As becomes clear from the description of the observed co-operative renewal above, all five co-operative cases re-vitalized themselves as contemporary 'economic enterprises with a co-operative mission and operation'. As a result of internal and external forces, asking them to re-define their unique co-operative identity and actions, they developed methods to maintain contact with their co-operative members, to get to know their needs, values and expectations,

to give them a voice in the governance of the co-operative, especially in the distribution and socialization of profits and the follow up of societal projects to which financial support and professional backstopping is rendered. But not only members- or shareholdersmanagement was ensured, also multi-stakeholdersmanagement was established. Civil society actors, or corporate social agents, outside are involved in partnerships and supported financially as well as in terms of professional backstopping. Thus, the co-operatives are not only involved in a dilemma between market and members' requirements, but also in a dilemma between members' and civil society requirements, as well as in a dilemma between private and public governance. They thus face, what Develtere & Raymaekers (2005) call a 'co-operative trilemma'.

The trilemma that every co-operative has to deal with nowadays is how to reconcile the (1) imperatives imposed on every business undertaking by a complex and highly competitive market with the democratic and material claims of members, (2) the claims of the members (internal claims) with the claims of civil society at large (external claims) and (3) the advances of private co-operate entrepreneurship with the advantages of the welfare state. A quick look at the features of the interaction patterns of the co-operatives under review with the market, civil society and the state can reveal to what extent these co-operative groups have begun to find or formulate answers to this trilemma.

The following scheme does give an oversight of the triple challenges and the responses of the co-operatives.



3.1 Co-operatives and the market

One thing which all individuals and institutions involved in a co-operative undertaking require in order to benefit from the business is that it is commercially successful. This insight was clearly expressed by the International Co-operative Alliance and repeated by the British Co-operative Commission in its 2000 report, saying that in order to be able to meet the needs and expectations of their members, co-operatives have to be economically successful. All the co-operative cases studied stick to the idea that in order to be able to answer to the demands of the members and to be able to offer them benefits and advantages, the enterprise must be economically sound. Moreover, in order to be able to socialize profits, one has to make profits at first. Though the primary and ultimate goal of the enterprise is not to make profit as such, or to distribute it maximally amongst its shareholders, but to attain the objectives, put forward by the members or, in a broader sense, by the stakeholders. Therefore, co-operatives, like all other business enterprises, have to face up to the rigours and disciplines imposed by the marketplace. Much of the recent structural changes that the co-operative sector and particularly the co-operative groups under review underwent were inspired by the desire to remain economically and financially viable.

But the co-operatives under review relate in a new way to the market and its institutions. They have sought to create economic surplus-value while at the same time adding co-operative and social value. They have done so in following (and to some extent leading) the movement for corporate social responsibility in their respective countries. But they have tried to go beyond the minimum agenda of social responsibility and work towards what we would like to call 'co-operative social responsibility' (Develtere, Meireman & Rayaekers, 2005). They do this by explicitly using their business operations as vehicles to reach their co-operative goals: promoting "ethical and co-operative consumerism" (The Co-operative Group), being "your share in a better society" (Group ARCO), "investing together in wellbeing and welfare" (Cera), "the bank with a heart for the social economy" (Le Groupe Crédit Coopératif), performing and promoting corporate social responsibility (Rabobank). The option for CSR is pro-active and voluntary, and, moreover, stakeholder-driven. Stakeholder management means in the first place member-management and involvement (in the case of Cera, The Co-operative Group, Le Groupe Crédit Coopératif and Rabobank) and active linkage with a broader social movement (in the case of Group ARCO) and the social economy (in the case of Le Groupe Crédit Coopératif). Co-operative social responsibility is clearly linked to concrete business options. For The Co-operative Group sustainable and ethical consumerism is its 'unique selling proposition'. For Le Groupe Crédit Coopératif sustaining the social economy and nonprofit is its core business. In the case of Group ARCO the option is for profitable but sustainable investments in Dexia-bank (as the banker of the

public sector and the social profit sector as well as the leader in ethical investments) and investments in public utilities sector. Rabobank also tries to broaden its investments in sustainable enterprises. For Cera, as a mono-holding, the choice for the KBC bank was a choice for a bank firmly embedded in the Belgian society.

3.2 Co-operatives and civil society

Co-operatives have a longstanding relation with civil society. As stated before, co-operatives often emerged as economic vehicles to realize the demands and satisfy the needs of certain civil society actors (workers movements, farmer movements, retailer alliances, fair trade movements, movements for the protection of the environment etc. All five cases under review emerged out of one of these social movements. In the UK co-operativism became a social movement in its own right. In France co-operatives were set up in the wake of the French tradition of associationism. In the Netherlands it was the farmers' movement that initiated co-operative associations in the banking and insurance sector, as well as in the collection, production and distribution of agricultural products. In the Netherlands co-operatives were promoted as pragmatic economic solutions to individual and collective needs. Whereas in the UK, the co-operative social movement was recently re-vitalized after the violent attacks of demutualization and hostile take-overs. The co-operative cases studied in these countries all developed financial, strategic and institutional partnerships with civil society actors outside, in the line of their CSR, sustainable and ethical consumerism or social economy policy.

Originally these co-operatives maintained rather exclusive relations with their respective social movements. These movements themselves burgeoned as civil society agents in non-democratic nineteenth century societies and searched for instruments not only to realize economic welfare and wellbeing, but also to express democratic participation. In our contemporary societies in which democratic participation is assured in the political arena as well as made possible in the socio-economic field through social consultation and multistakeholdership, and in which civil society is much more developed and heterogenous, democratic participation is not so much the central demand of these civil society agents towards the co-operatives studied. These civil society agents search for partnerships with the co-operatives under review in order to find a financial partner and professional backstopping to their projects. The co-operatives in turn are keen to engage themselves in these partnerships, since these partnerships become vehicles for them to express their actualized co-operative values and principles.

In Belgium, the civil society - co-operative relation is very particular. As we have seen Group ARCO and Cera were set up as instruments of major social movements in the country and had no separate social movement mission. They had to advance the material and economic interests of

particular segments in society (workers, farmers) as well as those of their movement and related institutions (trade unions, adult education organisations, etcetera). There was thus a considerable overlap between the membership of these other movement institutions and that of the co-operatives. And, importantly, there was homogeneity of interest and communality of purpose between the co-operative and the other movements. This facilitated collective decision-making. But the co-operative - civil society partnership model has changed over the last decade or so. Both co-operatives, just like the other ones under review, have attracted a wide and sociologically very diverse group of shareholders. In this way, the co-operatives have made inroads into other segments of civil society. In the new model the two Belgian co-operatives under review have sought to harness this transition in a slightly different way. In the case of Group ARCO, the Christian workers' movement remains the cardinal stakeholder, the preferential shareholder and the ultimate authority within the co-operative group. In the case of Cera, a new decision-making system has been worked out in order to give shareholders a voice in both social and financial investments.

At the same time, both co-operative groups have broadened their civil society relationship. Group ARCO gives managerial and legal support to a very broad group of nonprofit organisations. This is consistent with the general policy of the Christian Workers' Movement to develop coalitions with other parts of the country's civil society. In addition, Group ARCO has become the major financier of two of the most important financial institutions of the new social economy. Cera has become one of the biggest meacenas of the country and finances hundreds of local and national projects every year. This financial support comes along with professional backstopping of many fledgling new social and self-help initiatives.

The end result is that the social base of the five co-operatives studied is presently probably much broader than every before, but that it is more volatile and less coherent in its demands and claims towards the co-operatives.

3.3 Co-operatives and the state

The co-operative cases under review also engaged in new relationships with the government, the public sector and their legislative frameworks. As became clear already, they develop public-private partnerships with nonprofit and social profit associations as well as with (local) public authorities. Compared to the nineteenth century in which they emerged, major transformations have occurred in the role played by the state with respect to promoting welfare and wellbeing. Although welfare regimes in their respective countries developed in different ways (cf. Esping-Andersen, 1990, 1996, 1999) we can say that within the four countries involved, regimes of public support and reglementation have been developed that have taken over or incorporated

many of the aims and methods the co-operatives originally developed to correct some aberrations of the free market. Within these welfare regimes, the co-operatives had to find a new position as instruments of correction and control of the market and satisfaction of the needs and expectations of their members. In the contemporary context of growing liberalization of the market of (semi-)public goods and services, they gradually take a new and particular stand relative to the (semi-)public suppliers of these goods and services. Of all the cases under review, this is especially apparent in the Belgian cases.

In the UK the co-operatives and the state have never had intense relations. No financial, administrative or fiscal advantages are legally offered to co-operative enterprises. No governmental support was offered at the time of vital attacks on the co-operative movements and companies. Moreover, in the UK there is no direct legislative framework defining and protecting co-operative enterprises. Consequently UK co-operatives come in a variety of legal forms.⁹ The sector structured itself through the establishment of the first and second Co-operative Commissions, the foundation of the Co-operative Group and the merger of the national bodies for the retail co-operative and workers' co-operative sector into Co-operatives^{UK}. The majority of co-operatives, although not all, will have registered using the model rules of one of the sponsoring bodies-Co-operatives^{UK}, the Confederation of Housing Co-operatives or Radical Routes.

In the Netherlands, the co-operative sector is characterized by an economic pragmatism, rather than an ideological co-operativism. Since 1876 the government recognized co-operative 'associations'. With the establishment of the co-operative 'company' as a legal body in 1988, co-operatives became more firmly recognized as real economic actors, established to solve individual economic problems (Van Ijperenburg, 2002). The co-operative principals are entered into the civil law. This strengthens the position of co-operative companies (COPAC, 1998). A distinction is made between limited, unlimited or legal liability. A distinctive property of the Dutch co-operatives, dating from the framework of the Dutch 'co-operative association', is that they cannot have shareholders, they only have members. The Dutch co-operatives in the

⁹ The most common co-operatives in Great-Britain are incorporated as Industrial and Provident Societies or as Companies, either limited by guarantee or by shares. An Industrial and Provident Society is a form of governance structure built on democratic and community benefit principles which is registered with the Financial Services Authority (FSA). Partly because of the perceived limitations of the I&PS Act, a number of co-operatives (mainly workers' and community co-operatives) have chosen to register using the Companies Act. In general, they have incorporated as companies limited by guarantee, without share capital, a legal mode also used extensively by charities and other non-profit voluntary organisations. This route offers some flexibility not available under the I&PS Act, but still deprives co-operative businesses of access to equity capital. Recently, a new form of social interest enterprise, the Community Interest Company (CIC), was designed for social enterprises that want to use their profits and assets for the public good. CICs are easy to set up, with all the flexibility and certainty of the company form, but with some special features to ensure they are working for the benefit of the community. CICs have to report to an independent regulator on how they are delivering for the community and how they are involving their stakeholders in their activities. CICs require legislation, covering a regulator, a community interest test, and community interest reports.

agricultural and horticultural sector have associated in the 'Nationale Coöperatieve Raad voor Land- en Tuinbouw'. This council aims to promote co-operative entrepreneurship and has as its motto: "an entrepreneur never stands alone." Its perspective, again, is pragmatic rather than ideological.

In France a strong associationist tradition of social economy exists, dating back to the ideas of the Idéologues and Utopistes. Co-operatives were soon recognized as legitimate actors of this social economy, besides mutuals and associations. The 1947 law on co-operatives offered a strong legal stability for co-operatives and a protection to hostile and foreign take overs. New ways for the collection of capital were recognized in an amendment to the law anno 1992. The principle of 'double quality', that stated that co-operators had to take up services and products of their co-operation, has been relaxed. With respect to the structuration of the sector, a few important groupements and councils were established, which developed strong collaborative links with the government. In 1968 the Groupement National de la Coopération was created as an association of federations and confederations of co-operatives. Its mission is to defend and promote the co-operative principles and create a place for the sharing of experiences and information. In collaboration with the Conseil Supérieur de la Coopération, established in 1976, a report about the sector of co-operatives in France is published. Since a couple of years, this work is supported by the Délégation Interministérielle à l'Innovation Sociale et à l'Economie Sociale, established in 1981. The Délégation prepares and coordinates policy measures intended to support the development of the co-operative sector in France, as well as the mutuals and the associations.

In Belgium the legal framework for co-operatives is very liberal. The 1873 law on co-operatives was clearly inspired by a very liberal 'laisser-faire' policy. The consequence is that not all co-operatives in the country are motivated by the co-operative ideals. In 1955, a National Council for Co-operation was established to allow "real" co-operatives (those that shared the co-operative ideals) to differentiate themselves from the other co-operatives and to affirm their identity (Defourny, Simon & Adam, 2002). Co-operatives that are accredited by the National Council receive special fiscal and economic treatment, whose scope is nevertheless limited. Of the approximately 30,000 co-operatives in the country, less than 5% is registered with the Council. This reflects the lasting poor recognition of the specific role and contribution of co-operatives in Belgian society and economy.

Thus, it was the co-operative sector itself that had and has to take the initiative to re-style and recalibrate the sector to make it attune with modern style economics and social relations. Thus, since the early 21st century the two co-operatives under review - together with the federation of socialist co-operatives (FEBECOOP) have engaged in a number of activities to promote co-

operation. They finance research and teaching on co-operatives, organise conferences, set-up “the week of the social economy” in universities and launched a C-day (1st of December, 2004). These promotional efforts are not the only ways intended to inform the public of the new practices in the co-operative field. As Vivet remarks the co-operative giants (notably Group ARCO and Cera) combined an erosion and banalization of their co-operative practices in the last two decades of the 20th century with substantial financial support for the emerging new social economy (Vivet, 2000). In recent years, the two co-operative groups have increased their financial support to and intensified their involvement in the new social economy. They have become real stakeholders of this social economy that for long was very subservient to and an instrument of the (regional) state(s). They give advice to, provide management expertise and create forums for many social enterprises, work-integration enterprises and other not-for-profit organisations and businesses. Both in terms of finances and professional backstopping the co-operative groups and the State(s) have come on an equal footing in supporting the social economy and civil society.

The initiative for public private partnership gradually comes from the co-operative side as far as investments in fields such as the utilities and housing sector as well as the production of semi-public goods and services is concerned. As we have seen Group ARCO invests in the utilities and social housing sector because of concern for universal service and affordable pricing. Initiatives in the sphere of health care are being worked out. But because these (private) co-operative societies are active in a market that remains highly regulated or controlled by the State it is no surprise that Group ARCO meets government(s) among the shareholders of many of these companies (Spiessens, 2003). The de facto repositioning of the co-operatives with respect to the new social economy, the non-profit sector and the sector of the production of semi-public goods and services did not arise on the demand of the State. Both the State and the co-operatives will have to look for ways to find each other.

Conclusions

All five cases under review have recently engaged in a process of co-operative regeneration. The picture that is emerging is not a simple remodelling of the old co-operative sector. It is a new model that carries traces from the past but repositions the co-operatives in their relationship with the market, with civil society and with the State.

All five cases have explicitly reformulated their mission and have changed their modus operandi. They want to realise their mission as strong economic groups (diversified as in the case of the Co-operative Group or specifically financial as in the case of Rabobank and Le Crédit Coopératif), or as financial holdings presenting themselves as principal stakeholder in major commercial

banks (as in the case of Group ARCO and Cera) and in the utilities sector (in the case of Group ARCO).

This new approach has brought about a new interaction pattern with the market, the civil society and the State. The co-operatives under review try to respond to the triple challenges stemming from these forces by combining co-operative social responsibility in a market environment with partnerships with certain civil society actors and a de facto public private partnership.

This seems to be the new scenario. The co-operative groups, desirous to reformulate and reactivate their co-operative identity, have written their respective scripts. It is, however, not clear as yet how the different partners and stakeholders will react and interact. Will shareholders support the new agenda? Will the business partners accept the co-operative approach to corporate social responsibility? How will the other non-co-operative shareholders interpret the effect of it on their return on investment? Will the civil society organisations be content with the financial and professional support they receive in return for a relatively vague “partnership role” and a stakeholder position they have to share with many others? Finally, will the proposal for public private partnership induce changes in the attitude of State agencies towards the role and responsibility of co-operatives or will co-operatives continue to benefit (or suffer) from benign neglect?

References

- Archer, M. (1995), *Realist Social Theory. The morphogenetic approach*. Cambridge: Cambridge University Press.
- Archer, M. (2000), *Being Human*. Cambridge: Cambridge University Press.
- Archer, M. (2003), *The internal conversation*. Cambridge: Cambridge University Press.
- Branson, R. (1994), Interview in *Trends*, juni 13th 1994, pp. 51-52.
- Brazda, J. & Schediwy, R. (2001), 'Preconditions for Successful Co-operative Ventures in the Light of Historical Evidence.' *International Cooperation*, 94(1): 35-42.
- Chaniel, P. & J.-L. Laville (2003), 'French civil society experiences : attempts to bridge the gap between political and economic dimensions' pp. 83-100 in: Evers, A. & J.-L. Laville (eds), *The third sector in Europe*. Cheltenham/Northampton Mass.: Edward Elgar Publishers.
- Co-operative Commission (the) (2001), *The Co-operative Advantage. Creating successful family a Co-operative businesses*.
- COPAC (1998), *Status and rule of co-operatives in the light of new economic and social trends. Report of the Secretary-General, United Nations, A/54/57, 23 december 1998*.
- Coté, D. (2001), *Les holdings coopératifs: évolution ou transformation définitive?* Brussel : De Boeck Université.
- Defourny, J., M. Simon & S. Adam (2002), *The Co-operative Movement in Belgium: Perspectives and Prospects*. Brussel: Pire.
- Dekker P. (2003), 'The Netherlands: from private initiatives to non-profit hybrids and back?' pp. 144-168 in: Evers, A. & J.-L. Laville (eds), *The third sector in Europe*. Cheltenham/Northampton Mass.: Edward Elgar Publishers.
- Develtere P., K. Meireman & P. Raymaekers (2005), *Coöperatief en Maatschappelijk Verantwoord Ondernemen: de plaats van de vennoot binnen de coöperatie*. Leuven: HIVA/Cera.
- Develtere P. & P. Raymaekers (2005a), *The co-operative sector in the United Kingdom and the case of the Co-operative Group*. Leuven: HIVA.
- Develtere P. & P. Raymaekers (2005b), *De coöperatieve sector in Frankrijk en de case van le Groupe Crédit Coopératif*. Leuven: HIVA.
- Develtere P. & P. Raymaekers (2005c), *Coöperatieve vernieuwing en duurzame ontwikkeling in de Rabobank Nederland*. Leuven: HIVA.
- Develtere, P. & P. Raymaekers (2006), 'Mature cooperatives seeking new identities: the case of Belgium.' *Journal of Rural Co-operation*, 33(2): 97-109.
- Esping-Anderson, G. (1990), *The Three Worlds of Welfare Capitalism*. Princeton: Princeton University Press.
- Esping-Anderson, G. (ed) (1996), *Welfare States in Transition: National Adaptations in Global Economies*. London: Sage.
- Esping-Anderson, G. (1999), *Social Foundations of Postindustrial Economies*. Oxford: Oxford University Press.
- Gerard, E. & Martens, A. (1991), *Ervaringen uit het verleden: de coöperaties in het kader van de arbeidersbeweging in België*. Pp 27-43 in: BUNDERVOET, J. (ed.) *De coöperatieve beweging: een nieuwe start?* Leuven: ACCO.

-
- Gijssels, C. (2006), *Kritisch Realisme en Sociologisch Onderzoek*. Gent: Academia Press.
- Gijssels, C., Develtere, P. & Raymaekers, P. (2007), *Renouveau Coopératif et Développement Durable*. Leuven : HIVA/Groupe ARCO.
- International Co-operative Alliance (1995), *The ICA Centennial and the Next 100 Years of International Co-operation*.
- Kwantes, G. (1987), *Welstand door Vereniging - De ontwikkeling van de christelijke arbeiderscoöperaties 1886-1986*, Leuven.
- Levi, Y. (2001), 'Internal' and 'External' Principles. Inward versus Outward Orientation to Co-operatives. *International Cooperation*, 94(1): 50-58.
- Melnick, G. (1985), *The Search for Community: from Utopia to a Co-operative Society*. Montréal: Black Rose Books.
- Powell, W. & P. DiMaggio (1983), 'Institutional isomorphism and collective rationality in organization fields.' *American Sociological Review*, 48(2): 147-160.
- Reeve, D. & Brooke, C. (2004), *Management Case Study. Biography of the Co-operative Bank*. University of Lincoln.
- Spiessens, E. (2003), Groep ARCO: duurzaam investeren in betere samenleving, in: *De Gids op Maatschappelijk Gebied*, 94(2): 36-49.
- Taylor, M. (2003), 'The welfare mix in the United Kingdom' pp. 122-143 in: Evers, A. & J.-L. Laville (eds), *The third sector in Europe*. Cheltenham/Northampton Mass.: Edward Elgar Publishers.
- Toucas, P. (2005), *Les Coopérateurs. Deux siècles de pratiques coopératives*. Collection Jean Maitron. Paris : Les Editions de l'Atelier.
- Van Diepenbeek, W.J.J. (1990), *De coöperatieve organisatie. Coöperatie als maatschappelijk en economisch verschijnsel*. Delft: Eburon.
- Van Dijk, M. (2005), *Ondernemen met coöperatief kapitaal. Groep ARCO 1935-2005*. Tiel: Lannoo.
- Van Dijk, G. & L.F.M. Klep (2005), *Als de markt faalt. Inleiding tot coöperatie*. Den Haag: Sdu Uitgevers.
- Van Ijperenburg, J. (2002), 'De kleine lettertjes' in: De Boer, S. & C. Graafsma, *De andere bank. De Rabobank en het coöperatief bankieren*. Utrecht: Rabobank Nederland.

Working Papers on Social and Co-operative Entrepreneurship

Working papers that are included in this series are either submitted to an international peer-reviewed journal, presented at an international scientific conference or submitted to a double blind review process.

08.01 Gijssels, C. & Develtere, P. The co-operative trilemma. Co-operatives between market, state and civil society, 25p.