

**Cooperative holding companies:
Identity crisis - typology and case analyses
Conclusion**

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The cooperative movement is currently going through a period of fundamental reconsideration. The increased pressures brought on by economic, regulatory and technological upheavals are forcing each and every one of us to question ourselves profoundly. These transformations affect all the organizations involved and require them to reassess their competitive advantages, and therefore their ability to compete in an environment that has become hostile.

In such a difficult environment, managers and executives are questioning the cooperative organization's ability to compete. It is also in this context that we see the emergence of new structures such as cooperative holding companies. Are the nature and structure of cooperatives sufficiently adapted to survive and meet the many challenges posed? For some, the answer is no. They prefer to transform themselves into an organization with share capital. Others reaffirm their belief in the relevance of cooperatives in such an environment. But they all have questions.

Changes in the competitive environment are not the only factors influencing the evolution of cooperatives. Various structural changes also affect the intensity of cooperative rules to varying degrees. Three of these changes are briefly presented at².

Major trends and structural changes

A *first structural change* that took place throughout the 20th^e century relates to the evolution of the very concept of member³. From a parish figure in which each member is recognized as an individual, we have now reached **a figure that individualizes**, albeit **often anonymously**. This is a far cry from the conditions of emergence of cooperatives, where the necessary solidarity is the result of close "moral and social" ties between users who are members of the association. Faced with this concept of abstract individuals ... who define their membership according to their personal interests, have we simply moved on to a utilitarianism strictly reduced to financial considerations? Originally, the project encompassed several dimensions touching on the values of individuals, the community and so on. Faced with such an evolution, it's not surprising that the players involved (members and employees) are finding it increasingly difficult to recognize, if not appreciate, the cooperative distinction.

A *2^e structural change* results from the considerable increase in the size of the cooperative's membership, where it is no longer uncommon to speak of 15,000 or even 20,000 or 30,000 members. A membership of this size poses what we call **the problem of collective action**. To fully understand

¹ This article was published in *Les holdings coopératifs: évolution ou transformation définitive* (edited by D. Côté), De Boeck Université, 2001, 413 p.

² This idea was first developed in D. Côté, "Desjardins, entre rupture et continuité...L'identité coopérative, handicap ou avantage concurrentiel!", Cahier du Centre d'Études en Gestion des coopératives, March 2000, 15 p.

³ Thériault describes this evolution in terms of the **parochial figure** (turn of the century), the **national figure** (1930s), the **technocratic figure** (1960s) and the **individualizing figure** (1980s to present). According to Thériault, the individualizing figure leaves the cooperative facing "abstract individuals who become customers and define their membership according to their personal interests...creating a community of members that is nothing more than the fictitious community born of the natural attraction of private interests".

this problem, we need to consider the quasi-public nature of the cooperative. Free membership (often at minimal cost), and the importance of collective capital (reserves) make a large subset of the population the true owners of large cooperatives. Such an ownership structure allows members to appropriate the benefits of collective action while avoiding the costs. Faced with this logic of collective action, we can expect very few members to concern themselves with the affairs of their cooperative, this structural factor reinforcing the emergence of the individualizing figure mentioned above⁴.

A 3^e *structural change* concerns **the interpenetration of the cooperative's fields of activity** and its many competitors. At the time of the emergence of cooperatives, such a question did not arise, whereas today it does on a daily basis. Members therefore tend to compare the cooperative with its capitalist competitor on "the obvious: products and services, prices..." When they do business with their cooperative, they are only dimly aware of the specific "member-cooperative" relationship in which they are engaged. The very small amount of share capital invested is associated more with "some sort of fee" than with a conscious decision to become the owner of a cooperative capable of meeting their needs. As Thériault puts it, "the community of members is nothing more than a fictitious community born of the natural attraction of private interests". The growing difficulty of being a cooperative can therefore be explained in part by the emergence of this community of increasingly private interests, which seems to reach the member only in his or her needs as a user, leaving his or her role as owner increasingly adrift.

Profile of cooperatives, diversity of contexts⁵

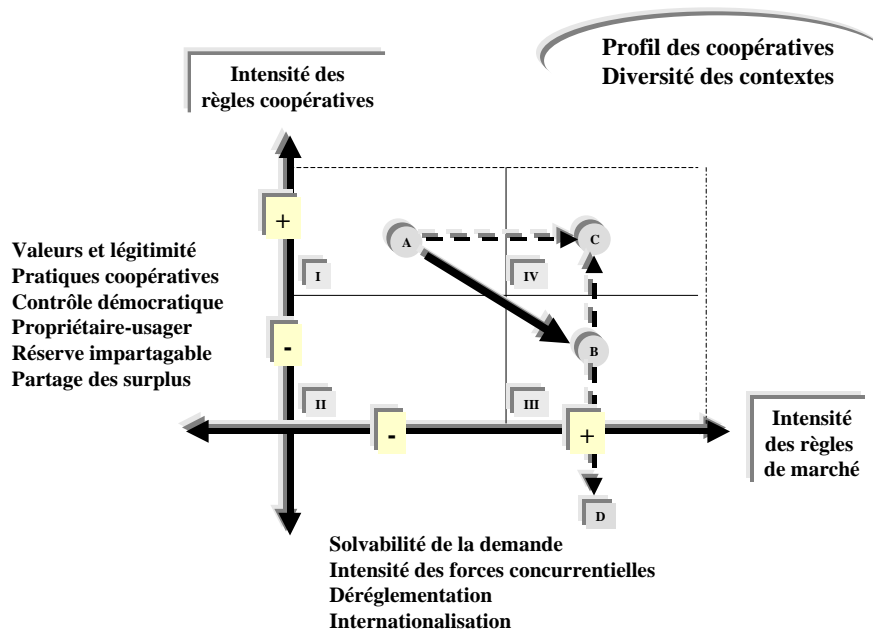
We have just identified three (3) major trends influencing the intensity of application of cooperative rules. From these factors stems the hypothesis that it becomes possible to discriminate between cooperatives on the basis of the application of cooperative rules. When we consider various factors such as values, principles, rules (link of use, one member and one vote, non-shareable reserve, sharing of surpluses in proportion to the member's activities with his or her cooperative) and practices, at both associative and corporate levels, cooperatives show significant differences. For the purposes of this conclusion, we will simply postulate two (2) possibilities: high intensity of application and low intensity of application (of cooperative rules). The major trends identified above lead us to hypothesize a shift from an initial high-intensity position to a low-intensity position. Insofar as many cases of demutualization are observed, we can conceive of a 3^e position, when the cooperative adopts a corporate status (company with share capital).

Cooperatives are organizations that operate largely in competitive economic environments. The competitive environment is also called upon to stand out. There are a multitude of possibilities when it comes to competitive intensity. For the purposes of this conclusion, we will simply consider the possibility of low or high competitive environments. Even a cursory observation of the economic environment quickly leads to the hypothesis that the competitive environment has intensified in recent decades (deregulation, globalization, etc.).

⁴ This analysis based on collective action theory must, however, be qualified by the observation that around a quarter (¼) of the population is involved in voluntary organizations. For more details, see E. Archambault and J. Boumendil, "Dons et bénévolats en France", RECMA, no. 267, 1^e trimestre 1998, pp. 17-29.

⁵ The model presented in this text was developed by B. Tremblay and D. Côté as part of their research into the capitalization practices of cooperative banks. It was originally published in: Capitalisation des banques coopératives : Règles coopératives et règles de marché, Cahier de recherche, Centre d'études en gestion des coopératives, HEC, Montreal, June 2000.

When we combine these two (2) variables, we find a model reflecting four (4) possible scenarios. These cases represent different cooperative profiles and contexts. This typology is presented in Figure 1.



As presented, Figure 1 offers four (4) cooperative profiles and contexts (case studies) with different characteristics. We'll have an opportunity to illustrate these characteristics with the help of the various empirical studies presented in this book. However, a 5^e possibility appears (position D) in our model. This possibility reflects cases of demutualization. As we shall see in a subsequent section, a further 6^e cases can be identified using our model. Not all cooperatives operate in a competitive environment. We find some of them in regulated environments, protected from all forms of competition. These cooperatives appear on the left of the vertical axis (non-market universe).

A fundamental assumption

Figure 1, which we have just introduced, illustrates an important hypothesis. "*All things being equal*", we are witnessing a shift from position A (1^e quadrant) to position B (3^e quadrant). This hypothesis simply repeats the analysis of the major trends we identified earlier. On the basis of this hypothesis, we can anticipate a weakening in the intensity of application of cooperative rules, while market rules intensify.

However, different scenarios can be analyzed using the model shown in figure 1 :

- shift from quadrant I to quadrant II, and then to quadrant III;
- shift from quadrant I to quadrant IV;
- shift from quadrant III to quadrant IV;
- etc.

The scenarios listed above are based on the assumption that the cooperative emerges in quadrant I⁶. We can, however, conceive of cooperative creation situations in quadrants II and IV. In this respect, quadrant III seems to us to be excluded⁷.

It is to be expected that cooperatives in quadrant III will experience increasing internal tensions. The loss of intensity in the application of cooperative rules leaves the latter more and more to market rules as the basis for the necessary trade-offs. This loss of differentiation prompts players to question the "meaning and legitimacy" of cooperative status in a competitive context. Such a situation can only increase the likelihood of total or partial demutualization of the⁸ cooperative.

Positioning cooperatives in the 4^e quadrant (position C) requires stronger conditions for implementing cooperative rules and principles. This position is therefore necessarily based on a strengthening of associative structures, as well as on the search for and management of a continually renewed cooperative coherence. This position also reflects what we have referred to in another text as a new cooperative paradigm⁹. We do not have the space to develop this paradigm in this text, but it is important to recognize its relevance.

The usefulness of this analytical framework can be validated as we seek to position the various cases (11) presented in this book. This model will also help us link the various theoretical contributions to the dynamics specific to each of the positionings selected. We will thus be able to better appreciate the overall usefulness of our research approach to this important phenomenon, that of the development of a holding structure within the various cooperative movements.

Analysis of cooperative holding companies: a theoretical framework

It is impossible to cover all the theoretical contributions in this book. However, we believe it is highly relevant to focus on the various hypotheses and questions formulated. To further highlight the observations made in the empirical studies, we believe it is necessary to "position" this key element of the theoretical texts within the framework of the model presented in Figure 1. It is from the confrontation of theoretical and empirical analyses that a better understanding of the issues and challenges related to the phenomenon of cooperative holdings, as well as scenarios for cooperative development, will emerge.

From theory to questioning the cooperative holding structure

From the various theoretical contributions we have made, we can draw conclusions for an analytical framework that we will be able to compare with the empirical studies. The analytical framework already used (a model linking cooperative and market rules) will have enabled us to situate the cases

⁶ When the cooperative is created, the entrepreneurial function is necessarily assumed by the members (high intensity of application of cooperative rules). What's more, since the initial context is regularly associated with various situations of abuse, we believe it's relevant to speak of a weakly competitive environment (monopoly, absence of a solvent market, asymmetric information, etc.). This combination of an association of members (facing a similar situation) who create an enterprise (cooperative) to meet their needs, and a weakly competitive market situation, places the cooperative in the 1^e quadrant.

⁷ Why set up a cooperative when the rules are weak and competition is fierce?

⁸ This phenomenon is more common in sectors such as insurance (Mutuelles), agri-food and now banking (CERA, a Belgian cooperative bank, was demutualized in 1998).

⁹ D. Côté, "Les coopératives et le prochain millénaire: l'émergence d'un nouveau paradigme", RECMA, no. 275-276, April 2000, pp. 149-166.

in a comparative perspective. It will also have enabled us to identify a typology of cases (illustrated by our empirical studies). The four (4) quadrants to which are added the non-market economy cooperative types and the non-cooperative rule types. These six (6) cases need to be analyzed in depth if we are to provide answers to the important questions that arise regarding the impact of the development of holding structures on the nature and structure of cooperatives.

In this respect, **Manoa** has formulated a series of questions which we feel are important enough to raise at this stage. While we cannot fully answer these questions, we hope that the overall approach will have moved us in this direction. Manoa poses the problem by situating the dynamics of the "federative mode", which does not seek to develop productive capacities beyond the needs of member-policyholders. A fundamental question emerges: can (and will) the holding structure upset this logic? Several subsequent questions arise from this overall issue: Is there a specificity to the group structure in the social economy? Why this shift from the classic form to the holding group form? Is it conceivable that such a structure should develop? Is it sufficient to justify it solely by the quest for maximum efficiency? What are the risks associated with such a holding structure? Is contractual growth compatible with mutuality?

Taking up this questioning, **Koulytchisky** speaks of a tipping/shaking of the decision-making process resulting from the intrusion of new players. The strategies formulated (made necessary by changes in the rules of the game in the industry) introduce *a series of new dangers*: gigantic structures, loss of member power (and feet of democratic clay), difficulty in making cooperative and private interests and cultures coincide, leaving well-mastered initial professions to enter different ones... From this new reality stems the question: who manages the actual running of the company, makes the decisions, holds the entrepreneurial function? Is it possible for the two logics (financial and cooperative) to coexist in the same project, and how should power and counter-power be structured within the group?

For **Chavez and Monzon**, this questioning takes the form of a hypothesis concerning a process of consolidation that would tend to strip social economy (SE) companies of their characteristic features and bring them closer to private groups. This convergence towards the dominant form leads to a diminution of their specific properties. Taking their questioning a step further, they identify two potential trajectories: the first, known as denaturalizing, in which power inevitably passes into the hands of the technostructure, while social values and members' interests are little consolidated. The 2^e trajectory is self-reinforcing, when the power of the technostructure is limited by mechanisms of transparency of information and fluidity of relations between the base and management, while the interests of members are organized.

By analyzing federative systems, **Shediwy** hypothesizes an increase in internal tensions as their dominant value systems (ideological content) lose importance. Holding structures can be adopted by the latter to increase their power. He thus identifies two trends: an erosion of federative power, unless the latter can develop more rapidly than associated cooperatives.

Spear introduces us to the field of strategy in the context of globalization. He hypothesizes that cooperatives are at a disadvantage when it comes to different strategic options. Limitations are mainly associated with financial structure, governance structure (member control) and difficulties in maintaining a sense of identification between member and cooperative. The cooperative may therefore be drawn towards a mutation of its fundamental characteristics (member investors, separation of social and economic objectives, etc.). When cooperatives acquire capitalist businesses, they may reproduce the strategies of capitalist groups. As we can see, the search for competitive advantage through globalization strategies creates additional pressures on the core of cooperative

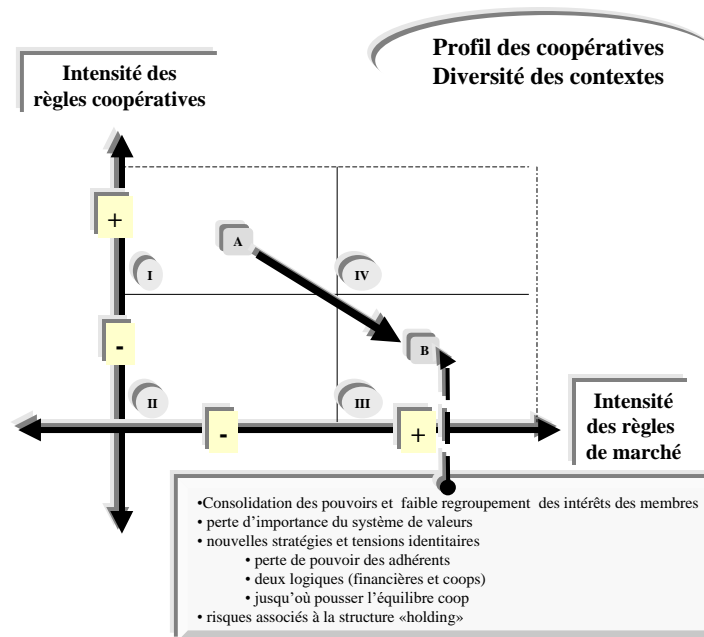
identity. Some strategic options, such as exporting, pose no difficulties, whereas direct investment (mainly in member-related activities) seems more difficult. A fundamental question therefore emerges from this analysis: how far can cooperatives implement such strategic options while maintaining a viable and meaningful cooperative equilibrium?

Palomo and Carrasco (implicitly) formulate different hypotheses on this notion of group within cooperative banks. The new rules of the game call for different strategies. Cooperative banks develop these strategies in a similar way to capitalist groups. They are therefore on the defensive when it comes to their cooperative identity. However, cooperative groups must adhere to a number of principles: inter-cooperation (dual social and economic efficiency) and a local development base, solidarity and social impact, subsidiarity and delegation where necessary, and territoriality. However, they do not feel that it is possible to draw a general conclusion regarding the sharing of power between the different spheres, even if the purpose of cooperative banking requires that (a) group awareness should be at least (b) equal to the individual expectations of local cooperatives.

This need to adopt new strategies is also addressed by **Nilsson** with regard to dairy cooperatives. Intensifying competition is forcing (dairy) cooperatives to adapt. Many are seeking new organizational models. The traditional cooperative model reflects strategies of cost (volume), open membership, democratic control, low interest rates and cooperative ideology in terms of loyalty, equity and equality. The new models are more likely to pursue strategies of differentiation, greater investment in R&D (Research and Development), etc., which makes it more difficult for producers to control. What emerges from this theoretical contribution is the hypothesis that traditional models are less and less adapted to meet new competitive challenges, and that from the old structures (or new ones), more adapted models will emerge, but with different characteristics: closed membership, external investors (in addition to members), firm contracts, importance of ROE (Return on investment), individualism, absence of cooperative ideology, etc.

Mauget also deals with this theme, talking about the transition from the classic (agricultural) cooperative to the cooperative group. This transition entails a shift in cooperative aims, values and principles. The aims are articulated in terms of unit price, production income, production rights and income irrespective of source, the values take the form of equity, transparency and selective solidarity, while the cooperative principles give greater prominence to acapitalism. Is there a specific project in this mutation that cannot be reduced solely to the philosophy of maximum profit?

The key arguments retained from the theoretical contributions are shown in Figure 2.

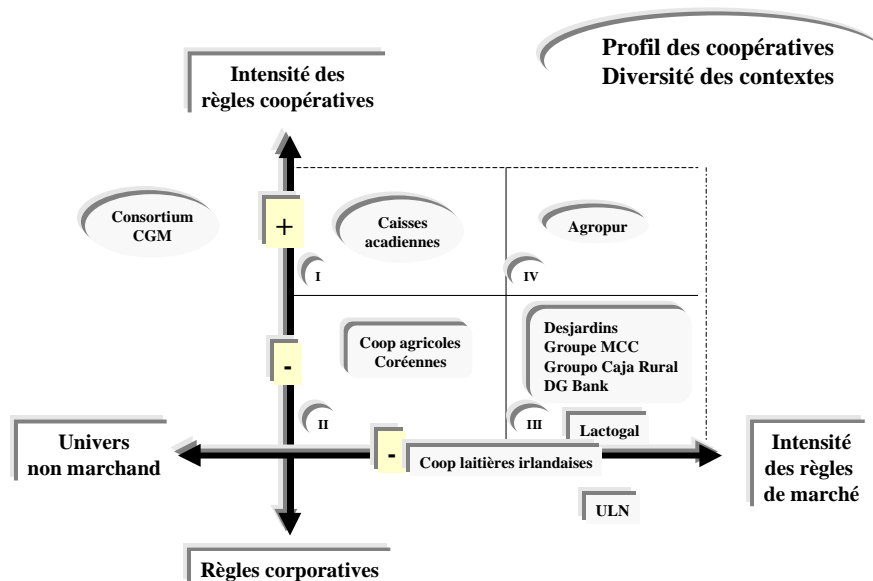


As we can see from this figure, the arguments developed by the various contributors all point in the direction of an analysis of the characteristics of cooperative holding companies leading us into the 3^e quadrant. Only Chavez and Monzon argue that a "self-reinforcing" trajectory requires (a) identifying limits to the powers of the technostructure, (b) transparency of information, (c) fluidity of relations between grassroots and management, and (d) organization of members' interests. We believe these conditions point to a shift towards the 4^e quadrant (from the 1^e quadrant or the 3^e).

Summary of empirical studies and positioning of individual cases

When we embarked on this research into the issue of cooperative holding companies, we agreed to conduct empirical and theoretical studies in parallel, with one reinforcing the other, and vice versa. Having introduced our model and the hypotheses that emerge from the theoretical contributions, we must now attempt to position the different cases on the basis of the six (6) cases identified previously.

This positioning reflects the relevant information contained in the empirical studies. We must recognize, however, that this information is often incomplete, nor is it completely consistent from one study to the next. Figure 3 groups all cases together. This is followed by an analysis of each case.



Agricultural cooperatives

We found five (5) empirical texts on as many agricultural cooperatives¹⁰. A first group of agricultural cooperatives appears on the bangs of the horizontal axis, having been partially or totally demutualized. These are ULN, Lactogal and the Irish dairy cooperatives transformed into PLCs.

The case of **ULN** (France) began in 1945 with the observation that the "magnates of the butter trade" were taking advantage of their cartel power to abuse dairy producers. The cooperative was created in response to this situation of "market failure". Our initial position is quite comparable to that of all emerging cooperatives: shared malaise, producer reaction through the creation of a cooperative, all in a weakly competitive context reflected by the cartel situation. We therefore find ULN in Quadrant I. In the final phase, Koulytchizsky immediately states that "the cooperative form has lost the battle, while the dairy group is still very much alive". Here we are in a situation of demutualization, as illustrated by the positioning under the horizontal axis.

This case provides us with the various historical landmarks we need to follow its slide from position A (quadrant I) to position B (quadrant III) to position D (privatization). Until the end of the 70s, one man dominated the cooperative, its founder-president Auguste Grandin, even though there didn't seem to be any control system in place to ensure a counterweight from the members. This charismatic president successfully ensured strategic balances as long as these were centered on the region (of origin) and basic products. From the 60s onwards, strategic drift began to appear. With Grandin's departure, control of the company passed to a team of managers who confirmed the break between the commercial and the associative. The directors gradually lost their bearings in the face of change, and were deprived of steering and controlling the cooperative. Managers' only priority is "business", while the cooperative identity is "erased" in favor of management imperatives. We are now clearly in

¹⁰ The text on the Irish situation deals with all the dairy cooperatives that were transformed into PLC's in the mid-80s.

the 3^e quadrant (position B). The company is restructured into a "holding group" with over 100 subsidiaries, all of which are public limited companies (SA). Privatization took place in 1992 (position D), essentially decided by external players (public authorities, banks and economic partners).

Irish dairy cooperatives offer a slightly different story. This case study places the cooperative, at the time of conversion in the mid-80s, in Quadrant II. At that time, members invested very little in their cooperative. The power of the BoD (Board of Directors) was very limited relative to that of the GM (General Manager). Surpluses are not redistributed to members, while the price (of milk) paid to members is identical to that received by non-members. Members therefore have no particular advantage, and take the cooperative for granted. The authors conclude that the cooperative is "degenerate". The under-exploited potential was recognized by Irish entrepreneurs who offered to buy part of the cooperatives. The four (3) PLC's (privately limited corporations) thus formed (Kerry, AvonMore, Glanbia and Golden Vale) followed the same path, albeit with a few variations. Glanbia is still organized as a cooperative, but all economic activities are carried out by a subsidiary owned 55% by the cooperative, 11% by individual members and 34% by external investors. Kerry has the same structure, although the percentages differ (38% cooperative, 30% individual members and 32% external investors). Golden Vale is 46% owned by individual members, while 54% of shares are held by external investors. Insofar as the competitive situation is strongly influenced by the existence of the Common Agricultural Policy (CAP) and the very low production costs of milk in Ireland, competitive intensity appears to us to be rather moderate, hence the positioning at the limits of quadrants II and III. The degree of privatization varies from 45% to 100%, which explains our positioning on the horizontal axis. The shift (which the partial information presented by the authors allows us to document) illustrates the hypothesis of an initial position in quadrant I towards quadrant II to drift substantially towards a situation of increasingly complete privatization (D).

The case of **Lactogal** (Portugal) illustrates the transformation of the Portuguese agri-food industry. The new competitive environment resulting from the Europeanization and globalization of this industry has led to a loss of competitiveness in Portuguese agriculture. Although more competitive, the dairy sector has also been disrupted by a profound transformation in the rules of competition. The arrival of major international dairy players and the reorganization of supermarkets are accentuating the pressures. As a result, the cooperative movement is faced with a substantial (and accelerating) shift to the right of our model (greater competitive intensity). Lactogal was the Portuguese dairy sector's response to this transformation of its competitive environment. The result of the merger of three (3) dairy cooperatives, Lactogal is nevertheless a joint-stock company. At the beginning of 2000, the company's management planned to list the company on the stock exchange and sell 49% of its shares to outside investors. The corporate structure chosen confirms the break between the association, reduced to supply issues, and the company responsible for the industrial and commercial tool. The justification for this structure is based on a number of observations and assumptions: lack of motivation on the part of members to invest in their cooperative, the desire to autonomize (and ensure) management decisions, and the focus of the cooperative function solely on collection. The authors acknowledge the poor tradition of associative initiatives. These arguments lead us to conclude that the application of cooperative rules has been impoverished. The combination of the intensification of competitive rules and the weakening of cooperative rules, in terms of guidance, control and decision-making, as well as the opening up of capital to the stock market and to economic partners, places Lactogal in the 3^e quadrant. It is to be expected that strong pressure will continue to be exerted for an eventual shift towards complete demutualization (position D).

Agropur (Canada) operates in a hyper-competitive market. Both competition from world leaders and the power of mass-market buyers justify this conclusion. However, Agropur is a cooperative that has invested substantially in training its members throughout its history (more than 6,000 days/year of associative life). Members are regularly informed and consulted on the company's strategic orientations. The link between association and company is strengthened by the development of a democratic structure (facilitators, cooperative advisors, solidarity committee) that enables constant dialogue between members and management. In this cooperative, we find the most vigorous application of cooperative rules. Financially, members invest substantially in their cooperative (+/- \$40,000 per member). For all these reasons, we find this cooperative in the 4^e quadrant. This position in no way hinders the constant development of its competitive position, which is widely recognized in the industry.

Korean agricultural cooperatives appear in Quadrant II. These cooperatives were created on the initiative of the government, which considered it necessary for the development of the rural economy. This led to the creation of the National Federation of Agricultural Cooperatives (FNCA), which subsequently encouraged the creation of primary cooperatives. The FNCA enjoys a monopoly with farmers. Although some elements of reform were introduced, state authoritarianism continued until the late 1980s. It wasn't until the mid-90s that primary cooperative presidents were elected. For all these reasons, we find the cooperative movement in a situation of low competition and low intensity of application of cooperative rules.

Cooperative banks

The **caisses acadiennes** (Canada) appear in the 1^e quadrant. The competitive situation of these caisses seems less intense for a variety of reasons: very strong market share with their target clientele, rural and geographically isolated nature, absence of significant effects of globalization on the Mouvement des caisses acadiennes. The Acadian caisses rely on a strong cooperative identity, coupled with an Acadian identity. The Mouvement des caisses acadiennes is strongly adapted to the minority environment, and seen as a tool for preserving their identity as well as a means of promoting their interests and fostering their development. This interpenetration of Acadian and cooperative identities is reflected in a highly participative approach to change, in which members, managers and employees are consulted. In this case, we find a high degree of intensity in the application of cooperative rules in a relatively protected competitive environment.

Grupo Caja Rural (Spain) is increasingly confronted with the challenges of globalization, reflected in the need to market more sophisticated products, reduced margins and the emergence of new distribution channels. Although leaders in the agricultural sector, Caja rurales rank 3^e among Spanish financial institutions. In terms of cooperative practices, the authors highlight the failure of member participation and the loss of differentiation from banks. Decision-making levels are drifting away from the grassroots. This phenomenon is exacerbated by the conditions under which the rural caisses were created as a result of government action (probably in the 2^e quadrant at the starting point). So there doesn't seem to be any real cooperative movement fed by a social and democratic base. What's more, the initial conditions (attrition and lack of funding) no longer exist. We therefore have a cooperative network facing increased competition, while the intensity of application of cooperative rules seems substantially weakened, hence the position in the 3^e quadrant.

The **German cooperative banking movement** (with DG Bank as its central bank) appears in the 3^e quadrant of the previous diagram. Faced with fierce competition, German cooperative banks today have a highly heterogeneous customer base, the majority of whom are non-members. Today, the

network comprises 2,200 local banks operating more than 17,000 branches. These banks do not pay member dividends. They are increasingly developing a commercial logic, while managers no longer believe they have sufficient space to exercise practices that reflect solidarity with members. Members and non-members receive the same services. In their advertising, cooperative banks claim to be "banks like any others". The central bank (DG Bank) was transformed into a joint-stock company, and its management is increasingly centralized. We can see from this description that the intensity of application of cooperative rules has largely weakened within this cooperative network.

Desjardins Group (Canada). The competitive environment in which Desjardins caisses operate has changed radically in recent years. Consumer needs, new products, decompartmentalization, deregulation and new international players are forcing traditional players (including Desjardins) to rationalize and transform their networks. As a result, competition is intensifying. In terms of cooperative identity, the Desjardins network suffers from the same weaknesses (albeit to a lesser degree, it seems to us) as those reported in the majority of empirical studies. Members have gradually become customers, while participation is very low. What's more, general meetings are becoming increasingly symbolic. Nonetheless, the caisses remain committed to their communities (significantly more so than banks), and their business and management practices continue to reflect cooperative values. There is a widespread feeling among managers that Desjardins Group is gradually losing its cooperative identity, and that they have to choose between profitability and cooperation. While the overall picture is not devoid of "cooperativism", we have to conclude that Desjardins is following the strong trend reflected in the model shown in Figure 1. Even if we would be well advised to qualify this conclusion, we still believe that the overall positioning in Quadrant III reflects the current reality of Desjardins caisses.

Work and social cooperatives

Among the cases published in this book, the one concerning **social cooperatives in Italy** (Consorzio CGM) differs substantially from the others, since it describes a relatively young movement (early 80s) in a non-market universe (professional integration of disadvantaged workers). For this reason, we have positioned it to the left of the vertical axis. These social cooperatives emerged in the wake of the development of the Welfare system in Italy. They first appeared in regions with a strong civic and associative tradition. They are the result of experiments combining economy, democracy and solidarity. The cooperative model was seen as the best form of enterprise for starting up new activities of a social nature, but requiring entrepreneurial methods. The organization of this emerging movement benefited from the support of traditional cooperative structures. The development of a three-tier structure is designed to respect the autonomy of the grassroots, while promoting the effects of size and expertise where necessary. The work of the CGM consortium (3^e palier) focuses on strategy, research, training and communication. Various mechanisms are in place to ensure that the cooperative identity is maintained (principles, procedures and code of conduct). For this set of factors, we have positioned the experience of Italian social cooperatives as reflecting an intensive application of cooperative rules.

Mondragon (Spain) is a world-renowned cooperative movement. It was in the mid-80s that the MCC Group restructured in response to globalization. The opening up of Europe and the elimination of protective mechanisms on the Spanish market led to an evolution of the structure around three (3) constituent parts: the financial, industrial and distribution sectors. The MCC Group has resolutely turned towards international markets (around half of its sales in 97). In terms of the application of cooperative rules, the MCC Group has opted for the SA form for its foreign investments. For its domestic activities, the MCC Group remains cooperative. The authors mention, however, that although worker-members are still theoretically owners, in reality we are increasingly witnessing a division of labor between the manual and the intellectual. As a result, "real" ownership is increasingly monopolized by a minority. Production conditions are dictated by profitability objectives. While recognizing the relative nature of this evolution, it is on this basis that we have positioned the MCC Group in quadrant III.

Cooperative holding companies: the stakes and challenges of a necessary adaptation

The overall analysis of the various empirical studies enabled us to place each of them against a common backdrop. The different cases were positioned on the basis of the available information. A more detailed analysis of these different cases could yield different results. Nevertheless, we can draw some robust conclusions from this overall analysis.

Strong trend

There is no doubt that a strong trend is emerging, driven by a weakening in the application of cooperative rules as the competitive environment becomes increasingly intense. Of the eleven (11) empirical studies, seven (7) are positioned in the 3^e quadrant. Of the remaining four (4), social cooperatives represent a special case both because they do not operate in a competitive environment and because they are relatively young (20 years). Korean cooperatives also have the particularity of evolving in an environment strongly dominated by government action. Finally, the Acadian caisses are mainly characterized by the presence of a dual identity (ethnic and cooperative), one reinforcing the other. Only Agropur evolves in a "normal" competitive universe, while cooperative rules are still highly significant.

Holding company structure: the need to take different situations into account

A. Quadrant III

- ∂ The hypotheses and questions drawn from the theoretical contributions are sufficiently illustrated in the empirical studies;
- In this context, the development (or reinforcement) of a holding structure in addition to the cooperative profile of Quadrant III can only further weaken the cooperative identity and accentuate the resulting imbalance. Nevertheless, this holding structure may prove necessary. To maintain (or redevelop) a cooperative identity, however, new mechanisms need to be devised to give it back "meaning and legitimacy";
- ÷ This requires us to demonstrate that there is added value associated with the cooperative model in a competitive context. This added value must be based on the existence of competitive advantages inherent in the "cooperative genetics". It must also generate significant benefits for the member, who must rediscover the significance of his or her status as owner-user;
- ≠ The development of a holding structure (in quadrant III) adds to internal tensions and pushes the cooperative towards a breaking point. For some, this breaking point may be a move towards a new cooperative model that disregards cooperative ideology. It can also have the effect of pushing the cooperative down the road to demutualization. In this respect, experiences in the agricultural and financial sectors differ widely.

B. Quadrant IV

- ∩ The conclusions we can draw from this quadrant are inevitably "riskier", since we have only one case to draw on. However, we believe that these conclusions are valid, firstly because they are the result of 60 years of history (Agropur was founded in 1938), but also because they can serve as a starting point for other empirical studies;
- We find in this cooperative what Chavez and Monzon call "a self-reinforcing tendency":
 - mechanisms that limit the power of the technostructure;
 - transparency of information;
 - fluidity of relations between rank and file and management;
 - organizing and consolidating members' interests and values;
- ÷ In such a context (and cooperative organization profile), the holding structure proves to be an additional tool to enhance cooperative added value;
- ≠ To aspire to such a profile, however, we need to approach its management with an integrated model that emphasizes balance and the search for coherence in symbiosis with nature and cooperative structure;
- ≡ It's important to remember that this search for coherence and cooperative balance must not be at the expense of a "sustainable" competitive position.

C. Quadrant I

- ∂ In Quadrant I, the initial balance is maintained;
- There is, however, the problem of increased tension as competitive intensity increases. Will the cooperative slide into Quadrant III or Quadrant IV?
- ÷ It is also possible to envisage a shift towards quadrant II if only the intensity of application of cooperative rules diminishes;

- ≠ In this 1^e quadrant, the development of a holding structure may accentuate the shift towards quadrant II or III, unless more robust mechanisms for reinforcing cooperative rules are put in place, which would anticipate a shift towards the 4^e quadrant.

D. Quadrant II

- ∂ In Quadrant II, the balance is precarious and superficial;
- A cooperative in this quadrant runs the risk of rapidly slipping into Quadrant III and even demutualizing, as cooperative rules have no real deep roots;
- ÷ In such a context, setting up a holding structure can accentuate such a development.

E. Off-market" situation

- ∂ The situation of Italian social cooperatives reflects an unsolvent demand. But the conditions for solvent demand may change. This will increase market pressures and force cooperatives to integrate such rules;
- New tensions may also arise from the natural tendency for cooperative identity traits to erode. How to manage these new sources of tension...

As we can see from this analysis, the question of the impact of cooperative holding structures does not present itself in the same way in either position of our model.

Fears about the holding structure must therefore be taken seriously. It is clear, however, that such a structure poses more of a problem insofar as it is one factor (among others) in a major trend.