



HAL
open science

Measuring democracy in cooperatives

Adélie Ranville

► **To cite this version:**

| Adélie Ranville. Measuring democracy in cooperatives. 2018. halshs-03167609

HAL Id: halshs-03167609

<https://shs.hal.science/halshs-03167609>

Preprint submitted on 12 Mar 2021

HAL is a multi-disciplinary open access archive for the deposit and dissemination of scientific research documents, whether they are published or not. The documents may come from teaching and research institutions in France or abroad, or from public or private research centers.

L'archive ouverte pluridisciplinaire **HAL**, est destinée au dépôt et à la diffusion de documents scientifiques de niveau recherche, publiés ou non, émanant des établissements d'enseignement et de recherche français ou étrangers, des laboratoires publics ou privés.



Distributed under a Creative Commons Attribution - ShareAlike 4.0 International License

Measuring democracy in cooperatives

Working Paper – Adélie Ranville

Measuring democracy in cooperatives

The democracy within cooperative is generally defined by the principle “one member, one vote”, one of the principles inscribed in the declaration on the cooperative identity by the Cooperative International Alliance. However, measuring democracy in cooperative is a problem that is incompletely addressed. The first measurement of democracy is usually the cooperative legal statute by itself, it is used especially in studies comparing cooperatives with firms having another ownership form (Bruque, Moyano, Vargas, & Hernández, 2003). But the statute is not enough and cooperatives can be criticized for their lack of “real” democracy even when their statute is respected.

Then other studies have tried to question democracy within cooperatives through the concept of participation. Most of them try to explain the level of participation, or to measure the effect of participation on performance. However, the concept of participation is not measured in a single way and usually mix various dimensions such as economic participation, membership (Estrin, Jones, & Svejnar, 1987), control, ownership (Kyriakopoulos, Meulenberg, & Nilsson, 2004), member’s perception of their participation (Österberg & Nilsson, 2009), and other factors like trust, loyalty and motivation to participate (Verhees, Sergaki, & Van Dijk, 2015; Xiang & Sumelius, 2010).

It is not surprising under these circumstances that the determinants and consequences of democracy within cooperative remains unclear. In this paper, I try to redefine democracy in the context of cooperative and to operationalize its measurement.

Proposed improvement in the definition and measurement of democracy in cooperatives

Taking insight from political sciences

The first issue with actual measures of democracy and participation is a definitional one since various dimensions are mixed. Existing definitions from political sciences and the definition of democracy at a state level can be a good start to define democracy in a cooperative : the definition of democracy is still controversial but it usually include political rights (voting, institutions reflecting the voters preferences...), civil liberties (media, public discussion, non-discrimination...), social rights (property, travel, family...), socioeconomic rights (freedom from socioeconomic inequalities, corruption...) (Gastil, 1990). In table 1, I transpose different dimensions of state democracy at the cooperative level. However, not all dimensions of democracy at the state level are relevant at the organisational level. I address the questionable transpositions in the next paragraphs.

Table 1 – Comparison of dimensions of democracy at the state and cooperative level

	State level	Cooperative level
Who can participate ?	All adults in a given geographical area	Members
How to acquire "citizenship"	Nationality (by blood, residence, birth...)	Rule to access membership: -Who can be a member? -Which amount of co-op share do the member have to take? -Which rules to validate entry? (Automatic validation, co-optation ?)
Political rights	All citizen can vote	Every member can vote
Political rights	All citizen are eligible for public office	All members can apply to
Political rights	Right for leader to compete	Multiple candidates possible
Political rights	Free and fair election	No trouble during the elections
Political rights	Institution for making policy depend on vote	The voting system allows a representation of members
Contestation	Significant opposition vote	Vote against propositions of the general meeting
Contestation	Recent shift in power	Rotation of board members/CEO
Information	Freedom of expression	Open communication
Information	Alternative sources of information	Transparency, sharing information
Participation	Vote turnout	Vote turnout
Participation		Number of candidates VS number of available seats
Participation		% of members among eligible members OR % of transactions realised with members

Pluralism and democracy within cooperatives

In the measure of state democracy, there is often indicators reflecting the pluralism within democratic regimes (significant opposition vote, multiple parties, recent shift in power). This may not be necessary to assess democracy within cooperatives. Pluralism is necessary at the state level because as everyone is by default a state citizen, the society is necessarily a heterogeneous group and the absence of pluralism may reflect the domination of one group over the others. One essential difference between a state and an organization is the freedom to enter and exit the organization (R. Phillips, 2003; R. A. Phillips & Margolis, 1999). Cooperative members freely choose to become members (it is the first in fact the first principle of the Cooperative International Alliance), then a cooperative can logically be a homogeneous group with a high level of consensus without being non-democratic. For this reason, I choose not to include indicators reflecting oppositions and conflicts to assess democracy within cooperative.

Freedom and cooperatives

Membership freedom is a cooperative principle but it is not necessarily effective. The cooperative can be the only way to access some specific economic resources, for example the export market for developing countries' farmers, or government grants (Olson, 2009). But this problem depends on a different level of analysis, the constraint doesn't come from the cooperative itself but from its position in the environment. Then I suggest that the freedom of exit or economic dependence

regarding the cooperative is not a dimension of democracy at the level of the cooperative but could be an interesting independent variable affecting it.

Legitimate membership in cooperatives

Democracy at the state level include all adults as citizens (with some exceptions). Then another question linked to the freedom of association and democracy within cooperatives is the definition of who can be a member. Despite the recent apparition of multi-stakeholder cooperatives like the SCIC in France (Bécuwe, Chebbi, & Pasquet, 2015), most cooperatives only have one type of stakeholder (workers, suppliers, consumers...). Then we should ask whether cooperatives should be a “stakeholder democracy” (Matten & Crane, 2005). Should every stakeholder be involved in decision-making? I argue that it is not necessary. The aim of state democracy is to balance power relations within society. A cooperative can exist precisely to federate weak actors and balance the power exerted by another stakeholder within the existing system. For example, some farmers grouping to get more market power and negotiate with a wholesale buyer. But here again, the question is to know whether the cooperative contribute to economic democracy at a higher level and not only at its organizational level, then I choose not to consider this dimension in the definition.

Proposed definition

Formal democracy at the organisational level

We can first define democracy within cooperative by the democratic rule that they formally apply, these rules can be considered as the “constitution” of the cooperative and we can evaluate if they respect democratic principles:

- Membership can be reserved to a particular category of people/enterprise but all actors of this category are allowed to be members
- New member’s application cannot be rejected by a minority of members
- All members can vote and apply to board mandate
- Multiple candidates can apply to be elected
- The voting system allows to represent the member and the elected members have effective decision power

We can also ad indicators concerning participation of members that are necessary for these rules to be applied :

- The vote turnout is satisfactory
- There is enough candidate to elected positions

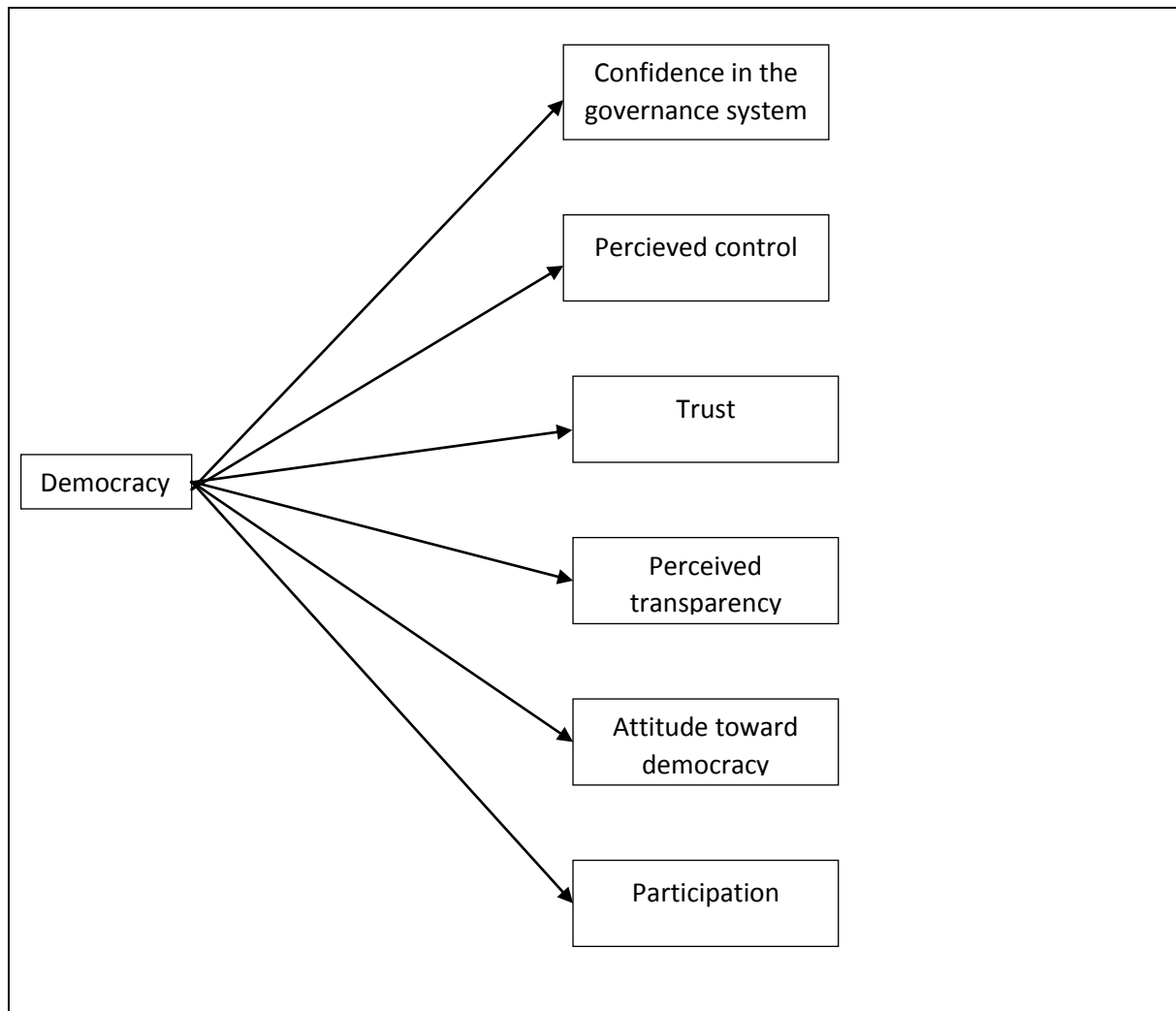
These elements can be assessed by looking at to statute, rules and regulation and general meeting minutes. But democracy is not only these formal procedures and in the following sections I propose a questionnaire to measure the subjective assessment of democracy within a cooperative.

Democracy at the individual level

I propose to measure democracy at the individual level through 6 dimensions: confidence in the governance system, perceived control, trust, perceived transparency, attitude toward democracy and participation. I assume that democracy is a reflective construct and that these dimensions can measure.

The previous studies often mixed these dimension or tried to explain one with another. But I make were the hypothesis that they are dimensions of one construct. They are expected to covariate and

the antecedent and consequences should be explained by other factors. However, the results of the actual research are not clear enough to allow us to test for this nomological validity.



Item elaboration and pre-test

Pre-test

As it was difficult to reach real cooperative members, I conducted a first pre-test on 10 Phd Student, asking them to respond as if their employer (school) was a cooperative. The questionnaire was administrated online. The Inter-item reliability test (Cronbach's Alpha) reported is based on this pretest. (xpect when other information are given, all items are 5pt Likert scales.

Confidence in the governance system

The first dimension I considered was the general perceptions of the cooperative's governance by the members. For this I item from Kay and Jost's (2003) scale measuring perceptions of the fairness, legitimacy, and justifiability of the prevailing social system. As the item was designed for a country, some items (4 and 6) were deleted and other items inspired by previous studies were added.

Original Items	New items
1. In general, you find society to be fair. 2. In general, the _____ political system operates as it should.	1. In general, I find the cooperative fair. 2. In general, the cooperative governance operates as it should.

<p>3. _____ society needs to be radically restructured. (r)</p> <p>4. The _____ is the best country in the world to live in.</p> <p>5. Most policies serve the greater good.</p> <p>6. Everyone has a fair shot at wealth and happiness.</p> <p>7. Our society is getting worse every year. (r)</p> <p>8. Society is set up so that people usually get what they deserve.</p>	<p>3. The cooperative needs to be radically restructured. (r)</p> <p>4. The board members are taking good decisions.</p> <p>5. Most decisions within the cooperative serve the greater good.</p> <p>6. The governance causes too many problems and should therefore be replaced by another way of governing the cooperative.</p> <p>7. The cooperative is getting worse every year. (r)</p> <p>8. The cooperative is set up so that people usually get what they deserve.</p> <p>9. The cooperative governance is satisfactory.</p>
---	--

Cronbach's Alpha coefficient for this new scale was 0,86.

This question concerning the cooperative in general were placed first in the questionnaire to avoid part-whole halo effect on other dimensions that were more specific.

Perceived control

A democratic organization is supposed to be controlled by its members. The second dimension is therefore the member's perception of their own control over the decisions within the cooperative. I did not find any existing scale, and proposed new items:

1. The individual members cannot influence the enterprise's decisions since it is the CEO and the elected representatives who decide. (r)
2. Today, the board and CEO usually govern the cooperative in their own way, without caring about what the members think. (r)
3. If members take part in the cooperative democracy, they can influence the management of the enterprise.
4. The governance of the cooperative is democratic.
5. As a member I can influence decisions and the development of the cooperative's strategy.
6. If I participate in the cooperative's democratic processes, I can influence the cooperative.

Cronbach's Alpha coefficient for this new scale is 0,75. It increased to 0,81 with the deletion of the first item.

It is possible that item 1 contains a paradox because some members can think that they influence decisions through their representatives, it is even the purpose of representative democracy. This item should them be deleted or replaced.

Trust

I used two scales to measure trust within the cooperative.

Below are listed a number of stakeholders of your cooperative. Please indicate how much confidence you have in each one.

1. The board members
2. The cooperative's employees
3. The cooperative's top management
4. The other members

To what extent do you agree (or disagree) with the following statements:

5. I have trust in the elected representatives of the cooperative
6. I have trust in other members of the cooperative
7. I have trust in the cooperative's CEO
8. I have trust in the cooperative's employees

Cronbach's Alpha coefficient for this new scale is 0,78.

Perceived transparency

There was no existing scale to measure member's perception of information sharing within the cooperative. Then I propose the following items.

1. It is difficult to get informed about the cooperative. (r)
2. It is difficult to follow-up on directors' decisions. (r)
3. It is difficult to understand the cooperative's business results. (r)
4. The cooperative does not communicate enough information to its members. (r)
5. If members want to know something about the cooperative, they will easily find an answer.
6. The cooperative is transparent and shares all relevant information with its members.
7. Members are sufficiently informed about what's going on in the cooperative.

Cronbach's Alpha coefficient for this new scale is 0,86.

Democratic culture

This dimensions is based on two existing scales used in the World Survey Value and used to build state democracy index : the Democracy-autocracy preference (DAP) scale which measure the preference for a democratic government compared to other political systems and the Democratic performance evaluation (DPE) that measure the perception of the compatibility between economic performances and democracy (Ariely & Davidov, 2011). The scales are adapted to work in the context of a cooperative.

Below are listed various decision-making systems. How would you evaluate each as a way of governing this cooperative?

DAP scale	Adapted scale
Having a strong leader who does not have to bother with parliament and elections.	1. Having a strong leader who does not have to bother with boards or elections. (r)
Having experts, not governments, make decisions according to what they think is best for the country.	2. Having experts make decisions according to what they think is best for the cooperative. (r)
Having a democratic political system	3. Having a democratic governance

	system.
Having the army rule	

DPE scale	Adapted scale
In democracy, the economic system runs badly	1. With a democratic governance, the economic aspect of the cooperative is poorly run.
Democracies are indecisive and have too much quibbling	2. Democratic governance makes people indecisive and causes too much quibbling.
Democracies aren't good at maintaining order	3. A democratic governance is not good for efficient organizing.
Democracy may have problems but it's better than any other form of government"	4. Democracy may have problems but it is better than any other form of governance.

Cronbach's Alpha coefficient for the adapted scale (mixing DAP and DPE) was 0,68.

This could appear satisfying; however the last item of each scale do not covariate well. Cronbach's Alpha for the DAP scale alone is 0,41, and 0,82 if the last item is deleted. And the alpha coefficient for the DPE scale alone is 0,49, and 0,85 if last item deleted.

We have also theoretical reasons to think that these item could be split in different dimensions. If technocracy and strong leadership are generally seen as incompatible with democracy at the state level, it is maybe not the case at the organizational level. The question of interaction between democratic governance and organisational culture should be further investigated.

Participation

As explained earlier, the definition of participation is very fuzzy in the literature. I propose here to restrict it to a behavioural dimension: member's action affecting decisions within the cooperative. To facilitate self-report of this behaviour, I propose items that are specific and I ask people about their recent behaviour (past 3 months). This kind of self-reporting could be subject to social desirability bias (moral duty to participate), however I think that the behavioural items I propose are not very threatening and constitute a more reliable measure of participation compared to existing measures focusing on perceived participation or commitment.

1. Did you attend the cooperative's most recent annual meeting? (Y-N)
2. Did you vote at the last general meeting? (Y-N)
3. Did you read the documents circulated regarding the last general assembly? (Y-N)

4. Of the following actions, please select all you have performed at least once over the past 3 months.

- Read information provided by the cooperative
- Read information about the cooperative in the medias
- Talked about the cooperative with an employee of the cooperative
- Talked about the cooperative with other members of the cooperative
- Attended a meeting of the cooperative (other than a general meeting)
- Attended an event linked to the cooperative

5. Have you ever applied to be a board member of this cooperative? (Y-N)

6. Have you ever been a member of the cooperative's board? (Y-N) For how many years?

These different items should then be scored and converted into a 5 pt likert scale like other constructs.

Recommended mode of administration

Computer-based administration gives a better control over the questionnaire flows, allows to preserve confidentiality, minimize the social desirability bias that could occurs with oral administration, and reduce administration costs as it can be organized by the cooperative and give online answers.

To administrate the questionnaire, I would recommend to do it through a computer or tablet accessible during an event of the cooperative for example at the end of the general assemble. This should allow a good response rate since members can be directly solicited and avoid at the same time the bias of social desirability and confidentiality problems that could occurs with an oral mode of administration. To reach the members that were not present, the questionnaire could be send by e-mail. I would recommend to administrate the questionnaire just after the general assemble, that way informations concerning participation will be more recent in the mind of the respondents.

Discussion

Democracy is a complex and understudied construct at the organizational level. In this paper I proposed a clarification of the possible dimensions of this construct and corresponding new measurement scales. Most of them seems reliable but further tests and research are needed to refine the measurement and assess the nomological validity of this construct.

References

- Ariely, G., & Davidov, E. (2011). Can we Rate Public Support for Democracy in a Comparable Way? Cross-National Equivalence of Democratic Attitudes in the World Value Survey. *Social Indicators Research, 104*(2), 271- 286. <https://doi.org/10.1007/s11205-010-9693-5>
- Bécuwe, A., Chebbi, H., & Pasquet, P. (2015). La SCIC est-elle une solution à l'inégalité des parties prenantes ? *La Revue des Sciences de Gestion, (269- 270)*, 35- 43.
- Bruque, S., Moyano, J., Vargas, A., & HernÁNDEZ, M. J. (2003). Ownership Structure, Technological Endowment and Competitive Advantage: Do Democracy and Business Fit? *Technology Analysis & Strategic Management, 15*(1), 65- 79. <https://doi.org/10.1080/0953732032000046051>
- Estrin, S., Jones, D. C., & Svejnar, J. (1987). The productivity effects of worker participation: Producer cooperatives in Western economies. *Journal of Comparative Economics, 11*(1), 40–61.
- Gastil, R. D. (1990). The comparative survey of freedom: Experiences and suggestions. *Studies in Comparative International Development (SCID), 25*(1), 25–50.
- Kay, A. C., & Jost, J. T. (2003). Complementary Justice: Effects of « Poor but Happy » and « Poor but Honest » Stereotype Exemplars on System Justification and Implicit Activation of the Justice Motive. *Journal of Personality and Social Psychology, 85*(5), 823- 837. <https://doi.org/10.1037/0022-3514.85.5.823>
- Kyriakopoulos, K., Meulenbergh, M., & Nilsson, J. (2004). The impact of cooperative structure and firm culture on market orientation and performance. *Agribusiness, 20*(4), 379- 396. <https://doi.org/10.1002/agr.20021>
- Matten, D., & Crane, A. (2005). What is stakeholder democracy? Perspectives and issues. *Business Ethics: A European Review, 14*(1), 6–13.
- Olson, M. (2009). *The logic of collective action* (Vol. 124). Harvard University Press.
- Österberg, P., & Nilsson, J. (2009). Members' perception of their participation in the governance of cooperatives: the key to trust and commitment in agricultural cooperatives. *Agribusiness, 25*(2), 181- 197. <https://doi.org/10.1002/agr.20200>
- Phillips, R. (2003). *Stakeholder theory and organizational ethics*. Berrett-Koehler Publishers.
- Phillips, R. A., & Margolis, J. D. (1999). Toward an Ethics of Organizations. *Business Ethics Quarterly, 9*(04), 619- 638. <https://doi.org/10.2307/3857939>
- Verhees, F. J., Sergaki, P., & Van Dijk, G. (2015). Building up active membership in cooperatives. *New Medit, 14*(1), 42–52.
- Xiang, L. Y., & Sumelius, J. (2010). Analysis of the Factors of Farmers' Participation in the Management of Cooperatives in Finland. *Journal of Rural Cooperation, 38*(2), 134.