

Managing cooperative equilibrium: a theoretical framework

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ABSTRACT - In this article, the author presents a model of cooperative equilibrium that incorporates the characteristic features of this mode of organization. In addition to cooperative rules and principles, the proposed model emphasizes the need to take into account associative and business practices. The reciprocal influences of the cooperative duality (association and enterprise) are reinforced by the development of an anchoring in values and purpose, the business model and the optimization of the cooperative difference for stakeholders. The influence of the cooperative network (federation, etc.) and market forces on the cooperative equilibrium is also taken into account. An appropriate theoretical framework for approaching the management of a cooperative organization is accentuated by the increase in competition and the weakening of the characteristic features of this mode of organization.

ABSTRACT - In this paper, the author introduces a model of co-operative equilibrium based on the cooperative's specificity. Over and above the principles and rules governing this type of organization, this model takes into account the associative and business practices in order to strengthen the co-operative uniqueness. The stability of the model is reinforced by the construction of key interface between association and enterprise through a core business centered on values and purposes, a business model and an appropriate balanced scorecard, all leading to the optimization of the co-operative difference for its key stakeholders. This theoretical framework also takes into account the strong influence of the network structure and the market forces.

RESUMEN - El autor presenta en este artículo un modelo de equilibrio cooperativo que integra los rasgos característicos de este modo de organización. Más allá

de los principios y normas cooperativas, el modelo propuesto plantea la necesidad de tener en cuenta las prácticas asociativas y de negocios. Las influencias recíprocas de la dualidad cooperativa (asociación y empresa) son reforzadas por el desarrollo de una sujeción construida sobre los valores y la finalidad, el modelo de negocios y la optimización de la diferencia cooperativa para las partes involucradas. También se tiene en cuenta la red cooperativa (federación...) y las fuerzas del mercado sobre el equilibrio cooperativo. El incremento de la competencia y el debilitamiento de los rasgos característicos de estas entidades, plantean el requisito de un marco teórico adecuado para abordar la gestión de la organización cooperativa.

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INTRODUCTION

The cooperative mode of organization is unique. This uniqueness, however, poses major difficulties when we want to approach it from a management angle. Everyone recognizes the principles and values that underpin this uniqueness, but how do we move from cooperative principles to coherent management practices that realize the potential to make a difference for members and the community?

In today's fiercely competitive environment, we all know how much pressure companies are under, and cooperatives are no exception. However, these pressures often lead them to borrow from the behaviour of capitalist companies, some of them even going so far as to adopt a share-capitalist status. This is currently a major problem, leading to an identity crisis in addition to the need to adapt to the new rules of the game (Côté, 2001c).

This problem is exacerbated by the difficulties inherent in cooperative management, which is admittedly highly complex - just think of the association-business duality. Indeed, while managers are naturally trained in business management, the cooperative formula also requires them to take into account the associative aspect and its impact on the company's dynamics.

The theoretical framework we propose aims to integrate the characteristic features of cooperative duality, and the logic of action derived from them, into a management framework. Although our focus is on the leaders and managers of large cooperatives, such a framework remains relevant to emerging cooperatives, since it facilitates the establishment of the parameters that make up what we call "cooperative equilibrium". This theoretical framework is all the more important as it underlines the strategic importance of cooperative identity.

In this article, we briefly review the essential elements of cooperative uniqueness and introduce our cooperative management model. This model is the result of an empirical approach based on several case studies we have carried out over the past ten years. To remain faithful to the methods usually used in management science, it is through the observation and analysis of "successful" companies that we can offer conceptual and theoretical contributions useful to all managers (Collins and Porras, 1996; Collins, 2001; Ghoshal and Bardett, 1997). Cooperatives are no exception.

THE FOUNDATIONS OF COOPERATIVE UNIQUENESS

The foundations of cooperative organization are: owner-user status, democratic guidance and control, and sharing of surpluses in proportion to the member's activities with the cooperative. These characteristics are taken up by Vienney (1980) and form a set of rules whose function is to ensure the stability of the^{1,2} cooperative. These rules concern: *a*) equality between members of the association; *b*) determination of the company's activities by the activity of the people ; *c*) distribution of earnings in proportion to transactions with the company; *d*) long-term collective ownership of reinvested earnings.

We must, however, place the specificity presented above in a contemporary context (Côté, 2001d). Today, mature cooperatives evolve in a competitive universe, while the majority of their members are no longer victims of "market abuse". The development of government action throughout the xx^e century has facilitated a certain humanization of markets. What's more, members are being called upon by capitalist competitors who have largely penetrated the strategic fields initially reserved for cooperatives.

A large proportion of these members now live in urban areas and are grouped together in large associations. The figure of individualism at the turn of the century has thus gradually given way to an abstract figure that tends to transform the association of individuals into an increasingly fictitious association (Thériault, 1997). The "owner-user" member increasingly becomes a customer, unable to appreciate the true nature of his relationship with his cooperative. The large size of the association raises the problem of collective action and encourages the emergence of *free rider* behaviour (Olson, 1961). Membership growth is explained by the need to adapt the cooperative's economic action to the new rules and success factors specific to the sectors in which it operates.

The result of this set of structural factors is to weaken the characteristics identified and increase the risk of divisions (Desroches, 1980) between the different groups of players present in the cooperative context. As a result, it is becoming increasingly difficult to distinguish a cooperative from its capitalist competitors, hence the importance we must attach to a cooperative management framework, strategic architecture and both democratic and business practices.

The cooperative will therefore have to demonstrate that it can generate, through its economic action, distinct results that the member will be able to value and that will make a significant difference for him, because without such a difference, what would be the point of a different organizational mode? Why support an ownership structure that some say is inferior to private enterprise³ ? What motivations would justify the action of some if the practices and business proposition to the member, both as a user and as an individual member of a community, did not reflect a difference valued by the latter ?⁴

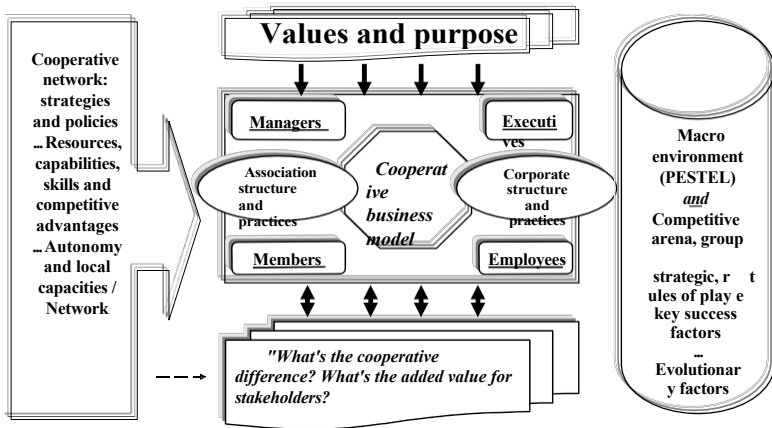
COOPERATIVE EQUILIBRIUM MANAGEMENT MODEL

The theoretical model we propose here integrates the foundations of the cooperative distinction. Of course, our approach is based on a management logic that aims to translate cooperative values and principles into democratic and business management practices. Our aim is to build a model which, through the development and implementation of management practices, can reinforce the stability of the cooperative organizational model in a dynamic perspective. In short, we propose a model "cooperative balance". This notion of equilibrium is essential to ensure the expression of cooperative duality in a management approach. The model thus formulated (see figure 1) invites us to consider and link the key cooperative parameters whose proper management will ensure the achievement of cooperative equilibrium and optimize the difference we can expect from it.

At the heart of our theoretical model, we find the actors present in any cooperative, i.e. members and (elected) managers, executives and employees (*cf.* Desroches' quadrilateral); we also find the structural duality of "association and enterprise". The democratic association brings together members, while the company is a response to their needs. This structural duality thus expresses the dual realities of association and enterprise, owner (on an egalitarian basis) and user (links between the member's activity and that of the enterprise), collective and individual, social and economic (CCQ, 1974). In our view, this duality represents one of the key issues to be taken into consideration in a model for managing cooperative specificity. It is based on cooperative rules (four in number) based on the logic of use, through

This counterbalances the forces exerted by the market on members' "cooperativized" activity. Since these rules are not enough to ensure the stability of the cooperative form of organization, we need to base them on best association and business practices. These practices will reinforce the balance and stability of cooperative organization, provided they are an extension of the cooperative identity. While association practices can easily be distinguished, if only because they are non-existent in private enterprise, business practices present a double difficulty: firstly, the identification of practices through analysis of the cooperative's core business, and secondly, the comparison of these practices with those of capitalist and world-class competitors. Focusing on these business practices allows us to link cooperative identity to performance, an exercise that is indispensable given the competitive context in which cooperatives evolve.

Figure 1
Cooperative balance



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STRUCTURAL DUALITY AND BEST PRACTICES

Associative practices are important, because without them, the uniqueness of the cooperative organization is in danger of losing its substance and meaning, and becoming more like a capitalist enterprise. There are several fundamental reasons why such practices should be conceived and implemented. Firstly, without them, it becomes increasingly difficult to ensure a minimum of cohesion between members, a common understanding of the issues and challenges they face and, finally, the willingness to share resources.

Associative cohesion (Côté, 2004) is all the more difficult to maintain as several factors can weaken it, as we mentioned earlier. Associative practices also make it possible to build and maintain the unique meaning of the relationship between the member and his cooperative. Without such an understanding, the owner-user gradually becomes a customer, unable to distinguish the relationship with his cooperative from that with any capitalist enterprise. These practices are also required to ensure that members have influence over the affairs of their cooperative - provided, of course, that this influence is meaningful and healthy. Finally, these practices also serve to minimize the potential cleavages that may exist between the association and the technostructure, between the members and their leaders, between the top and the bottom, since such cleavages destabilize the cooperative equilibrium and hinder the optimization of the difference that may result.

Association practices can be classified into four types: *a*) information (mainly for members); *b*) training and education; *c*) consultation; *d*) decision-making. Information practices are provided by assemblies and enable the various parties to aspire to a high degree of transparency on a number of aspects, such as strategic issues, results and competitive position. Education practices ensure a sufficient degree of understanding of strategic issues and challenges, key decisions and cooperative operations, and foster the development of skills such as leadership and communication. The history of the cooperative should also be integrated into an appropriate body of knowledge.

Designed in this way, member education feeds and enriches the knowledge capital essential to ensuring a meaningful and healthy role for the association in the company. Consultation practices require careful design of the strategic issues to be debated with members, as proposing topics of secondary importance can diminish the legitimacy of the process⁵. Particular attention must also be paid to transparency and dialogue between members. For members to recognize a sufficiently comprehensive common base, they must be able to recognize their divergences and convergences, and must be able to identify the dominant points of view. It is through such exchanges that it will be possible to build and sustain cohesion between members on key issues. The consultation process can be envisaged on an ongoing basis, or as a function of specific situations (three-year strategic planning, major conflicts, etc.). Decision-making practices concern governance issues and are primarily the responsibility of the Board of Directors.

Business practices are more difficult to describe, as they require an analysis of the cooperative organization's core business, which will necessarily differ from one cooperative sector to another (financial, agri-food, etc.). The

The practices thus identified form part of the cooperative's value-creation activities. The difficulty in analyzing these practices lies in the need to compare them with those of capitalist competitors. What's more, the existence of distinct practices must support a successful cooperative organization. Let's look at a few examples of distinct business practices in the cooperative context.

Business practices and agricultural cooperatives

La Coopérative fédérée du Québec is a federation of agricultural cooperatives with sales of over \$3.2 billion, 11,900 employees and 104 member cooperatives. This diversified cooperative's main activities are hog and chicken slaughtering (Olymel) and on-farm supply (DAF). Our study of CFQ focused on DAF activities.

DAF is a leader in the farm supply sector. It adopts a value-added strategy, particularly supported by its research and development function. This strategic function enables DAF to develop sustainable competitive advantages and maintain a one- to two-year lead over its competitors. As a distinct practice, DAF continues to focus its R&D activities on the added value that its products bring to producers. It remains close to local needs, which is reflected in its service offering, unlike its competitors who market more standardized products. DAF's objective is technology transfer, and it is the only company to popularize and publish its research results. In so doing, it aims to improve growers' yields. Its choice of products for sale is always based on the added value for the producer. In the hog sector, it has developed software and a database that enable producers to quantify the economic advantage attributable to the network's business proposal. This database also enables producers to compare their respective performances. DAF is the only company to offer such advantages to producers.

Business practices and financial services cooperatives

The Saint-Roch caisse is located in a rural area (about 40 minutes from Montreal). It employs 25 people to serve some 5,000 members. It manages a business volume of around \$175 million. The main areas of business practice in a caisse are market management, human resources management and portfolio management (savings and credit). Since

In the early 2000s, the Caisse de Saint-Roch experienced strong growth and increased market share in a highly competitive economic environment.

In its market management, caisse management acknowledges that it adopts solicitation practices that are typical of the industry. However, it differs from the banks in that it favors a universal approach (eligibility criteria), which leads it to serve all members, even the least profitable, for example by agreeing to make small loans. When negotiating with members, it seeks from the outset to make the most advantageous offer for them, thus putting forward its policy of fairness. With similar conditions (amount, risk, term), interest rates are therefore the same for all members. Employees side with members, without sacrificing the interests of the caisse. In addition, a participative management approach is well established in the caisse. Let's just emphasize here that general management applies the same values in its dealings with members as it does with employees. The team approach is widely favored, and the profit-sharing plan is offered on a collective basis (same bonus percentage for all, regardless of status).

For portfolio management, the *credit scoring* approach is adopted, but the caisse reserves some leeway to exercise its judgment. Risk is managed globally at the caisse (non-performing loans and loan losses), without recourse to collection centers. Caisse management is less hesitant to propose solutions that are more advantageous for members. If necessary, it is able to negotiate agreements with members.

The design and implementation of distinct business practices, integrated into value-creating activities, cannot be totally different from those of capitalist competitors. All the more so as the latter will seek to draw inspiration from cooperative practices when these prove to be sources of competitive advantage. It will therefore be important to link the analysis of cooperative business practices to sustainable competitive advantage. It should be noted here, however, that capitalist competitors will be partly constrained by profoundly different arbitration criteria, such as the interests of shareholders versus those of customers, the quest for maximum profit and the need to "fine-tune" one's organization accordingly, the constant pressure of financial markets and the priority given to the short term. Given the complexity of the subject, there will always be a grey area associated with cooperative business practices. Nevertheless, the cooperative equilibrium and the stability of the rules that characterize this mode of organization call for further investigation in this area.

STRENGTHENING OUR STRATEGIC Foothold

To reinforce the strategic anchoring of the business link between members and their cooperative, the anchoring of this duality by structures and practices must be articulated around the strategic intent (values, purpose) and the cooperative business model. Just as practices translate the logic of cooperative action into action, so strategic intent projects its own meaning and legitimacy. To ensure cooperative equilibrium, it is also necessary to operationalize strategy and the objectives that flow from it. The *balanced scorecard* concept offers such a perspective (Norton and Kaplan, 1996), ensuring maximum coherence between strategic intent and operational framework. As the cooperative is characterized by its collective ownership nature, *stakeholders* must also be integrated into operational objectives. The whole cooperative model presented in this way leads to the "cooperative difference".

Values and purpose

Cooperative duality requires the construction of meaningful links between the associative structure and the business structure. The links to be built will be as many communicating vessels reciprocally fed by one and/or the other of the structures and the practices that support them. The cooperative's specificity can only be realized in action and results when this linkage is firmly anchored. Such a linkage will be structured at different levels to animate the whole logic of cooperative action. First, we need to turn to what we call the "ideological core": the cooperative's values and purpose. The ideological core is a source of inspiration and guidance, a set of values emanating from a credible representative group⁶ of the organization's genetic code (Collins and Porras, 1994). These fundamental values will inspire the organization regardless of the context in which it evolves; added to them will be the organization's *raison d'être* (purpose), i.e. its idealistic motivations, its soul. This purpose must not change⁷.

As a guide and source of inspiration, this ideological core will serve as The "keel" of the "corporate" boat will be the key to formulating and implementing a strategy adapted to members' needs. Association and corporate practices (in particular) will also be strongly conditioned by a powerful ideological core.

Business model

A cooperative business model offers the opportunity to integrate the distinct values and purpose of the cooperative mode of organization, and thus build an effective link between member expectations and strategic positioning.

of the company. The integration of these values and purpose (ideological core) into each facet of the business model will reinforce the cohesion that emerges, while taking shape in a modern management framework that can be renewed to cope even better with the difficulties of value migration (pressure on profit margins). The business model (Hamel, 2000) encompasses the customer interface (distribution network, customer intelligence, customer relations, pricing structure), the strategic core (mission, product and market scope, basis for differentiation), the strategic resources (core competencies, strategic assets, key processes) and the value-creation network (suppliers, partners, coalition), all of which form the pillars of a business proposition and customer promise. Each of these facets of the business model must integrate the cooperative identity.

Balanced scorecard

Every organization needs to know and be able to translate its business model into operational language. What are the objectives being pursued, and what are the related performance indicators? The Balanced Scorecard integrates these objectives and indicators beyond the strictly financial aspect, to which are added objectives concerning customer satisfaction, key processes and continuous learning. It is built around the company's strategy, and seeks to operationalize the main objectives in order to understand the degree of success, and the cause-and-effect links between the strategy formulated and the company's performance.

What's the difference for stakeholders?

To appreciate the cooperative difference, we obviously have to consider the rebate, but we need to go beyond that. It is, however, both essential and difficult to approach this question of the cooperative difference. Essential, because the context in which the cooperative evolves too often leaves the member indifferent; he behaves (and is treated) like a customer. How can we maintain the *raison d'être* and relevance of this type of organization if we don't know how to identify and evaluate this difference? What's more, it's striking to note that a large number of cooperatives are tipping over into the capitalist world by demutualizing, no longer knowing how to value their difference. Difficult, because the justification for maintaining cooperative status has gone from being reactive to proactive⁸.

The cooperative difference therefore affects both the member and the community. The approach to value creation and sharing is different, confirming the member's superior purchasing (negotiating) power. The cooperative's strategic positioning therefore lies at the heart of its contribution to the member⁹. In addition, the cooperative difference is influenced by

by distinct business practices that may reflect an operational benevolence to the member's advantage. This cooperative difference will also be the result of reinforced solidarity between members, itself a function of cohesion between them, of collective ownership which facilitates arbitration and the dominance of a logic of use over a logic of capital, of anchorage in a territory, and so on.

COOPERATIVE BALANCE IN A NETWORKED, COMPETITIVE ENVIRONMENT

Network influence on local cooperative equilibrium

The parameters introduced so far relate to the case of a basic cooperative. Mature cooperative sectors (financial, agri-food, etc.), however, are managed in a network context, i.e. local entities are grouped together on regional, provincial and/or national bases. To illustrate and understand the issue of cooperative management and the resulting balance, we need to consider existing federative and confederative structures¹¹. The impact of these second- and third-level structures will be felt above all in the formulation of strategic guidelines and general policy statements. It is therefore important to integrate these parameters as a source of influence on the cooperative balance formulated at local level. Over and above the general orientations, second and third level structures will have a significant influence on resources, skills and competitive advantages. It is precisely in order to offer each other services and take advantage of economies of scale that local cooperatives group together at regional, provincial and national levels. A cooperative's competitive position will therefore be underpinned by the resources and skills provided by support structures, and these federative and confederative structures will be complemented by the network of corporate subsidiaries specific to holding structures. These *holding-type* structures therefore considerably strengthen the center (federation, etc.) in relation to the periphery (local units).

Furthermore, the influence and contribution of second- and third-level structures must also be considered from the perspective of local autonomy and capacity to operate within a given framework. When we analyze a cooperative network, it quickly becomes apparent that not all local units have the same capacity to take advantage of the room for manoeuvre designed at central level. Some local managers and elected representatives stick to the letter of the law, while others make the most of the space left to them. This is important for understanding the management of cooperative equilibrium at local level, because within the same network, the management of cooperative equilibrium differs from one cooperative to another.

Influence of the competitive environment on cooperative equilibrium

We mentioned earlier that mature cooperatives operate in increasingly competitive environments. Taking into account the competitive environment in which the cooperative evolves is essential to analyzing cooperative equilibrium. Here, we consider both macro forces (political, economic, social, technological, environmental and legal) and micro forces (Johnson, Scholes and Fréry, 2000), as well as the rules of the game specific to the competitive arena in which the cooperative operates (see Figure 1). From a dynamic perspective, the evolutionary factors (Porter, 1980) specific to the competitive arena must also be analyzed.

It would be easy (and tempting) to conceive of a cooperative equilibrium in which the cooperative enterprise would distinguish itself massively from the capitalist enterprise, regardless of the competitive rules to which the cooperative is subject. Such an approach to cooperative equilibrium would inevitably prove unstable and lead to the inevitable bankruptcy of the organization. We could also conceive of an approach to cooperative equilibrium based on the hypothesis that the space available in the competitive framework leaves no choice but to copy the majority orientations and business practices in the industry to which the cooperative belongs. It is therefore necessary to analyze the competitive arena in such a way as to identify the influences and possibilities of distinct com- portments, which may prove to be a source of value recognized and appreciated by the stakeholders linked to the cooperative organization.

COOPERATIVE MANAGEMENT: A COMPLEX BALANCE

The cooperative mode of organization is based on a set of rules that can hardly ensure stability, particularly in a competitive context. Elsewhere, we have developed the idea of demutualization from within (Côté, 2001d), when a cooperative increasingly adopts practices borrowed from capitalist enterprise; we then observe a rupture between associative and corporate structures. The technostructure becomes the dominant player, while members are increasingly transformed into customers. The associative and democratic structures become symbiotic, losing their ability to influence the cooperative's business. As a result, the cooperative is less and less able to differentiate itself from its capitalist competitors. From this point of view, the characteristics of a cooperative become a millstone around its neck, or even a source of competitive disadvantage. It is therefore necessary to approach their management through a theoretical framework that integrates the key parameters of cooperative distinction. The cooperative equilibrium management model proposed here is intended as a response to this increased market pressure and to the structural changes to which cooperatives are subject.

The cooperative balance and greater stability of the whole require the development of distinct practices, both in terms of democracy and *af-faires*. We must pay particular attention to democratic practices, which are often neglected. The importance we attach to practices is explained by the need to translate into daily practice a logic of action inspired by distinct values, rules and principles. In a competitive context, members will be better able to give meaning to their link of use when the cooperative is able to build practices consistent with this same logic of action. This set of practices, in which the cooperative identity is interwoven, will have a stabilizing effect on the reciprocal influences at the heart of the cooperative duality between association and enterprise¹¹.

The cooperative equilibrium is also part of a quest for meaning (and legitimacy) that results from strategic choices: the ideological core, the business model, the balanced scorecard. The cooperative difference results as much from strategic choices as from associative and business practices. Approaching these choices through an integration of cooperative identity accentuates the duality at the heart of the cooperative *raison d'être* and the logic of action that drives it. When taken as a whole, the different parameters enable us to construct a cooperative management model equivalent to a prism. The distinctive features are present in each of the parts, whichever one we consider. We can therefore speak of a cooperative equilibrium that is conducive to greater stability.

Notes

- 1 The difficulty of maintaining what we'll call the "cooperative equilibrium" leads us to formulate the hypothesis that the rules identified by Vienney cannot, on their own, guarantee the stability of the cooperative model. The "denaturing" trajectory noted by CHAVEZ and MONZON (2001) also embodies the idea of the fragility of the cooperative equilibrium.
- 2 Every company is subject to increasingly intense and destabilizing pressures. ZOOK (2001) highlights the growth traps that cause 90% of businesses to fail. As turbulence intensifies, this phenomenon worsens. Companies tend to lose the impetus of their strategic core. This problem is also present in a cooperative, where it is amplified by the difficulty of maintaining associative dynamism and cohesion. The instability of a cooperative is therefore a serious phenomenon, requiring even greater attention to governance issues. This instability can, however, be countered in part by the following measures
This is the "network" from which grassroots cooperatives can benefit.
- 3 Classical economic analysis of property rights concludes that the cooperative ownership structure is inferior to that of private enterprise (JENSEN and MECKLING, 1979).
- 4 The analysis of CERA (NORMAN, 1995), a Belgian cooperative bank demutualized in 1998 following its merger with a commercial bank, illustrates this dilemma. The only members who objected to the merger were those who felt they had been cheated out of their shares. They would have liked the entire collective reserve to be shared, but instead it was invested in a foundation. The members of this cooperative saw no difference between CERA and its capitalist competitors.
- 5 Agropur carried out an extensive strategic consultation with its 5,000 members in the early 2000s. See CÔTÉ (2006) for more details on the approach adopted; also CÔTÉ (2001) for an analysis of all associative practices in this cooperative.

- 6 This representative group will be made up of members and elected representatives, as well as managers and employees. The influences that feed the ideological core are therefore multiple. Added to this are the network effect (movement) and the competitive environment specific to each cooperative. For the marriage of reciprocal influences to be harmonious, it is of the utmost importance that the technos- tructure understands the operation and unique logic of the cooperative, as well as its *raison d'être*. In addition, the members of the association must have a sufficient understanding of how the company operates and the rules of the game to which it is subject.
- 7 Research by COLLINS and PORRAS (1996) has shown that the fundamental characteristic of the most enduringly successful organizations is that they preserve their ideological core, while stimulating progress in all areas not linked to it.
- 8 On this aspect, see CÔTÉ (2000, 2005, 2007b, 2008a, 2008b), where the concept of the New Cooperative Paradigm (NPC) is developed in line with a proactive enhancement of the cooperative organization mode.
- 9 The consultation carried out with Agropur members in the early 2000s revealed that, in addition to patronage dividends, they attached great value to their cooperative in the face of a competitive environment dominated by multinational firms in both processing and distribution. For a large majority of this cooperative's members, the value of their own farm is directly influenced by the market power gained through Agropur's competitive positioning.
- 10 The model shown in Figure 1 can also be used to manage the cooperative equilibrium of a cooperative federation, itself a cooperative of cooperatives.
- 11 The capitalist enterprise is "called to order" by the markets where it offers products and services, as well as by the financial markets. The cooperative enterprise is also subject to these markets - but to a lesser extent - particularly the financial markets, since a large portion of its capital is made up of an undivided reserve. The subordination of capital to use therefore requires a structure and practices that can compensate for the lesser effect of markets, while maintaining a different *raison d'être*. It is therefore important that we ensure greater stability of cooperative rules through effective democratic mechanisms.

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