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# Ongoing Research Issues. Governance, Identity and Ethics in Education

Compiled by Olive McCarthy

Summaries of papers from abstracts selected of papers the XXI International Co-operative Alliance, Co-operatives Research Conference, held in University College Cork, 2005 for readers of the journal.

## Governance

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### ***Governance Mechanisms in Portuguese Agricultural Credit Co-operatives***

Co-operatives are present in almost all sectors of the economy. Portuguese agricultural credit Co-operatives (ACCs) have played a significant role in the national banking system. In terms of branches, today, they are the second largest national banking network with a standalone brand. Like other co-operatives, ACCs are complex units relating decision-making and control processes, with a deviant ownership structure and a deviant control structure deriving from the organizational goal: to provide the best service to its members without profit.

In western countries, the specific mission of co-operative banks is no longer defined by the situations of abuse or absence of services as the initial conditions. Members now experience their relations with their co-operative in a highly evolved competitive environment offering choices as much at the individual levels as at the level of collective action. In this context, has particular importance how the governance of these units is exercised. The main objective of this paper is to explain the governance mechanisms in the ACCs. To achieve this goal we collect data from ACCs specific legislation, official reports (financial statements and others). Afterwards, we analyse how this governance mechanisms perform, using an econometric model. So, we estimate a multinomial logit where the dependent variable reflects the several different situations of governance intervention: no intervention, board of directors' change, replacement of the chairman, merger or regulators' intervention. As explanatory variables, we used some financial ACCs performance: bad loans, administrative costs, financial margin, ROA and leverage.

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### ***Board composition of Swedish social enterprises: Governance theories vs. co-operative philosophy***

This paper contains research results from 15 Swedish Work Integration Social Enterprises in the field of board composition. Adapting two contrary governance theories, – namely resource dependence theory and multi stakeholder theory – for the specific situation of Swedish social enterprises, a hypothesized board composition with external members (outsiders) was to be expected. The research shows that in contrast to this expected outcome, only 40 % of the sample had an externally recruited board. 9 out of 15 (60 %) social enterprises opted for an insider board without external board members, in compliance with co-operative philosophy, principal agent theory and Swedish association law. One way of merging possible performance advantages for social enterprises (according to the resource dependence theory) and co-operative principles could be a specific board composition: internal association members as ordinary board members with voting rights and outsiders as external adjunct board members without governance power.

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### ***Corporate Governance And Self Regulation In Credit Unions: The Role Of Credit Union Supervisory Committees 1997-2002***

The supervisory committee occupies a position in the corporate governance structure of Credit Unions similar to that of non-executive directors or audit committees in the publicly listed company sector. During the years covered by this study, supervisory committees gained a much higher profile in the Credit Union movement than they had previously held, culminating in the founding of a new needs-based national support organization, The Supervisors' Forum.

This paper reports on a study which identifies the issues of concern to the supervisory committees in the earlier years of the study. The study also shows that many of the earlier concerns of supervisory committees appear to have been addressed and resolved in the period of the study. The study also reveals that though supervisory committees are very active in the performance of their duty, a substantial

gap exists between this duty performance and the level of reporting compliance as required by the Credit Union Act (1997).

## Values and identity

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### ***How Consumer Co-ops Compete by Preserving Community Identity: Case of Tsuruoka Co-operative***

Consumer co-operatives are facing increasingly tougher competition everywhere. The principal competition has been fought in the economic term; i.e. how to improve productivity to lower the cost/price but they are also competing by demonstrating the social and cultural differences. Especially the co-ops in the rural area are more deeply rooted in communities in comparison with ones in the large megalopolis where the rootless metropolitan culture prevails. Here I'd like present an example of Tsuruoka Co-operative where Han groups were invented in 1950's.

Tsuruoka Co-operative is located in the rice belt in the north of Tokyo. Although it is operating retail stores and joint buying through Han groups in local cities and rural areas with shrinking population, it is not weivered from competition by nationwide chain stores like Aeon. It is pooling its buying power in the Consortium together with Miyagi Co-operative and Iwate Co-operative. It is also consolidating its store operations by discontinuing the unprofitable ones. Its competitive edge is being developed by the direct transaction with producers (Sanchoku). It is collaborating with agricultural co-operatives under the slogan 'Consume locally grown produce'. It also features 'Today's catch from seashores' brought by fishery co-operatives. Thus it is encouraging co-operative linkage to the local economy.

To cope with the rapidly aging population, it has made efforts to create the community based on health-medical-welfare network. Tsuruoka Co-operative and Shonai Medical Co-operative had developed long-standing collaboration. They have collaborated in running the fitness centre and rehabilitation hospital. They jointly created social welfare corporation to run day care facilities. They also created business co-operative to run service house. They provided man power to run these facilities while worker co-operatives provides home care services. Their membership basis is largely overlapping and they are planning to have common member relationship officers.

These practices can be described as co-operative community as advocated by Dr. Laidlaw. But there are

some shortcomings; weak links with local authorities and nonprofits, and lack of participation of women's leaders. If they can solve these problems, they will become a model for co-operative community regeneration.

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### ***New Generation Co-op; Limited Liability Corporation, Value-Added, and Demutualized. What is still "co-operative" about American agricultural co-operatives?***

Many American agricultural marketing and farm supply co-operatives were created during the 1930's and 1940's in response to poor services or unfair prices. This exploitation led agricultural economist Edward Nourse to formulate a model of co-operative organization popularly called the "competitive yardstick." Developed in 1945, this model established co-operatives and other firms as adversaries, a cultural message which persisted until the end of the 20th century.

The contemporary phase of co-operative culture and economics is the "value-added" co-operative. The economic importance of consumer-branded products has led co-operatives to develop a less adversarial, more participatory, open culture. Other firms or outside investors are now a part of co-operatives through joint ventures, limited liability corporations (LLC's) or subsidiaries. New generation co-operatives or investment vehicles like the preferred non-voting stock offered by CHS, Inc. (St Paul, MN) bring capital from non-farm investors into the co-operative. Co-operatives may even de-mutualize to gain further access to capital.

Considered within this paper is the extent to which available case studies and interviews suggest that these new organizational forms represent an irreversible "creeping privatization" within American co-operatives. Cook (2004) suggests that co-operatives should be viewed as elastic organizations who can transition from representing producers with a similar commodity interests to representing investors whose only similarity is maximizing return on investment (ROI). This view suggests that co-operative and corporate culture will eventually overlap. We take a less predetermined view of co-operative evolution in part based on our study of the demutualization of California-based avocado co-operative Calavo (Stanford and Hogeland (2004).

We hypothesize that globalization and free-market economics (neo liberalism) may indeed force co-operatives to become more profit-oriented or

corporate, but only after passing a certain cultural or economic “threshold” does the decision to convert seem inevitable. Our study uses interviews and case studies drawn from traditional, hybrid, or converted co-operatives to predict and explain where co-operative culture has come from and how it will unfold.

## Ethics and consumer education

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### ***The teaching of co-operation in the web. The values of co-operation meet hacker ethics?***

In recent years the interest of the researchers of e-learning has shifted from technology towards the elements that promote and prevent the meaningfulness of e-learning and especially towards the possibilities of learning in groups and the construction of knowledge. In practice this has led to national research publications introducing different results and lists of the features of meaningful e-learning or pedagogic usability (Nevgi & Tirri 2003; Horila, Nokelainen, Syvänen & Överlund 2002.) However, the future trend of the research of web pedagogy is the evaluation of societies where the common construction of knowledge and problem-based learning with the so-called open code is common, and the transferring of these practices into e-learning.

Examples of this can be found for example among Finnish enterprise hatcheries like Tiimiakatemia or Intotalo or in the process of the Linux operating system, created by Linus Torvalds. Pekka Himanen writes in his book “Hacker ethics and the spirit of the information time” (2001) about hackers, for whom the starting-point of the work is a problem meaningful to themselves. A hacker publishes this problem to other hackers and usually attaches to it his own solution of

solving the problem, which other hackers can freely use (deliver, test and develop). What is interesting, is that this description has a connection to the principles of co-operation, presented by ICA for the 21st century.

These include for example voluntary and open membership, democratic administration of the members, independence, education, learning and communication and co-operation between co-operatives (Pättiniemi & Tainio 2000). Are the employees of a functioning co-operation hackers at best, how about the students of co-operation in the web? A lot of the same elements (e.g. concern for community, networking, member participation, democracy) can be found in the literature on meaningful e-learning and the principles of co-operation. The study of e-learning, which is partly marking time, is being directed towards societies, whose operations models have a clear connection with co-operative enterprises. All these are a rationale for the mapping out of the principles of successful e-learning and co-operation and for describing and studying the concrete junction of these, the e-learning of co-operation.

The target group of the study were the students who have taken part in the Study COOP training of the Ruralia Institute of the Helsinki University. Most of the students were the teaching personnel of the Mikkeli Polytechnic and the Pieksämäki unit of the Deacon Polytechnic. The further education course started in September 2004 and ended in April 2005. The students of the course were asked permission for the study. The course included three different web cycles, from which information was gathered by web questionnaires and the course of the web discussion was also analysed afterwards. In addition to that, research material was collected from the university-level web course in October to December 2004.