

Loyalty and cooperative identity

Implementing a new cooperative paradigm

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(Summary)

How can we put loyalty at the heart of the cooperative organization? This is the central question of this article. The author shows that loyalty and cooperative identity have common foundations, and defends the idea that the cooperative, by building on this concept, can find the means to overcome the identity crisis affecting it. A new stone is added to the construction of a new cooperative paradigm, brought to life in an action-research project carried out over several years at the Caisse Desjardins de Saint-Roch-de-L'achignan in Quebec. For the cooperative organization, the challenge is to establish a genuine competitive advantage, through consistent practices that sustain the loyalty of both employees and member-customers.

Introduction

Since the late 90s, my research has focused on the emergence of a new cooperative paradigm (NPC). What motivates this work? Firstly, the need to develop a management model specific to the cooperative mode of organization. Secondly, the need to understand and respond to the identity crisis that is influencing (and undermining) the logic of action of cooperatives, particularly those operating in mature sectors such as banking and agri-food. Conceived in the 19th^e century, are cooperatives still adapted to the economic and social realities of the 21st^e century? If so, how can they be managed in such a way as to generate "added value" that makes a difference for the associated stakeholders (members, employees, communities, etc.)? How can we develop this added value while facing up to the harsh reality of competition, and therefore the obligation to continually build (ideally) non-imitable competitive advantages? The NPC concept aims to provide some answers to these questions. Is it possible to build on the foundations of the cooperative model (distinct nature and structure) to both build competitive advantages, and develop a unique business proposition for stakeholders? Beyond design, how do we approach the implementation of this NPC?

The first part of this article briefly outlines the identity crisis affecting the relevance of cooperative organization at the start of the 21^e century. The structural changes observed call into question the logic of cooperative action, which must be approached in a radically

different way. The second part introduces the concept of NPC, highlighting the convergences between the foundations of loyalty and cooperative identity. The concept of loyalty is used to build a bridge between cooperative identity and competitive advantage. The cooperative is at an advantage when it comes to loyalty issues and challenges, which requires a strengthening of its distinct identity - this is the central idea of this article.

In the third part, I introduce the action research conducted since autumn 1999 at a Desjardins caisse in a rural area. The stages in the process, the main results obtained, and the issues and challenges encountered are described. The loyalty management framework put in place is detailed. Particular attention is paid to the cooperative identity practiced in this Desjardins caisse. In conclusion, the fourth part of this article retraces the entire process of designing and implementing an NPC. A strategy for implementing this new paradigm is presented. It also discusses the limits of the approach taken since autumn 99, and the outlook for the future.

I - Identity crisis and the new cooperative paradigm

The identity crisis affecting cooperatives at the beginning of the 21^e century is based on a number of key ideas (Côté, 2000, 2001). First, structural changes in the environment in which cooperatives evolve:

- a. The evolution of the member concept towards an individualizing figure...who becomes more of a customer and defines his membership according to his personal interests. (Thériault, 1997).
- b. The public nature of cooperative ownership: access to member status at minimal cost, while offering the enormous advantage of free membership, leaves the cooperative in a context where the vast majority of members are unable to recognize the special nature that binds them to the cooperative.
- c. The interpenetration of the competitive fields of capitalist competitors (and vice versa) is also proving to be an important structural change. Two problems emerge from this evolution. Firstly, the increased pressure to approach the management of the cooperative enterprise in a way that privileges trade-offs (increasingly) influenced by market rules. This is all the more problematic as cooperative practices, beyond values, principles and rules, are not defined. Secondly, it becomes even more difficult for a member (particularly following the structural changes described in points a and b) to distinguish the cooperative from the capitalist enterprise.

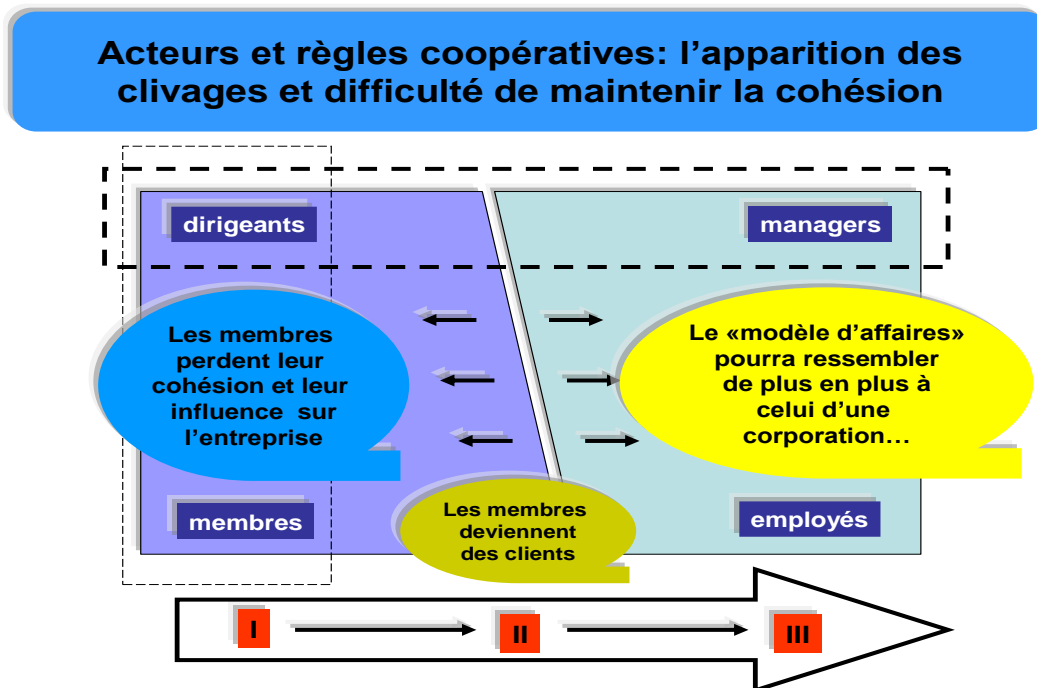
Faced with these major structural changes, it's not surprising to hear managers express unease about the cooperative way of organizing. The questions they ask are: (1) What is the cooperative difference today? Does it still exist? (2) Is it still possible, particularly in an urban environment? (3) Can we do more than just donations and sponsorships? (4) Is it relevant in the context of globalization? (5) What are the benefits we can derive from cooperation? (6) Etc. These questions are all facets of the problem set out in the introduction to this article.

In addition to structural issues and expressions of management malaise, we must add the difficult challenge of managing a cooperative. The dual nature of the cooperative structure, and its *raison d'être*, require us to take into account both economic (efficiency) and social (the member's socio-economic situation) objectives. This first level of complexity is compounded by the difficulty of distinguishing oneself through business practices that must arbitrate between market pressures and the need to adjust the cooperative organization according to a distinct logic of action. Finally, it must deal with democratic issues. These are all challenges that complicate cooperative management. These challenges are made all the more difficult by the fact that they are experienced in a situation of (rapid) market evolution, where the responses required can have far-reaching consequences for the way we live (with) our cooperative identity.

Diagram 1 illustrates this identity crisis. The backdrop is the quadrilateral of cooperative actors (Desroches, 1976) and the emergence of cleavages that will be the expression of the identity crisis and associated malaise. The above-mentioned structural changes have led to a fracture between the dual structure of association (leaders and members) and company (managers and employees). Beyond this fundamental fracture, we can identify more circumstantial fractures between members and elected leaders, these same leaders and executives (managers), members and employees, executives and employees. It is also possible to conceive of cleavages between different factions of members.

All the structural changes mentioned above, combined with the complexity of running a cooperative, lead to a loss of cohesion among cooperative members. They no longer know what they have in common, and how their unique relationship with their cooperative differs from that with a capitalist enterprise. When this cohesion is lost, the whole influence of the members' association on the cooperative enterprise is weakened. How can we ensure a significant counterweight (relative to market pressures) on orientations and arbitrations when members are transformed into "abstract individuals...who become customers and define their membership according to their personal interests"? How can we ensure that the cooperative enterprise's distinct logic of action (translated into cooperative rules) is in harmony with the strategic orientations, decision-making criteria and business practices observed within the cooperative enterprise?

Diagram 1



The first step in reading diagram 1 is to recognize the fracture fuelled by the structural changes that are transforming the environment in which we find cooperatives in the 21st^e century. The loss of cohesion between members, and their gradual evolution towards customer status, facilitates the slide towards mimicry of business practices specific to capitalist enterprise. The situation is thus conducive to the development of a "business model" that increasingly resembles that of a corporation¹. This leads to an "identity crisis"².

Faced with this observation, it becomes necessary to question the relevance of the cooperative mode of organization in light of the questions posed in the introduction, and considering the different context in which the cooperative evolves.

II - The new cooperative paradigm and loyalty management

For the purposes of this article, I will focus solely on the challenge of loyalty management. The cooperative advantage associated with the issues of mobilization, the learning organization and the quest for meaning and legitimacy were discussed in greater detail in a previous article (Côté, 2000), from an essentially theoretical perspective. The priority given to the issue of loyalty can be explained by the growing difficulty for companies to

¹ It's a tricky Anglicism to render into French (Chambers dictionary): sometimes a business corp. (as in this case), sometimes a simple group of people (aggregate corp.). The term in no way refers to the corporations of historical economic thought.

² For a more detailed analysis of this concept of identity crisis, see Côté, D., 2001a. Also, Côté, D., *Holdings coopératifs: évolution ou transformation définitive?*

differentiate themselves through economic value (products and services, quality, price) as well as through brand. The relational aspect therefore becomes highly strategic, hence the importance attached to the concept of loyalty (Lemon, Rust and Zeithaml, 2000, 2001). The literature on the question of loyalty³ is also abundant, particularly in the context of the relational (marketing) approach, both from a conceptual and theoretical point of view (Hennig-Thurau et al, 2002, Zeithaml, 2000) and from a practical point of view (Reichheld, 2001, 1996, Bhote, 1996).

To delve deeper into this question of the inherent advantage of the cooperative enterprise in meeting the challenge of loyalty management, we need to understand its foundations (Reichheld, 1996). Here is a brief overview. First, we need to know that companies lose customers, employees and shareholders in large numbers every year⁴. This lack of loyalty affects company performance by 25% to 50%. Ensuring a company's development and profitability in such circumstances becomes a real tour de force. Loyalty is therefore a key to success in an increasingly demanding economy.

Loyalty is a leadership philosophy that seeks to develop mutually beneficial management of the company's relationship with its stakeholders (Finnie and Randall, 2002, Hart and Johnson, 1999). An increase in the customer retention rate (5%) produces a sharp rise in the company's profitability and growth. This increased profitability results from the base profit associated with any activity, from the increase in sales with each customer, from savings generated by better mutual knowledge between customer and company, from referrals of new customers by loyal customers, and finally from more generous margins given the lower propensity of loyal customers to buy only on the basis of price (Reichheld, 1996).

Implementing a loyalty management program poses serious challenges. Here are the main points. First of all, it's essential to recognize that loyalty has to be earned... Too often, managers blame the other person, i.e. the employee or the customer, for non-loyalty. Loyalty is a privilege granted on a voluntary basis. It must therefore be earned. That's why the legitimacy issue is so important here. To earn the loyalty of a customer, an employee..., you need to build a highly coherent organization (centered on this loyalty). Such coherence must materialize on a daily basis, in every "moment of truth", i.e. every time the opportunity arises. Building this coherence first requires earning the loyalty of employees. This step is a necessary condition, because it is to the employee that the customer will first be loyal. If the employee doesn't go the "extra mile" to make a difference, the customer's loyalty won't be there. This consistency requires a basic strategy focused on loyalty (Reichheld, 1996). Ultimately, it requires a set of principles and practices intimately interwoven into "the way the company does business".

³ In this literature, loyalty is defined as customer retention. Added to this recurring purchasing behavior is the willingness to recommend the company to various people (friends, family, etc.). It is these two behaviors that the company primarily seeks to achieve through its relational approach. This approach is based on trust and transparency, shared values, customer orientation, customer knowledge, and so on.

⁴ Studies in the US show that American companies lose half their customers in 5 years, half their employees in 4 years and half their shareholders every year (Reichheld, 1996).

The essential principles are threefold (Bhote, 1996). First, uncompromising ethics and integrity, mutual trust, transparency and access to information. Then there's the need to ensure close proximity to the customer, to allow him to "coach" the company, and to demonstrate genuine interest after the sale. Finally, you need to deliver a high value-added business proposition, focus on the unexpected and anticipate future needs. These principles are interwoven into a set of practices that facilitate their transfer and manifestation in the company's day-to-day operations. The main themes grouping together the practices that lead to loyalty are: (a) management commitment and involvement (towards essential principles, action emphasizing loyalty, reinforcement of behaviors...), (b) internal benchmarking, (c) determination of customer needs, (d) analysis of competitors' capabilities, (e) measurement of customer satisfaction and loyalty, (f) feedback analysis, and (g) continuous improvement (Bhote, 1996). It is from this set of themes (and underlying practices) that we can draw a coherence, consistently perceived as such by customers and employees alike.

Loyalty and cooperative identity

The concept of loyalty introduced above is based on mutually beneficial relationships, principles and values, a set of practices and a measurement system. These foundations require a constant coherence built on a discourse articulated in a vision, a mission, and an ability to adjust this discourse to action (with stakeholders). Are there any advantages specific to the cooperative mode of organization in meeting such a challenge?

The question thus posed requires us to explore the foundations of cooperative identity in order to identify points of natural convergence with the foundations of loyalty. Given the importance of principles for credible loyalty management, it is therefore highly relevant to draw a parallel between loyalty and cooperative identity on this basis. This parallel is initially conceived in terms of the cooperative ideal-type, but it could constitute a relevant frame of reference for diagnosing cooperative identity, as we shall see in our analysis of the Saint-Roch caisse.

Table 1 lists only the foundations (principles) of loyalty in the first column. The second column lists the cooperative values and principles⁵.

⁵ This part of the table is based on the cooperative values and principles recognized by the ICA. See also a publication by the Conseil de la Coopération du Québec (1974) on "Les Traits Caractéristiques de la Coopération".

Table 1: Convergence of loyalty and cooperative identity

Principles	Loyalty	Cooperative identity
First block	Ethics and integrity Mutual trust Transparency and access to information	Ethics and integrity Transparency and access to information
Second block	Customer proximity Coaching the company Genuine interest after the sale	Rationale and reinforcement of the member's socio-economic status Owner-user Democratic power exercised by members (AGM, Board of Directors, etc.) Member profit-sharing
Third block	High value-added business proposition Focus on the unexpected Anticipating future needs	Dual structure of association and company

What can we learn from this table? An analysis of the respective foundations of loyalty and cooperative organization reveals a natural convergence between the two. Of course, we'll have to make sure that this convergence meets the challenge of execution, that the values mentioned are concretely assumed on a daily basis. The fact remains, however, that identifying such convergence enables us to place the foundations of the cooperative organizational model in a strategic perspective.

The first block in Table 1 requires little explanation⁶. The second block appears more complex. To establish the links between cooperative identity and loyalty, we need to use the dual status of owner-user to illustrate the possibilities of proximity offered by the cooperative context, compared with that of the capitalist enterprise, itself confined solely to its market relationship with its customer. Beyond this market relationship, cooperative status enables a relationship in which the member, as owner, can exercise democratic power. This dual relationship increases the possibility of greater proximity, while also channeling the member's influence on the cooperative's affairs, enabling him or her to assume a coaching role. The *raison d'être* of a cooperative (strengthening the member's socio-economic status) also intensifies consideration of the member's interests before, during and after the transaction. This is supported by the fact that cooperative ownership is linked to use. In contrast to capitalist enterprise, these conditions facilitate greater proximity between the customer (member) and the cooperative.

Identifying an advantage specific to the cooperative organization mode is more difficult when it comes to a high value-added business proposition (third block). To do this, I'll just stress the importance of "penetrating the consumer's priority code". The better a company

⁶ This is not to say that the principles and values of ethics, transparency, etc. do not represent major challenges.

can penetrate its customers' true priorities, the more capable it will be of building a business proposition that can effectively meet their needs (Blackwell, 1997). In this respect, the advantages of the cooperative mode of organization are based primarily on the convergences outlined above (blocks 1 and 2). The cooperative can also benefit from the fact that its customer (member) interface is embedded in a dual internal structure, unlike the capitalist enterprise, which must rely on an external customer interface.

A **1^{ère} hypothesis** will be formulated at this point: cooperative identity can prove to be a source of competitive advantage because it converges with the foundations of loyalty.

On the other hand, the structural changes observed and presented in the first section of this article are reducing the intensity of cooperative identity and provoking an identity crisis. We cannot therefore (at first) rely primarily on democratic dynamics to rebuild the logic of cooperative action as distinct from capitalist enterprise. However, it is possible to revalorize and recreate this dynamic when we seek to implement loyalty management. In mature cooperative sectors, it is no longer primarily for reasons linked to the conditions of emergence of cooperatives that cooperative values and principles (ICAs) are still relevant, but rather for reasons linked to competitive dynamics and the need to deal with the demands of the king customer.

Following this observation, here is a **2^e hypothesis** at the heart of this article: the economic leaders responsible for the cooperative enterprise have a fundamental reason to give strategic precedence to the cooperative identity because they find in it a source of competitive advantages for building an organization centered on loyalty⁷.

The NPC is therefore an effort to find a solution to the identity crisis identified in the first part of this article. At the same time, it is essential to recognize that managers are grappling with an increasingly demanding competitive environment. The two hypotheses formulated above aim to link cooperative identity and competitive reinforcement through loyalty management.

⁷ This hypothesis certainly doesn't rule out ideological motivation to support the development of the cooperative organization mode. I do believe, however, that it is necessary to develop an argument based on efficiency and competitive advantage, in line with the day-to-day concerns of business leaders. The advantage thus identified will have to fit into a set of practices that are recognized and consistent from the cooperative point of view.

III - Loyalty to the Caisse Desjardins de Saint-Roch-de-l'Achigan

The current action-research project at the Saint-Roch-de-L'Achigan caisse began in the fall of '99. Whatever we may think of the theoretical underpinnings of an NPC (Côté, 2000), experimentation provides a concrete framework for asking the right questions. This approach also enables us to test the relevance of the answers we come up with in action, and to explore new avenues. Finally, an experimental approach is an excellent way of addressing managers, the key players in the new cooperative equilibrium. However,⁸ must be a long-term approach.

As introduced in a previous article (Côté, 2000), the concept of NPC is broader than the simple question of loyalty. However, we chose to start the implementation and validation of the NPC with this question of loyalty for various reasons. Firstly, it was necessary to reduce the complexity of the experiment, hence the relevance of leaving aside (temporarily) the aspects of learning organization, mobilization through values and meaning and legitimacy. A second reason for choosing loyalty was its eminently practical nature. The literature on loyalty contains tools and a range of practices that could serve as a starting point for this experimental research. Finally, the results revealed by empirical research on the subject made it easier for a manager to decide to experiment with a "new business model".⁹

Results from the Saint-Roch caisse

Over the period in question (autumn 1999 to autumn 2003), the Caisse de Saint-Roch saw its assets grow by 75%, from \$54 million (December 1999) to \$94 million (December 2003). Over this period, the growth of the caisse de Saint-Roch is approximately double that of comparable caisses (within the Desjardins Group). Its net results (net surplus) rose from \$600,000 (December 1999) to \$1,750,000 (December 2003). Per \$100 of assets, the caisse posted results of \$1.85/\$100 of assets in 2003, compared with \$1.01/\$100 of assets in 1999. The productivity index (\$ to generate \$100 in income) fell continuously between the end of '99 and the end of '03, from 68.1% to 62.5%. The group of comparable caisses improved its productivity index from 76.6% (99) to 65.7% (03).

⁸ The recent book coordinated by A. David, A. Hatchuet and R. Laufer (2000), particularly chapter 8 (A. David) on intervention research, provides us here with important theoretical support. While hypothesizing that this methodological approach can constitute a unifying paradigm for the management sciences, he notes its great relevance both for the collection of observations and for the design of appropriate models and tools. Our approach, based on the model (diagram 1), is based on indirect action research (semi-directed interviews and case studies) and direct action research (working with stakeholders to design new management tools).

⁹ It's important to underline the double constraint associated with an experimental research methodology. The first is, of course, scientific rigor. At the same time, there is the need to "deliver corporate results" that justify the challenge accepted by the caisse's main managers, who are necessarily key partners in the approach.

These results are based on an exceptional¹⁰ IN/OUT ratio of 24 (for 2003), compared with around 5 for all comparable caisses in Saint-Roch. This IN/OUT ratio is also an indicator of customer retention and loyalty. The Caisse de Saint-Roch's performance in this area is excellent, as confirmed by its mortgage retention rate of almost 100%.

In addition to financial results, the caisse's performance is also reflected in the very high levels of satisfaction expressed by its members. A survey¹¹ conducted in autumn 2003 provides us with an answer to this question. On a Likert scale of 1 to 7, satisfaction with the caisse was very high for almost 75% of respondents. Member satisfaction has risen significantly since the start of this action-research project. An initial survey carried out in autumn 2001 showed that 37% of members surveyed were very satisfied with their caisse. The high level of satisfaction leads to strong loyalty and a willingness to recommend caisse services to friends and family.

Cooperative identity at the caisse de Saint-Roch

In the 2^e section of this article, I developed the hypothesis that cooperative identity (its distinct genetics) naturally converges towards the foundations of loyalty management. This convergence makes it possible to anticipate the benefits of implementing a management framework (business model) centered on loyalty. It is therefore essential to evaluate the Caisse de Saint-Roch in this light. The diagnosis of the cooperative identity was carried out by taking into account the following aspects¹²: (a) the caisse's democratic dynamics and cohesion among members, (b) its ideological core, i.e. its prioritized values and mission, (c) its strategic orientations and decision-making criteria, (d) its business practices, i.e. how it manages the market, its sales force, its human resources, its business portfolio, etc., and (e) the caisse's impact on its stakeholders (members, employees and community).

The democratic dynamic at Saint-Roch is, of course, based on the Annual General Meeting, which attracts around 300 people (out of 5,000 members). According to the General Manager, however, this AGM is not a meaningful democratic exercise. It's too unrepresentative, too passive and doesn't generate debate. The real democratic power lies with the Board of Directors (BOD) and the Audit and Ethics Committee (AEC). These two bodies, particularly the Board, play a major role in the caisse's strategic orientations, over and above their statutory duties. Through these bodies, whose representativeness we aim to improve, the associative structure can leave its mark on the caisse.

The caisse's ideological core (values, purpose) is strongly influenced by its cooperative identity. The values advocated are (1) fairness and equality, based on members' needs, (2) a better balance between individual and collective interests, (3) honesty and transparency, and (4) social responsibility. These values are complemented by a purpose built around

¹⁰ This ratio is an important indicator in the banking industry. It indicates, for every \$ of business volume (the sum of savings and loans made with members), how many \$ go out the door (to the competition). The higher the ratio, the better the performance when it comes to responsible risk management.

¹¹ The survey was carried out among 150 randomly selected members. 138 members completed the survey.

¹² The diagnosis was carried out in winter 2002.

(1) the pursuit of member satisfaction, (2) the economic and social well-being of the community, (3) patronage and (4) stakeholder education in democracy and solidarity. When it comes to major strategic orientations, the caisse must obviously follow the lead of the Desjardins movement (federation). It does, however, have some leeway when it comes to implementing and executing this strategy. In this respect, its choices are quite explicit. It favors an execution centered on loyalty through the primacy of service (personalizing the product and service offer to the member's needs) and the member's experience of his or her relationship with the caisse (establishing a unique bond, an intimacy that leads to a long-term relationship with the member).

While these are essential guides, a statement of values and purpose does not guarantee consistency in action. We therefore need to look at business practices, and trace in them the day-to-day expression of the ideological core identified earlier. For obvious reasons of space, I will confine myself here to the main business practices. However, they will suffice to demonstrate the coherence between the ideological core and the caisse's day-to-day actions.

The first area of business practice involves "*market management*". At this level, the caisse carries out market research and solicitation like its banking competitors. While it has more leeway in its development approach, it stands out above all for its desire to serve everyone (universality), including the least profitable customers. It also adopts a "best offer from the start" approach. This offer is always designed with equity between members in mind. All will receive an identical rate when conditions are the same (amount, term and level of risk). The caisse also chooses to "take the world's side"¹³, which encourages it to improve its offer, after the transaction, whenever possible, for all members, without their having to request it.

A second field of practice encompasses "*human resources management*". The caisse's practices towards its employees are inspired by the values demonstrated towards its members. Employees enjoy a high degree of participation. They are invited to identify the objectives to be achieved. They also have the leeway to determine the activities, means and budgets to achieve them. They are therefore highly accountable. The whole process is validated by General Management and the Board of Directors. The level of mobilization is very high at the caisse. It's based on trust and autonomy. Employees are also involved in any reorganization of their tasks. They are consulted and involved in developing solutions. Their career development is continually taken into account. They have a decisive influence on change management, and the right to ask questions... before accepting proposed changes. Transparency is therefore at the heart of human resources management at the caisse. In terms of human resources, the caisse stands out considerably from its banking competitors.

The third area of practice concerns "*financial resources and risk management*". While respecting credit standards, the caisse allows itself some leeway by favouring a global assessment of risk, and by managing non-performing loans itself. It does not deal with a

¹³ Quebec expression that refers to the global environment.

collection center. This makes it possible to come to an agreement with the member, when the situation calls for it, and find a solution that will be more advantageous for the member. It's a more conciliatory, patient approach.

In terms of its cooperative identity, the *caisse de Saint-Roch* reflects a high level of coherence, as can be seen from an analysis of its ideological core, its strategic orientations and its business practices. Even if the influence of the Board of Directors is reduced, the influence of the democratic structure is clearly identifiable, with the General Manager acknowledging that without his Board of Directors, he would not be able to benefit from the leeway he translates into "distinct practices". These practices are directly linked to the ideological core...and the cooperative identity very much alive at the *Saint-Roch-de-L'Achigan* *caisse*.

The convergence of loyalty and cooperative identity highlighted in the previous section is illustrated here at the *Caisse de Saint-Roch*. The first set of principles (linked to loyalty) is very clearly present, i.e. issues of ethics, integrity, transparency, honesty and access to information are at the heart of democratic and business practices¹⁴. The *caisse* builds its ideological core on this set of principles. The second set of principles is also well illustrated at the *caisse*. Genuine interest after the transaction is interwoven into the *caisse*'s business practices. The customer's influence on the company (the role of coach) is easily discernible in the importance of the Board of Directors in the *caisse*'s strategic and business decisions. This is far from complete, but the coaching capacity is clearly present. I'll come back to this point later.

The *Caisse de Saint-Roch* thus comes very close to the ideal type I referred to in the previous section (see Table 1). It reveals a strong cooperative identity, present even before the experimental research project on the implementation of a loyalty management framework. The (relative) ease with which the cooperative was able to build a coherent, loyalty-based approach can be explained in part by its active, dynamic and meaningful cooperative identity. All that remained was to fill the gaps observed in its business practices and thus reinforce the initial level of cohesion supported by the cooperative identity.

From cooperative identity to loyalty management: in search of day-to-day coherence

At the *caisse de Saint-Roch*, the starting point for loyalty management was therefore its cooperative identity, confirmed in its ideological core (values and purpose), in its strategic choices and in its business practices. Implementing a loyalty-focused business model requires more, however, hence the importance of diagnosing the management practices recognized as necessary to "earn the loyalty of employees and customers".

¹⁴ It's important to note here that the more satisfied (and loyal) members are, the more positive their perception of the values promoted by the *caisse* (ethics, transparency, trust, etc.).

A key point in the whole process was the repeated exercise of diagnosing the caisse's management practices in relation to loyalty¹⁵. The first diagnostic carried out in winter 2000 (by all managers and employees) gave a result of 56% (out of a possible maximum of 100%). The 2^e exercise (using the same tool) carried out in autumn 2002 showed a significant increase from 56% to 76%. The last exercise carried out in autumn 2003 showed a score of 87%. We'll be looking in more detail at the strengths and weaknesses of the practices observed at the caisse, but at this point I'd like to emphasize that these percentages represent progress towards greater consistency in the implementation of a management framework (business model) focused on loyalty.

As a result, the caisse's performance is underpinned by a high level of satisfaction expressed by members, and an ever-increasing degree of day-to-day consistency. It's important to emphasize at this point that the entire process was carried out in consultation with managers and employees. Everyone was thus able to appropriate the concept of loyalty and gradually integrate it into their own reality. This concept has thus become "*the way we do things here*", the central pivot around which the organization is developed.

Table 2 gives an overview, as of autumn 2003, of the caisse's evolution and the practices it has gradually implemented to strengthen its cohesion, and thus earn the loyalty of its employees and member-customers.

¹⁵ To carry out this exercise, the caisse used the questionnaire developed by K. Bothe, Beyond Customer Satisfaction to Customer Loyalty. Bothe, *Beyond Customer Satisfaction to Customer Loyalty*. AMA Management Briefing, American Management Association, New York, 1996, 148 p.

Table 2

Les 4 stades dans l'évolution de la gestion de la loyauté: caisse de St-Roch!

Caractéristiques	1 Insensible	2 Éveil	3 Progressif	4 Classe mondiale
Étendue	Préoccupations internes	Réduction des coûts pour attirer clients	Copier la concurrence	Ajouter de la valeur client – qualité, coûts rapidité, technologie...
Focus	Produits équivalents / Commodité	Technologie / qualité pour elle-même – emphase interne	Satisfaction du client / rejoint ses attentes	Loyauté du client / zéro défection
Segmentation Clients	Pas de différenciation entre les segments	Élimination des clients non désirables	Clients internes et autres (employés, fournisseurs, partenair.	Clients clés / rétention et loyauté...une obsession
Management	Bureaucratique et dictatorial	Reconnaître l'importance du client mais, politiques et enjeux internes	Coach / mentors et politiques vers le client	Client «ROI» et politiques vers la loyauté
Organisation	Management vertical / top-down	Approche matricielle / par produits et projets	Structure aplatie / absence de micro-mgt	Équipes multi-disciplinaires / CCO
Buts	Mode réactif / Éteindre les feux	Rencontrer le budget / contrôle financier	Rencontrer et dépasser les attentes des clients / + indicateurs non \$	Enthousiasmer le client / Wow / non anticipé
Besoins de la Clientèle	Déterminés par les gestionnaires	Déterminés par la recherche de marché / démographie (- désires)	Valeur livrée, analyse de sensibilité, etc. / client au centre	Déterminer ce qui est important pour le client / priorité / comparaison
Mesure vs Clientèle	Maximiser les ventes, profits	Minimiser les plaintes / seule mesure satisf.	Maximiser les parts de marché	Mesurer la loyauté / taux de défection, etc.
Analyse du feedback	Absence de suivi, rigidité des outils	Instruments d'enquêtes rigides	Index de satisfaction clients / comparaison	Analyse des anciens/non clients
Outils d'amélioration	Outils de contrôle de qualité	Brainstorming et outils statistiques	Value engineering	Business Process Reengineering

This table summarizes the main characteristics observed in companies capable of managing loyalty (Bhote, 1996). The curved line indicates the position of the Saint-Roch caisse in autumn 2003. It had gradually centered its service offering (business proposition) on added value for customers, and focused on customer satisfaction and loyalty...which became an obsession. The caisse gradually eliminated policies and procedures that were inconsistent with its loyalty approach (without jeopardizing the organization's management) and implemented a flexible, team-centred, multi-disciplinary and empowering structure. It has reached the stage where it meets and exceeds customer expectations, based on satisfaction and loyalty indicators. Sensitivity analyses (value delivered, satisfaction index based on customer priorities) are gradually making their way into the cash register...which will have to compare itself with its most serious competitors. Satisfaction and loyalty measurements are becoming the key indicators for judging performance. Continuous improvement is present at the caisse, but must be more rigorously associated with the analysis of customer priorities, so as to rethink key business processes with them in mind. In autumn 1999, the main weaknesses placed the caisse's practices more at stages 2 and 3, whereas the evolution of recent years reflects a profile centered on stages 3 and 4. Our objective is to implement all relevant practices at stage 4.

We can therefore argue that the Caisse de Saint-Roch's success in meeting the loyalty challenge is the result of a relevant cooperative identity, significant both in its strategic core and in its business practices, where values and purpose are proven, a strategy focused on loyalty (winter 2000) and complementary business practices, also focused on loyalty. The score of 87% reflects its position in autumn 2003 in Table 2.

Continuation of the experimental approach...towards a cooperative renewal

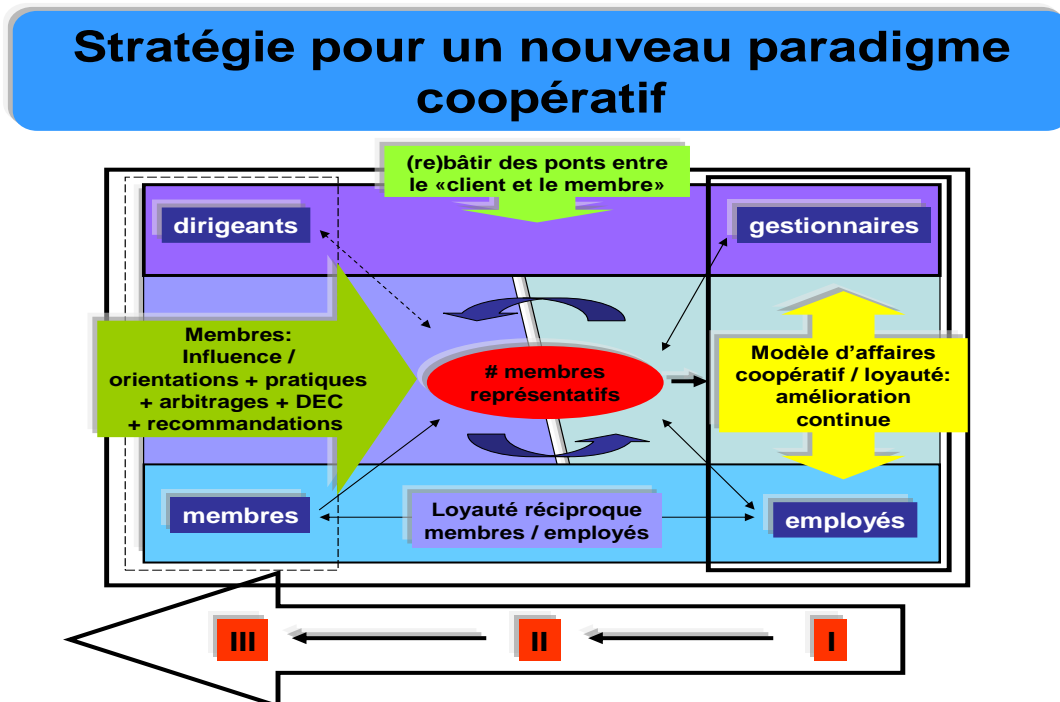
The strategy for implementing an NPC at the Saint-Roch caisse is planned in three phases (diagram 2). The first is designed around the concept of a loyalty-based business model. The second focuses on building bridges between the notions of customer and member. The third phase addresses the issue of member influence on caisse business.

To understand this implementation strategy, we need to return to the identity crisis phenomenon I introduced earlier. First, let's briefly recall the structural changes, i.e. the evolution of the member concept towards an individualizing figure, the "public good" character of the cooperative, the difficulty of recognizing the special nature of the link with "one's cooperative", and the growing influence of market rules to the detriment of a distinct logic of action. These structural changes obscure the challenges of cooperative management, both in terms of pursuing a dual economic and social mission, and the difficulty of developing distinct business practices. The loss of cohesion between members and the weakening of democratic dynamics facilitate mimicry with the "corporate business model".

The NPC implemented at the Caisse de Saint-Roch is helping to enhance the cooperative identity as a lever for competitiveness. In the wake of this experience, we are seeing the emergence of distinct business practices that enable us to rethink the trade-offs between unavoidable market rules and the logic of cooperative action (rules and principles). The resulting business model is not only highly competitive, but also consistent with cooperative values and purpose.

Beyond this first, essential phase, we need to question the possibility of restoring meaning to member status, despite the structural changes affecting its scope. This is the subject of phase 2 of the NPC implementation strategy. Is it possible to restore meaning to the status of member, and thus rebuild a relationship distinct from the strict status of customer?

Diagram 2



As with the loyalty-centric business model, we need to approach this question from a perspective of economic efficiency. We also need to approach this question from the customer's point of view. What's in it for them to define themselves as a member rather than just a customer? In this regard, it is important to note that published research on customer loyalty shows that customers are more likely to develop cooperative and participative behaviors when the company has succeeded in earning their loyalty. This observation is fully confirmed by several loyalty studies (Bettencourt, 1997, Bitner et al, 1997). Cooperative and participative behaviors are therefore possible, in cooperative or non-cooperative contexts, when the company has succeeded in earning the loyalty of its customers. Phase 2 of the experimental approach is therefore aimed at further developing the loyalty-based business model. This will enable us to investigate the advantages associated with membership, from both the customer's and the caisse's point of view.

To date, the caisse has randomly selected a representative group of 150 members who have agreed to collaborate in a more in-depth analysis of their expectations and needs. The caisse can now take advantage of this better understanding of the "mind of the consumer" (Blackwell, 1997) to configure its activities with greater precision. It now needs to ask its members about the level of commitment they are prepared to assume, and design a training, information and consultation program that enables them to take advantage of their membership status beyond that of customer. This means conceptualizing a relationship that enables dialogue (with a representative group) to be strengthened on a more credible basis, beyond unilateral communication.

The third phase focuses more on the meaning of cooperative action, beyond the strict pursuit of economic efficiency. Unlike phase 2, which focused on the relationship between the individual (customer-member) and the cooperative, phase 3 is more concerned with cohesion within the group, and the resulting influence on the cooperative's orientations and decisions. For members to be motivated to enter into a dialogue with the *caisse*, and to be willing to participate and cooperate (on tasks yet to be identified), they need to perceive the influence of their intervention on the *caisse*'s overall action. The aim of phase 3 is therefore to seek cohesion between members, particularly in terms of values, purpose, direction and so on. If members are to consolidate this influence, it is important that they are able to share their views on these issues, and reach a consensus.

An important aspect of this quest for meaning is the *caisse*'s community involvement. In this area, the *caisse* has succeeded in building strategic leadership and associating Saint-Roch's main socio-economic leaders.

Although the *caisse*'s efforts have focused more on phase 1 (loyalty-centred business model), it has also made progress on phases 2 and 3, albeit less systematically. Furthermore, we must consider the fact that the cooperative identity at the Caisse Desjardins de Saint-Roch is already significant, as previously mentioned. Nevertheless, exploratory work will need to be undertaken in the coming months to build a bridge(s) between the notions of customer and member, and to ensure that greater cohesion between members leads to a strengthening of the relevance of the democratic structure.

IV - Implementing an NPC... a look back at action research

The aim of this article is to demonstrate the existence of a solution to the identity problem affecting cooperatives in mature sectors¹⁶ (banking, agri-food...). Traditionally, the logic of cooperative action is inspired by an associative dynamic... which seeks a solution, to a common problem shared by the members, in the development of an enterprise. The NPC I am proposing in this article reverses this approach, since it is first and foremost the search for competitive advantages within the company that motivates the rapprochement with the cooperative identity, and the logic of action that flows from it. The first component at the heart of NPC, loyalty, is an excellent vehicle for demonstrating the convergence between the foundations of cooperative identity and competitive advantage.

I submit that this NPC provides a motivation for managers (and elected leaders) to develop their distinct identities. The structural changes transforming market dynamics are therefore as much the source of the problem as of the solution to the resulting identity crisis.

The action research conducted at the Caisse Desjardins de Saint-Roch-de-L'achigan is an initial effort to demonstrate that this NPC can indeed be implemented. The results obtained over the period covered support the hypotheses at the heart of this research. The *caisse* has a strong cooperative identity, which it uses to implement a loyalty-based business model.

¹⁶ My action research is currently being extended to three other cooperatives, an urban 2^e *caisse* Desjardins and 2 agricultural farm supply cooperatives.

In so doing, it develops competitive advantages that enable it to generate ever-better results. As a result of this performance, it becomes highly relevant for cooperative leaders (elected officers and managers) to restore strategic precedence to their cooperative distinction.

Beyond the economic results, the action research carried out at the Caisse de Saint-Roch illustrates the relevance of the cooperative identity as a source of competitive advantage. This research also confirms the idea that it is possible to build business practices consistent with this distinct identity, over and above cooperative values and principles. The logic of action that emerges from this NPC therefore proves to be a source of added value for the stakeholders at the heart of the cooperative model. First and foremost, customers benefit from a much more optimal service offering, more closely aligned with their priorities. They are called upon to coach the company in a direction that enables the development of a "win-win" relationship, valuing people before profit, trust, etc. Employees are also major beneficiaries of such a business model. As a result, they are highly loyal to the caisse and enjoy a working environment that is highly respectful of their values. They are at the heart of a participative management approach that gives them a great deal of leeway both in the way they work and in the conditions in which they work. The caisse's actions are also increasingly benefiting the Saint-Roch community. Although it has supported various community projects for many years, it now approaches its social commitment much more strategically and acts as a leader among community players.

In the wake of this experiment, we are therefore in a position to formulate a **3^e hypothesis** relating to the social value attached to the cooperative organization: *the NPC paves the way for the creation of social value based on (1) a business model that makes a significant difference to stakeholders, (2) while representing a place for the creation of solidarity, (3) and community consolidation, (4) through the development of civic values, (5) leading to a different, more humane and egalitarian society.* The global action undertaken by the Caisse de Saint-Roch takes on its full meaning in the light of this 3^e hypothesis, as it is resolutely committed to this path.

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