Cooperatives and family businesses

Chatzivgeri, E., Paterson, A, Paterson, S. and Wilson, M.

10 Cooperatives and Family Businesses

Audrey Paterson, Sebastian Paterson, Eleni Chatzivgeri and Melanie Wilson

Introduction

So far within this book we have considered social accounting within the private, public and third sectors and have explored related concepts and their growing momentum in the drive towards increased organisational and social accountability. In this chapter, we consider two further economic sectors, namely cooperatives and family businesses. Cooperatives and family businesses vary in size and skill and cover a diverse variety of activities ranging from healthcare, social care, and housing to sustainable agricultural and renewable energy sources. Currently in the UK, there are nearly 7,000 independent cooperatives, contributing £36bn to the UK economy. Cooperatives differ from public and private businesses, which exist to produce goods or services in the public interest or to maximise the profits of their owners, respectively. In contrast to public and private companies, the main purpose of a cooperative is the advancement of its members and not the pursuit of public interest or economic gain.

We are, of course, familiar with the profit seeking motives of private business and the social motives of public sector organisations, but cooperatives do not fit well into either of these conceptions due to their hybrid function, which seeks to satisfy both social and economic objectives (Fairbairn 1994).

Governance describes a firm's system of decision-making, direction and control. In the case of cooperatives, effective accountability and governance depends on the pro-active participation of its members. It is recognised that just as traditional businesses, cooperatives should make sure they comply with the accounting as well as the legislative regulations (Jenkins, 2008; Campbell, 2003), and that attention is paid to the level of training of the cooperative board along with their quality (Campbell, 2004) as well as the board's ability to look after

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the interests of both the cooperatives members and other stakeholders (Cross and Buccola, 2004). Moreover, the board, and the executive team for which it is responsible, directly impact the value proposition that determine members' and other stakeholders' willingness to engage with the cooperative business.

While cooperatives provide a significant contribution to the economy, a large proportion of the UK's economy is also supported by family businesses. Indeed, it is estimated that family businesses account for almost 25% of the UK's gross domestic product (GDP). As such these two areas are of increasing importance when considering the accountability and governance responsibilities of organisations. With new questions arising every day to challenge the contributions that cooperatives and family businesses make to our communities, it is essential that we have the tools to clearly demonstrate their worth. Likewise, given the importance of the role boards play in the success or failure of cooperative organisations and family businesses, and the importance of these organisations in the wider economy, it is prudent to develop some knowledge and understanding of the complexities of the way in which these boards are structured and the role that they play in achieving accountability and governance within their organisation.

In this chapter, we consider the following: who governs; board roles and board relationships with management; board size and director selection processes; the importance of board members' participation; and the input of managers in relation to accountability and governance in these two sectors. The chapter begins with a short overview of the evolution of cooperatives and what constitutes a family business. This is followed by a discussion of the organisational model and governance structures and their effectiveness.

The cooperative movement – evolution and aims

Notwithstanding a recent claim that the origin of the cooperative movement began in 1761 with the creation of the Fenwick Weavers Society in Ayrshire, Scotland and its subsequent formation of a consumer cooperative in 1769 (Carrell, 2007; McFadzean, 2008), the cooperative business model is generally held to have begun amongst grassroot organisations in Western Europe, North America and Japan in the middle of the 18th century. The prototype of the modern cooperative society is commonly considered to be a group of northern English artisans called the Rochdale Pioneers, who opened a store in 1844 (Lambert, 1968). Working in the cotton mills of Rochdale in the 1840s and unable to afford the high prices of food and household goods, they pooled their resources to access basic goods at a lower price. Their enterprise was founded upon the belief that shoppers should be treated with honesty and respect, that they should have a share in the profits and that they should have a democratic right to have a say in the business. Every customer of the shop became a member and thus had a stake in the business.

The International Cooperative Alliance (ICA) recognises that the foundations upon which the Rochdale Pioneers created their business still underpin modern cooperative enterprises today (ICA). The ICA defines a cooperative as "an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise" (ICA, 2015). The seven internationally recognised cooperative principles are: voluntary and open membership; democratic member control; member economic participation; autonomy and independence; provision of education; training and information; cooperation among cooperatives, and concern for the community (ICA, 2015). Considering the underpinning principles, cooperative enterprises cannot fit into the current organisational models and are often regarded as unique business models. This is largely because they do not only serve an economic purpose, but a social one as well (Fairbairn, 1994). Correspondingly, the development and implementation of good corporate governance practice for cooperatives is viewed as still being in its early stages (Shaw, 2006).

Cooperatives, like other public and private sector or investor owned firms, have not remained untouched by recent scandals that relate to accountability and corporate governance, nor by the development of codes of good practice. According to Co-operatives UK (2005), the fairly new development of a corporate governance code related to relevant performance measures was encouraged by external governance scandals and acknowledgment that cooperatives had to implement "cutting edge practice in corporate governance" (Co-operatives UK, 2005). The high demand of governance standards as well as increased accountability in different business sectors could not leave the cooperative movement untouched. Yet, the development as well as the implementation of both good accountability and governance practice for cooperatives remains very much in its early stages. The codes adopted by cooperatives so far have been developed based on the codes for companies owned by investors (as explained earlier, these companies serve a different purpose) normally adding in further provisos concerning membership but not substantively reworking them (Shaw, 2006).

A cooperative's main aim is to increase its members' value (professional or household) through the members' use of their facilities, or, in general through their operations, and not to achieve and experience profit. Those who create a cooperative are looking to serve their own needs in terms of goods and services; this means that their main purpose is not to serve people outside the cooperation. However, this is not achievable in practice, and transactions with people outside the cooperation can be justified, because such transactions can help cooperatives to avoid experiencing losses (Kagiamis, 2003).

Having outlined the cooperative movement we now turn our attention to some theoretical perspectives which help to highlight issues cooperatives face in determining governance structures.

The cooperative movement – theoretical perspectives

Staatz (1987) identifies areas of conflict and gaps which remain in the theory of agricultural cooperation, notably the disagreement between authors such as Cotterill (1987) and Lopez and Spreen (1985), who view the cooperative as a separate firm maximising a single objective, and other academics, who view cooperatives as organisations of many individuals with each attempting to pursue their own goals (Sexton, 1984; Shaffer, 1987). In terms of gaps, Staatz notes that work needs to be done to incorporate uncertainty into the 'cooperative as a firm' model and 'coalition' models, as well as the more recent 'cooperative as a nexus of contracts' model.

Shaw (2006) provides an excellent and comprehensive overview of corporate governance issues in the cooperative business context. Shaw notes that good governance has been embraced as a vital organ in achieving the United Nations Millennium Development Goals for sustainability and as a precondition of sustainable economic growth. Also, that good governance standards allow better access to external finance, lower cost of capital and lead to better firm performance. And that, although much recognition has been given to the corporate governance agenda, little attention has been given to cooperative sectors and, consequently, the governance challenges of cooperative sectors remain largely unexplored.

Mazzarol *et al.* (2011) developed a conceptual framework that future research could use in the effort to create a business model for cooperatives and their sustainability (Figure 10.1). Cooperative enterprises are often seen as unique business models. Mazzarol examines them from three perspectives; namely, from a member's perspective, as a business entity and at the broader systems level. Mazzerol outlines key units of analysis for every level and takes into consideration three main needs of the cooperative within the model. These needs are:

1. to build identity,
2. to build social capital and
3. to build sustainability.

The application of resilient architecture to facilitate the understanding of the dynamic behaviour of cooperative enterprises over time is also considered (Mazzarol *et al.*, 2011). The work of Mazzarol *et al.* (2011) is definitive as it adds significant knowledge to the understanding of the cooperative enterprise by viewing it as a complex system that must be comprehended on several levels, with economic and social outputs defining its special character, which in turn requires a multi-disciplinary business model research approach.

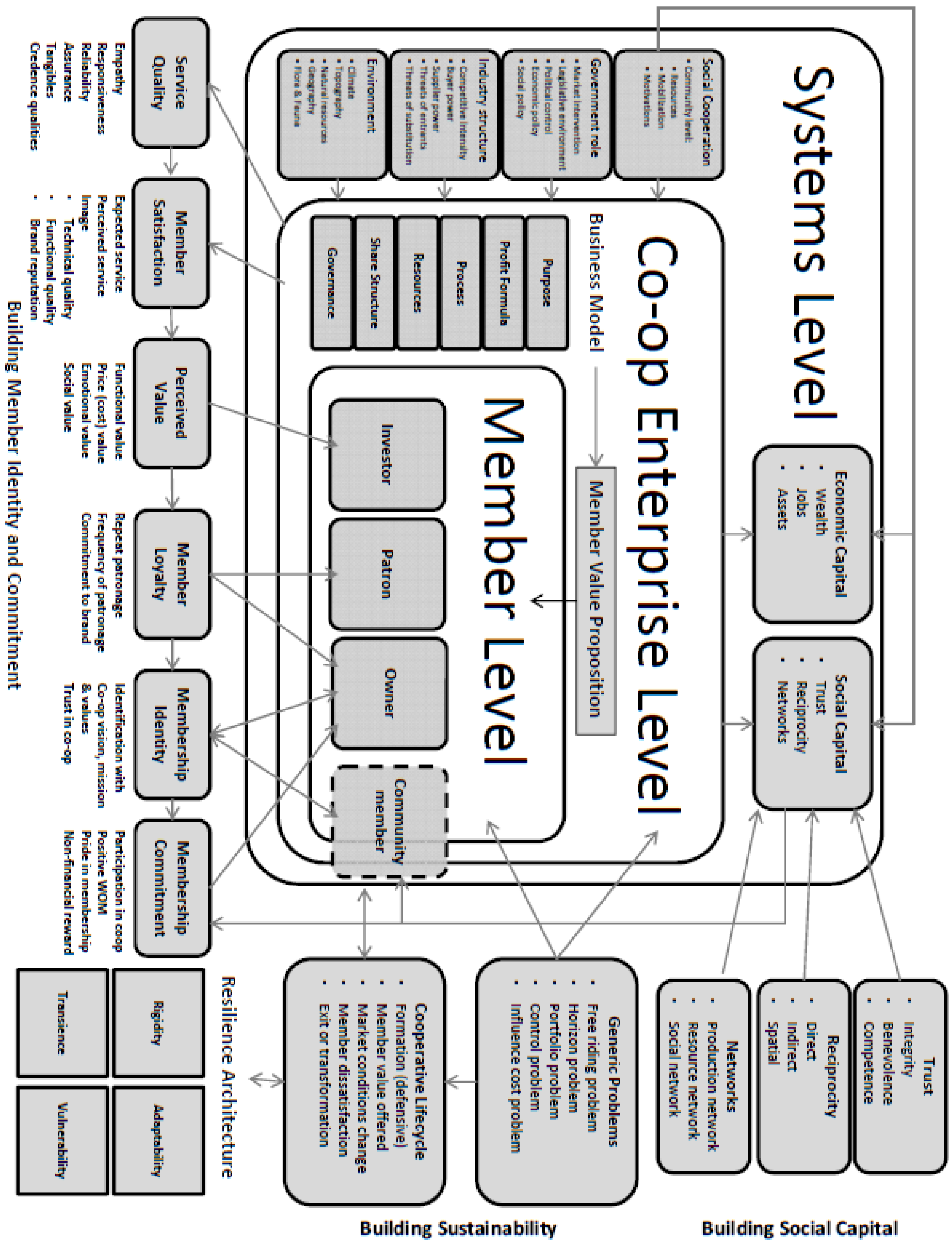

Figure 10.1: Conceptual framework of cooperative enterprise research (Mazzarol *et al.*, 2011:7)

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Cooperatives, social capital and performance

As already mentioned, cooperatives' main (but not exclusive) aim is to serve its members in terms of their economic needs. However, cooperatives can also serve an educational aim. The importance of education through cooperatives made its appearance during the age of the Rochdale Pioneers; with the memorandum of association stating that 2.5% of the cooperative's surplus should be spent for educational purposes. The leading members had realized that the lack of knowledge would act as an obstacle to the cooperative's growth. The fifth cooperative principle (provision of education, training and information) which, as already mentioned before is internationally recognized and aims to broaden each cooperative's educational impact on its members, can only be successful through the creation of a cooperative ideal and principles.

It should also be noted that their educational aims can target enhancement of their members' educational level on operating related issues or on culture. For this reason, in Germany, even though the cooperatives' principles refer only to the economic benefits, it is clear that they can develop not only educational but also recreation benefits, which add value to the community.

Through cooperatives, and of course though family businesses, small economies have the chance of creating a common enterprise system that will enable them to avoid their exploitation by those corporations that are financially superior. In this way, cooperatives prevent the marginalization of weaker social groups, contribute to the fight against inequality and help in the accomplishment of social equality (Kagiamis, 2003). Cooperatives and family businesses however, do not create only social cohesion but also help in the following ways:

- The participation and operation of cooperatives and family businesses in the market boosts economic democracy.
- Such types of organisation increase solidarity (within the economic environment), which in turn contributes to increasing public support in favour of solidarity and mutual aid.
- Participating in cooperatives helps people to improve their social skills as well as developing their personality, which is very important, especially if we consider that cooperatives' members could come from any social level/background.
- The participation of certain types of cooperatives or family businesses in the market, e.g. in agriculture, contributes to the achievement of lower prices than those that could be charged without their participation. It is worth noting that this is due to the cooperatives' operating system (or to the way family businesses operate) and not to the pricing policy itself. In the case of cooperatives, middlemen are not present, which benefits not only the members of the cooperatives, but also society.

One could argue that due to the different structure and nature of cooperatives, it is difficult to measure their social and/or economic impact. However, there have been efforts to capture the impact these types of organisation have. In an effort to identify the impact of Ugandan cooperative societies, Kyazze *et al.* (2017), linked their performance to their corporate governance, by investigating how monitoring rights, ratification of management decisions, innovation and policy compliance affect their social performance. Karthikeyan (2013) tried to measure the social performance of cooperative unions, using as a case study a farmers' cooperative in Ethiopia. By sending out questionnaires to the members of the cooperative, its employees and to the community it was serving, he concluded that the cooperative was a successful case and suggested that it could constitute a paradigm, as other cooperatives could also be successful by offering social benefits. Ruben and Heras (2012) also found a strong correlation between corporate governance policies and the performance of cooperatives in Ethiopia. This implies that if there was a standardization of the evaluation processes of these types of organisation in measuring their social impact, then they could more easily make a business case.

We now turn our attention to family businesses before moving on to consider accountability and governance structures in more detail.

Family businesses

The Institute for Family Business (IFB) estimate that almost 2/3 of UK business is family owned, of which 51% are medium-sized enterprises. These businesses contribute almost 25% of the UK's GDP and provide in the region of 36% of UK employment. As such it is important to understand what constitutes a family business and why it is necessary for them to demonstrate good accountability and governance to stakeholders and society.

The IFB states a firm is considered a family enterprise, if:

1. The majority of votes are owned by the person or persons who established the firm, or those who have acquired the share capital of the firm, or which are in the possession of their spouses, parents, child or child's direct heirs.
2. The majority of votes may be indirect or direct.
3. At least one representative of the family or kin is involved in the management or administration of the firm.
4. Listed companies meet the definition of a family enterprise if the person who established, or acquired, the firm (share capital) or their families or descendants possess 25% of the right to vote as mandated by their share capital.

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Examples of companies that fall into the family business category include the Swire group, which was established in 1816 and is still a family concern. Swire's activities span across several areas including the Cathay Pacific airline, marine investments and the property market. One of the UK's largest construction companies, Laine O'Rourke was established in 1967 and remains headed by Ray O'Rourke, the founder of the organisation. Laine O'Rourke has been involved in

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many large public sector projects including the construction of the facilities for the 2012 Olympic games held in the UK. Associated British Foods, (manufacturer of products such as Kingsmill bread, Patak's, Twining's Tea, etc,) is headed by George Weston, the third Weston CEO since the company was founded in 1935. Established in 1951 as a family business, Stemcor is one of the largest remaining steel manufacturers employing more than 1400 people. The majority of Stemcor's shareholding is still held by family members. Arnold Clark, Europe's largest car dealer, remains in the family of its original founder, Glasgow born Arnold Clark who received a knighthood for his entrepreneurial activity and contributions to society. Other examples include the Bestway cash-and-carry group, which was established in 1956 and the Specialist Computer Holdings (SCH Group) founded in 1975, both of which still hold family members in senior positions.

Family ownership could either be perceived as an opportunity or as a threat. If the controlling family and the company itself can provide reassurance to existent and/or potential investors, the fact that a high percentage of the shares are owned by a family can add value. There is a high probability that investors (creditors and shareholders) will examine in detail such companies before investing in them, due to the high risk of exploitation of other shareholders' rights by the controlling family. La Porta *et al.* (2000) have argued that there have been many cases in which family businesses are characterized by poor transparency and absence of fairness principles and accountability, which has resulted in the abuse of minority controlling shareholders. The key thing that investors are looking for, is reassurance that their interests will be addressed among the family ownership through an appropriate corporate governance strategy.

Family business and social capital

It is believed that family business can form an appropriate environment for the development of social capital (Coleman, 1988). According to Bubolz (2001:130) "the family is a source, builder and user of social capital". Family members learn how to trust other people (relatives) at a very young age. Family establishes moral behaviour and teaches its members coordination and cooperation, as well as being able to share (Bubolz, 2001). "Increased reciprocity and exchange reinforce the creation and use of social capital that stems from the dynamic factors of stability, interdependence, interactions, and closure common in families" (Arregle *et al.*, 2007:76).

One of the family's characteristics is the provision of stability to children (in terms of the period/time of influence it has upon its younger members), thus creating their very first grounds for socialization (Berger and Luckman, 1967), which enables family members to understand and enhance values that exist within a family. According to Bourdieu (1994:139, cited in Arregle *et al.*, 2007) "this understanding facilitates integration, cohesion and survival of the family unit". As already mentioned above, the interaction between family members throughout their lives, increases the level of trust and sharing values. This means that within the family environment, its members interact with one another; ideas such as solidarity and influence are clearly present. Therefore, unless certain exemptions (such as problems in the family environment), family members can learn how to operate as part of a team through devotion and generosity (Bourdieu, 1994, cited in Arregle *et al*., 2007).

It would not be realistic to say that there are no economic motives within the family and thus within the family business; family "has a patrimony that unifies family members while it simultaneously instils a competitive spirit among members" (Arregle *et al*., 2007:77). This means that the probability of a family business' survival is increased through the enhancement of its social capital, which clearly shows how family business can create a powerful form of social capital.

Organisational model and governance structures

Having considered the uniqueness of cooperatives and family businesses we now turn our attention to organisational models and governance structures within these entities. We begin by acknowledging that these organisations face the same accountability and governance problems and issues that appear in the other sectors covered earlier in this book. However, the governance structures in cooperatives have to facilitate the unique interaction that occurs between the membership and the management. Consider a simplified version of the model of cooperative governance, which is reproduced below.

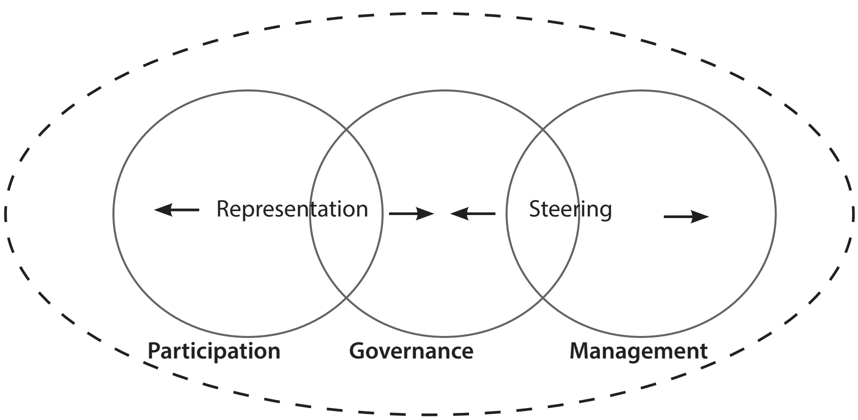

Figure 10.2: Overlaps between participation, governance and executive management. Adapted from the version in Mazzarol et al. (2011:16)

The model shows the interaction between members and management through the governance structures. In the participation sphere the members actively engage with their elected representatives to communicate what they need from the organisation. The members' representatives are then able to, through the committees that subsist within the governance sphere, bring these views to the attention of the organisation's management. Taking account of this representation, managers are then, within their own sphere of influence, able to steer the organisation according to the needs of its members. When seen like this, it becomes clear that the governance structures in cooperatives provide both a mechanism of accountability as well as a mechanism through which direction can be given to management. This added complexity makes it even more challenging to effectively theorise the cooperative model of organisation.

Cornforth (2004) has additionally identified the development of different models of accountability and governance, based on the level of ownership rights and their exercise by members, defined as (i) the compliance, (ii) partnership, (iii) democratic, (iv) stakeholder, (v) co-optation and (vi) 'rubber stamp' models which to varying degrees are relevant to both cooperatives and family businesses.

Specific to the sectors under investigation in this chapter, the organisational model should preferably be one in which a dedicated and enlightened membership votes for a board which will have responsibility for corporate governance and the associated formulation of strategy, policy and procedure, the direction of the business and the supervision of the executive management in the best interests of the membership. The executive management, in turn, carries out the decisions of the board capably but without usurping directorial power and without intruding into its policy-making privileges. However, some complications may arise with this model. LeVay (1983) notes that membership cannot be assumed to be homogeneous; on the contrary it may be heterogeneous, involving many individuals or groups with conflicting ideas and interests, making its purpose difficult to discern and deliver. The membership may be active or passive so that involvement in the affairs of the society may be weak or strong. If it is weak, the board may relax its vigilance, fail to monitor the needs of the members and allow the executive management to dominate, possibly to the extent of permitting it to pursue ends of its own rather than servicing the needs of the membership (LeVay, 1983). On the other hand, if it is strong, it may interfere too much with the executive management and inhibit or prevent the efficient running of the business (Helmberger and Hoos, 1962).

Who governs, board roles and relationships

Having considered organisational and governance structures we now turn our attention to 'who governs' and how the aforementioned theories can drive different board roles. Looking first at who governs and the tensions between representative and expert boards, it can be seen that boards have a difficult balancing act to perform. Taking into consideration the democratic perspective, and to some extent the stakeholder theory view, board members should be selected primarily for their desire to serve the membership, whereas from a stewardship theory view, board members should be selected for their expertise, experience and ability to add value to the enterprise. When examining 'who governs', board size, diversity and director selection processes, terms of engagement and performance evaluation are also important factors to consider. As an example, there is a need to balance directorial experience and organisational memory against recruiting new member talent that may have the ability to see the enterprise from a different perspective and present ideas that are novel, innovative and performance enhancing. In terms of board roles, it is important that board members participate actively and adopt a debating style that is transparent, enquiring and critical. With regard to board relationships with management, boards can benefit from the input of their managers by drawing on their professional experience, business acumen and associations to augment, inform and, in some cases, test the organisational strategy and direction.

Moving on to board roles and their particular emphasis, this is argued by Cornforth (2004) to be most evident in the opposition between agency and stewardship theories or, as Garrat (1996) has described it, the 'conformance' versus 'performance' role of boards. Again, it can be seen that boards have a difficult balancing act to perform. Boards must act in 'conformance' to the interest of owners/members while simultaneously working to add strategic decision-making 'performance' value. Boards therefore must determine how much time to allocate to each of these potentially conflicting roles, often with emphasis on one at the expense of the other.

From a closer examination of Cornforth's (2004) work, it is clear that boards face various important paradoxes in their accountability and governance roles (Cornforth, 2001, 2002, 2003). He notes that the different theories discussed before, when taken individually, are "rather one dimensional, only illuminating a particular aspect of the board's role2, leading to a demand for integration of the insights of these different theories in an effort to develop a new framework (either theoretical or conceptual) (Hung, 1998; Tricker, 2000). Cornforth (2004) claims that if someone takes into consideration all the different perspectives of the theories developed earlier, a new conceptual framework could potentially be developed which could enable boards to deal with the complexities/paradoxes mentioned earlier on. The framework developed by Cornforth for the contrast as well as the comparison of the different theories is provided in Table 10.1. The framework enables a comparison of the different theories in terms of whose interests they serve, who the board members should be, as well as what the role of the board is in each case.

Lastly, looking at board relationships with management, this, according to Cornforth (2004), is viewed quite differently between contrasting theoretical perspectives. Agency, democratic and stakeholder perspectives stress boards' need to control and monitor executive management, whereas stewardship theory emphasises the role of the board as a partner that collaborates with management to improve decision-making. Studies by Sundaramurthy and Lewis (2003) suggest that, when either control or collaboration is overly stressed, there is a risk of a separation of responsibilities or 'groupthink', respectively. Additionally, Kramer (1985) suggests that the relationship between a board and its executive management constantly shifts between consensus, difference and disagreement, depending on prevailing situations and circumstances. Further, as Mole (2003) has pointed out, tension and conflict seem most likely to occur when boards and senior managers have different expectations of their respective roles. To counter this, both board and executive management each need to know who should be doing what and why – essential to this is good bilateral communication.

Table 10.1: A comparison of theoretical perspectives on organisational governance

Theory	Interests	Board members	Board role
Agency theory	Owners/members and managers have different interests	Owners'/members' representatives	Conformance: safeguard owners' interests - oversee management - check compliance
Stewardship theory	Owners/members and managers share interests	Experts	Improve performance: add value to top decisions/strategy - partner/support management
Resource dependency theory	Stakeholders and organisation have different interests	Chosen for influence with key stakeholders	Boundary spanning: secure resources - stakeholder relations - external perspective
Stakeholder theory	Stakeholders have different interests	Stakeholder representatives	Political: balance stakeholder needs - make policy - control management
Managerial hegemony theory	Owners/members' and managers have different interests	Owners/members' representatives	Symbolic: ratify decisions - give legitimacy (managers have real power)
Democratic perspective	Members/the public have different interests	Lay/member representatives	Political: represent member interests - make policy - control executive

Having considered various organizational and governance structures and the who governs, role of the board and relationships we now turn our attention to examples that demonstrate the consequences of poor governance and accountability structures and the importance of the public's trust.

Scandals and public's trust

As mentioned earlier in the chapter, cooperatives and family businesses have not managed to remain immune from scandals over the years. Scandals within family businesses include the Gucci[1] case, where family disputes concerning murder, madness, glamour and greed were all over the news, as well as the case

1 http://abcnews.go.com/Entertainment/story?id=115639

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of Dassler Brothers[2], who back in 1924 created a shoe company but later, due to tension between the brothers, two different brands were created (Adidas and Puma). Among the scandals that have led to public's mistrust of cooperatives are: the case of Umbrella Co-op in Angkasa, where there were allegations about misuse of funds, the 24 Deposit-Taking Co-ops Scandal, where directors were accused of using the cooperative's funds for their own benefits (to buy land), the Malay Officers Cooperative Credit and Investment Society, where the cooperative was unable to pay salaries and refund its members. So, can these organisations justify the public's trust in them? The answer is yes. Initiatives can be taken to promote the work of these sectors. The impact they have on society and communities could be highlighted to increase public's trust.

One example is the European Confederation of Cooperatives[3] (CECOP-CICOPA), an association founded in 1979, which highlights the importance of industrial and service cooperatives. In one of their recent case studies, they indicated what impact the creation of a farming cooperative had in Italy. The impact study was not based on numbers and figures; rather the cooperative was created with a view to "introduce modern farming methods and new productive activities to restore dignity and value to people through the creation of a social economy, to promote respect for the environment and to develop people's awareness and consumption of local products" (CECOP, 2017). In a world where people have started questioning things requiring transparency and increased accountability, the way businesses can make their case is through evidence of the impact they have on the society. The Committee for the Promotion and Advancement of Cooperatives (COPAC) highlights the people-focused nature of cooperative enterprises, and emphasises the principles of voluntary and open membership which underlie the cooperative movement. It further emphasises democratic member control and member economic participation as being essential features to ensure trust and transparency. These agencies promote and support cooperatives as they provide a valuable space where all people, regardless of race, gender, culture, social background or economic circumstance, can meet their needs and build better communities (CECOP, 2017).

With respect to family businesses the owners have an emotional stake as well as a financial one invested in the business. The implication of this is that there will usually be a preparedness to work through hard times, a desire to make the business work and an innovative and entrepreneurial spirit to ensure the growth of the business with a view to handing it over to the next generation of the family. An example of a successful family owned business that achieved remarkable

2 http://www.punditarena.com/other-sports/lcairns/dassler-brothers-german-giants-sporting-equipment/

3 It affiliates 26 members in 15 European countries including organizations promoting cooperatives and national confederations or federations of cooperatives representing 50,000 enterprises employing 1.3 million workers. CECOP it is a sectoral member of Cooperatives Europe, the regional organisation of the International Cooperative Alliance (ICA).

growth and success is the Korean consumer electronics giant Samsung which was founded in 1938 by Lee Byung-chul and has grown from its humble beginnings to one of the world's largest electronics providers. Maintaining trust within family business requires determination and positive action. The members must agree on the business strategies and goals, establish and maintain policies and rules regarding working arrangements and compensation plans and act to sustain and build social relations through family retreats or engagement in service projects. To aid them in this endeavour they can recruit external support such as facilitators or councillors to help manage sensitive aspects of the business. Likewise, they can establish a board of directors included in which external expert advisors.

Summary

This chapter has considered two economic sectors, cooperatives and family businesses, and has outlined how they differ from public and private businesses, which exist to produce goods or services in the public interest or to maximise the profits of their owners, respectively. In contrast to public and private companies, the main purpose of a cooperative is the advancement of its members and not the pursuit of public interest or economic gain. Both cooperatives and family businesses face similar governance and social accountability problems to other sectors of the economy. Theoretical perspectives, social capital and performance, organizational and governance structures emphasise the complexity of establishing good governance and social accountability policy and procedures. An analysis and discussion of the perspective of 'who governs'; board roles and board relationships with management; board size and director selection processes; the importance of board members' participation and the input of managers have also been examined. There is no one size fits all approach to ensuring good governance and social accountability. However, initiatives could be taken to promote the work of these sectors. The impact they have on society and communities could be highlighted to increase public's trust.

Discussion questions

1. How do cooperatives and family businesses add value to communities?
2. How can they create social capital out of the money invested in them?
3. Can cooperatives and family businesses measure their social performance and make their business case?
4. How can cooperatives and family businesses justify the public's trust in them?

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