The Structural, Support and Ideological Factors that Encourage the Creation of Cooperative Enterprises

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ABSTRACT

In the last six to eight years, the number of cooperatives created in traditional sectors - for example, the financial and production sectors - has decreased in Quebec. However, the reverse is true of the new service sectors such as the home care sector for elderly people. This empirical research attempts to answer two questions: How are cooperative enterprises created in new sectors, especially service sectors, and why is the cooperative formula chosen? Ten cooperative enterprises created in sectors where cooperatives are not normally found were studied. Four were consumer cooperatives and six were worker cooperatives. A number of creation phases were identified in each group. For the consumer sectors the phases were: 1. Need identified; 2. Need clarified; 3. Structured solution; 4. Obstacles; 5. Creation; 6. Start-up. For the worker cooperatives they were: 1. Need/crisis; 2. Scenarios; 3. Creation; 4. Start-up. These various phases are described and explained. The important role played by the “champion” is noted, as is past exposure to the cooperative formula. The consumer cooperatives created in new service sectors occupy a section of the market that is often not profitable enough to attract private enterprise but too costly for the state to operate. These new forms of cooperative enable communities to provide the services they need at a much lower cost than would be possible for the public sector. The difficulties of creating a cooperative, together with the special features of their management, are discussed.

INTRODUCTION

The number of new cooperatives created annually in Quebec has declined in recent years, but their size and their presence in new service sectors has increased. For example, they are becoming increasingly common in the field of home-based care for the elderly. Ten years ago Quebec had no cooperative enterprise in the ambulance sector. Today, however, cooperatives control 15% of the market, and the sector leader is a cooperative created in 1988 which now employs more than 200 people.

By the end of 1995, Quebec had 3,383 cooperatives in all, employing a total of 58,987 people. Some 1,318 of these cooperatives were part of the Desjardins financial group, and they employed 35,000 people. Between 1986 and 1995 inclusively, some 1,300 new cooperatives providing nearly 16,000 new jobs were created. However, most of them were created in the early part of the period, and the last four years saw the creation of only 500 new cooperatives and 2,000 new jobs. While the traditional cooperative sectors have peaked and are beginning to decline, interest in cooperatives in new sectors seems to be growing. The cooperative formula is seen increasingly as an innovative solution to many social problems.

Quebec has a total of seven million inhabitants. If the above figures are transposed into the United States context, they would give the equivalent of 17,500 new cooperatives and 70,000 jobs created in five years. The survival rate of cooperatives is more than 50% after ten years, and the cost of each job...
created is just $2,500, compared with $4,000 in the small business sector and $400,000 in the corporate sector. The economic performance of cooperatives is therefore quite significant.

The purpose of the research was to understand and to identify one or more models of cooperative creation in Quebec’s new service sector. Since very little work has been done on the subject of cooperative entrepreneurship in the past, our study was exploratory in nature.

Non-financial cooperatives are normally classified into three groups: producers’ cooperatives; worker and/or worker-shareholder cooperatives; and consumer cooperatives. In this research we studied worker cooperatives and consumer cooperatives only. Our aim was to identify the models created by the pioneer cooperatives in a new sector. In cooperative studies, as in many other sectors, the pioneer models have a significant impact on what is done in the future. The cooperatives in our sample were therefore the first ones in their specific niches.

**METHODOLOGY**

An inventory of cooperatives created between 1986 and 1995 was prepared from data provided by the Regional Development Cooperatives in eight regions of Quebec. A total of fifteen cooperatives created during that period were identified as representing the new wave of cooperative enterprises in sectors such as home-based care, health care, radio, education, theatre, ambulance services and construction design (architecture). All were visited, ten were studied, and three of these were analyzed in detail to create case studies (see list in Appendix 1).

Semi-structured interviews with the cooperative founders, lasting between two and three hours each, were carried out by the principal researcher and an assistant. All the interviews were recorded and four were transcribed. We used the same method as in previous research: background, and then identification of the activity systems of the founder, the general management and the organization as a whole. The goal was to understand the process leading to the creation of a cooperative. The activities of each unit studied were mapped to produce a general model.

**RESULTS**

Our sample included four consumer cooperatives, i.e. cooperatives owned by consumers, and six worker cooperatives, i.e. cooperatives owned by workers.

The four consumer cooperatives studied for the research had been created as a result of a social problem. The problem was first identified by a group of committed people within the community, who then appointed a “champion” to take up their cause. In all cases, the champion worked with a task force, and together they identified the cooperative formula as the most relevant for providing a permanent solution to the problem. In every case, the task force or the creator’s environment contained at least one person who had previously worked or been involved in a cooperative activity.

The six worker cooperatives were somewhat different. Two of the six cases were the result of the ideological orientation of one or more people. Two followed the consumer cooperative model: in each case a company went bankrupt and was bought by the workers following the involvement of a champion.
The fifth was a business decision to obtain fiscal and other similar advantages. The final case was created by a government department working with community groups.

We began by asking “HOW?”. How had the cooperatives been created? To answer the question, we identified the typical steps in the creation and start-up of consumer cooperatives and worker cooperatives. These steps are presented in Tables 1 and 2 below.

**TABLE 1**

**Creation of new forms of consumer cooperatives**

<table>
<thead>
<tr>
<th>Stages</th>
<th>Environment</th>
<th>Leader</th>
<th>Support</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Need identified</td>
<td>Awareness of social leaders</td>
<td>Not identified</td>
<td>Non-existent</td>
</tr>
<tr>
<td>2. Need clarified</td>
<td>Social leaders seek a resource person</td>
<td>Identified</td>
<td>Resource people from the field</td>
</tr>
<tr>
<td>3. Structured solution</td>
<td>Community mobilized</td>
<td>Goes into action</td>
<td>Supervision by a community organization</td>
</tr>
<tr>
<td>4. Obstacles</td>
<td>Community in action</td>
<td>Effervescence</td>
<td>Leader supported by resource people</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Cycles</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Tensions</td>
<td></td>
</tr>
<tr>
<td>5. Creation</td>
<td>Community involved</td>
<td>Architecture</td>
<td>Support group involved</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Construction</td>
<td></td>
</tr>
<tr>
<td>6. Start-up</td>
<td>Community adjusts</td>
<td>Management</td>
<td>Solidarity</td>
</tr>
</tbody>
</table>

1. **Need identified**

In the four cases studied, an obvious social need had been identified. In the first case, the Laval Home Support Cooperative, the City of Laval’s four local community service centres (LCSCs), which are state-owned centres dispensing first-line health and social services, had identified a need for home services for elderly people. A similar cooperative had also been created in Lévis, and here again the need was identified by a community health centre.

In Saint-Étienne, a small municipality of 3,800 inhabitants near Trois-Rivières (125,000 inhabitants), the last village doctor died, and the municipality was unable to convince other doctors to take up residence and practise in their area. This caused a severe social disruption, because the village had had its own doctor for decades. The Mayor was alerted to the problem.

In Ham-Nord, a village of 1000 people located 40 km from Victoriaville, the regional school board decided to close the village’s high school because the number of students - 40 at the time, in 1990 - did not justify keeping it open. It was decided that it would be both easier and cheaper to transport them by bus to Victoriaville (an hour of commuting morning and evening). The Mayor was alerted to the problem and set up a task force.

In each of these cases, a need existed that could not be satisfied by any existing organization. The political and social local leaders all worked together to create a task force in order to understand the nature of the need identified, clarify it and find a solution.

2. **Need clarified**

Here, the social leaders try to clarify the need so that they can build a consensus on ways of satisfying it. The four Laval LCSCs (the City of Laval is a Montreal suburb with 200,000 inhabitants) requested a study on the need for home services, especially for elderly people. The study showed that
there was a need for assistance with housework, heavy work including gardening, snow clearing and house repairs. A further need was identified for relief services - for example, where an elderly spouse was sick, to allow the other spouse to have a half-day’s rest every week. Otherwise, there was a risk of the healthy spouse also becoming sick, and the couple would thus become a charge for the public health care system. It was therefore cheaper to provide relief services. Obviously, services such as these were available from private enterprises, but as they were bottom-of-the-range, their market life was limited. This is a market sector that is easy to enter, but difficult to sustain, because profit margins are too small and hourly charges too low. Moreover, the services offered by most of the private firms were unsatisfactory. High staff turnover rates caused insecurity among the elderly clients, who consequently did not continue to use their services.

The four LCSCs did not think it was their role to provide this type of service. They saw the need very clearly, but their structure did not enable them to satisfy it. Not only that, but their wage structures were too high for them to provide the services at a competitive price.

They also felt it was up to the community itself to offer these services. The task force looked carefully at the study results, discussed various solutions, and seriously considered the creation of a cooperative. They identified a leader from the community. He was in his late 50s, had just retired and, in addition to his work in the management of a television network, had been involved all his life in the provision of community services and the creation of cooperatives. He agreed to lead a project to create a home care cooperative. He began by consulting community members to see how he would go about forming a preliminary task force.

In Saint-Étienne, a task force was created by the Mayor. The task force members met to discuss the problem, and it was decided initially to contact a number of doctors to see if they would agree to establish a practice in the village. However, all those contacted declined. The Mayor and the task force members then identified the manager of the local Desjardins credit union as the best person to find a solution to the problem. The Desjardins group of credit unions is a province-wide organization with hundreds of credit cooperatives and thousands of employees. Its assets amount to several billion dollars. The manager of the local credit union, a business school graduate, had been very active in the community, and was known as a kind of social entrepreneur. The previous year, he had helped create a village kindergarten. When approached by the Mayor, he asked the board of his credit union if they would support him. The board agreed unanimously, and gave the project priority. A creativity task force (to use their own term) was set up, using the credit union staff, and the manager was given the freedom to apply the time and resources needed to solve the problem.

The other two cases progressed in a similar way. In Ham-Nord, the Mayor organized a general meeting of the villagers to discuss the school problem. A task force was appointed, led by a chartered accountant. In Lévis, the initial task force appointed a leader already actively involved in a home for elderly people.

In all four cases, once the leader had been identified, his first task was to organize a working group composed of community members. In St-Étienne, this was the board of the credit union. In the other cases, separate task forces were created, composed of people representing various community or interest groups.

3. Structured solution

Here, the leader goes into action with the task force. The local community is mobilized, and proposed solutions are sought. As with the previous phase, this phase lasts between six and 12 months, as
many meetings are required with social organizations, government departments, ministers, political leaders, civil servants and so on, to see what can be done. Community involvement tends to increase at this point.

In Laval, the leader worked full-time for a year, without pay, first to structure the task force (its members included a lawyer, an accountant, and people with experience in management) and then to create the cooperative. In this particular case, the decision to select the cooperative option had already been made. This was not the case of the other groups, where the cooperative solution was identified by the task force constituted by the leader. In Laval, however, things proceeded fairly smoothly, fewer discussions were needed, and work began from the outset on the creation of the cooperative.

In Saint-Étienne, the task force worked for several months before deciding on their final solution: construction of a health care centre that would be staffed not only by a doctor, but also by a physiotherapist, dentist, pharmacist and other health care support professionals. It was some time before the task force identified the cooperative option as a possible solution. Although most of the task force members were employed by a financial cooperative, they had never created a cooperative before, opting in other cases (for example, the kindergarten) for a non-profit organization structure. For the health care centre, however, it was thought that the cooperative formula would result in greater community involvement and would generate more business. There was some concern that, although many people were asking for a resident doctor, they would perhaps not use his services sufficiently. The cooperative formula was seen as a way of enabling the community to take charge of its own medical future, and to become involved in its health care system. Transparency was the key word in this task force’s work. Frequent village assemblies were organized, and progress reports presented. At the same time, the villagers themselves had the opportunity to make suggestions.

In Ham-Nord, the task force initiated negotiations with the regional school board that went on for more than a year. In the meantime, the task force decided to run the school itself. The school board had closed down the school building, but the task force hired the local community hall and offered classes during the period of the negotiations. Finally, given the very negative attitude of the school board, they decided to run the school on a permanent basis. The current trend in education is centralization. The villagers, however, did not want their children to commute to a huge, impersonal school. They wanted to maintain their traditional village school, and were ready to fight for it, and pay for it. Their answer to the problem was that every child would pay a minimum of $600 per year to attend the school, and that the regional school board would provide a basic subsidy to cover part of the cost. Many people became involved in the process, without pay, over a long period, to ensure that the project could be realized. In the end, the teachers agreed to work for a reduced salary, because they wanted to work in a school where they had personal contact with the students from the community. It was also a way for them to continue to work near their homes, rather than commuting.

In Lévis, the task force opted for the cooperative formula early in the process. Lévis is the capital of the cooperative movement in Quebec. The Desjardins organization was created there at the beginning of the century, and the head offices of half a dozen of its financial and insurance cooperatives are located in Lévis. It is therefore natural for the Lévis community to opt for a cooperative formula for social organizations.

In this phase - the structured answer to the problem or need identified - the Lévis task force had no model to follow. The Laval group, created some years later, took its inspiration from the Lévis model. The home service business for elderly people is very new, and the task forces therefore had to create their own models. Since then, however, three similar organizations have been created, following these models, and a federation is in the process of being formed. In Laval and Lévis, the cooperative formula was seen
as a way of involving the community and operating in a transparent way. In Saint-Étienne, the task force was already familiar with the cooperative formula. In Ham-Nord, the task force visited many schools that had faced similar problems, and found one in the neighbouring city of Sherbrooke that had opted for a cooperative solution some years earlier. They also thought the cooperative formula would be a good way of ensuring parental involvement in the process.

In all cases, therefore, there was a desire to create something flexible in terms of integration of social need, public participation and community involvement.

4. Obstacles

In all cases the community responded fairly positively to the structured solution proposed by the leaders and the task forces. In fact, the communities were consulted throughout the process. At the same time, retired people with business experience stepped forward and offered to help. The level of community involvement came as a surprise and was far greater than expected. The leaders experienced cycles of tension, excitement, lack of motivation and so on. In Saint-Étienne and Ham-Nord in particular, there was a lot of tension in the process, to a point where the leaders thought they would leave the project because the problems were so overwhelming. In both cases the leaders also had full-time jobs, and had to work on the project in the evenings and on weekends. In almost all the cases, but especially in Saint-Étienne and Ham-Nord, there were many obstacles in the form of government regulations that did not allow them to do what they wanted to do. For example, under Quebec law it was not possible to create a cooperative in the health care sector. The task force had to fight the ministry and mobilize government staff, civil servants and the Minister to obtain a change in the law. There was also opposition from the Department of Health and Social Security. The task force had to embark on a long and very arduous battle with the bureaucracy to obtain the right to proceed. Their work, however, paid off. At one point the newly appointed Trade Minister announced that he was open to new cooperative models, and to cooperatives in new sectors. The task force took him at his word and went to see him. He agreed to help them fight the bureaucracy, but even then, with the support of senior government members, the task was far from easy.

The Ham-Nord task force faced similar obstacles. The regional school board closed down the school building and refused to reopen it for several months. Members of the community burnt a school bus in retaliation, against the advice of the task force. Tumultuous meetings took place in the town hall, and matters almost got out of hand.

The creation of a cooperative, which requires new methods and new ways of doing things, is thus not easy, and is not always supported by the system. Opposition is frequent, and extensive discussions are needed to reach a consensus. It is also often necessary to involve local and political leaders.
5. **Creation**

The community becomes involved at this stage. In all the cases studied, many people became involved on a voluntary basis because the task forces did not have the money to pay for services such as accountancy. However, the work of the task force was mentioned in local newspapers and other media. As a result, people offered to help.

In Laval, the four LCSCs provided the resources and expertise needed to build and implement the project. They appointed people to help the task force set up the cooperative. In all the cases studied, task forces were created to examine building architecture, location and construction. In Laval, this was less complex because the task force simply decided to rent premises in a shopping mall. In Saint-Étienne, however, the cooperative was to have its own health care centre. The local council granted a 50-year lease on a site. Plans were drawn up and discussed at public meetings where people could make suggestions. Modifications were made, so that everyone was satisfied. In Ham-Nord, the task force managed to reopen the former school building. In Lévis, it was decided to rent a space in a community building.

In all cases, the task forces spent a lot of time solving problems. In Saint-Étienne, for example, cooperative membership cards were sold at the village credit union ($50 each). The project leader was also invited on the local television “Late Show”, and that day more than 500 membership cards were sold. In fact, such was the enthusiasm generated by this particular project, when it became known, that many other communities are now using it as a model and creating their own health care cooperatives. In Saint-Étienne, the doctor who came to work for the cooperative was unable to satisfy the demand after two years, and now, in February 1997, he has three full-time colleagues. The service has proved to be so good that it now attracts people from the surrounding communities.

6. **Start-up**

Here, the community adjusts to the new service. This phase takes approximately a year. In all the cases studied, thanks mainly to the level of community involvement generated in the earlier phases, many more people used the services of the new cooperative than was originally expected. In Laval, the task force expected to obtain 500 users in three years, but in fact it achieved its target within a year. From the outset, the organization was short of staff and resources and had to adjust continually, hiring new people and expanding. The project leader worked hard to manage and structure the cooperative, and remained very active throughout the start-up phase. In all the other cases, too, the leader continued to be involved for up to a year after start-up. In the case of Lévis, the new managing director of the cooperative had been a member of the organizing task force.

In every case, the people involved are very proud of their project. The cooperatives are considered in many ways to be “the people’s project”. Transparency is the key word in management. Suggestions are encouraged.

To sum up the process, a need is identified in the community, and a leader found. A task force is then constituted, which mobilizes the community and opts for a cooperative solution. A number of obstacles must be overcome, due mainly to the fact that the creation of a cooperative means going against established thinking and methods. Volunteers step forward to take care of specific aspects, and sufficient momentum is created for the project to be realized.

The four cases discussed above were consumer cooperatives. Therefore, the users were invited to become members. However, it was not necessary to be a member to benefit from the cooperative’s
services. Non-members simply paid more. For example, members of Saint-Étienne’s health care cooperative receive discounts on all the services, while non-members pay the standard advertised prices. A blood test is $10 for a member and $12 for a non-member.

WORKER COOPERATIVES

Six worker cooperative cases were studied for the research. The first was a bankrupt radio station, the main one in a community of approximately 50,000 people, that was taken over by its employees. The second was a computer training cooperative in a low income area of the City of Montreal. The third was a theatre group. The fourth was a bankrupt ambulance service that was taken over by its employees. The fifth was a construction design firm that adapted residential and commercial buildings to provide access for disabled people. The sixth was another theatre group.

TABLE 2
Creation of new forms of worker cooperatives

<table>
<thead>
<tr>
<th>Stages</th>
<th>Leader</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Need/crisis</td>
<td>Involvement</td>
<td>Insecurity</td>
</tr>
<tr>
<td>2. Scenarios</td>
<td>Architecture</td>
<td>Mobilization</td>
</tr>
<tr>
<td>3. Creation</td>
<td>Structure</td>
<td>Fairness</td>
</tr>
<tr>
<td>4. Start-up</td>
<td>Direction</td>
<td>Differentiation</td>
</tr>
</tbody>
</table>

In the following paragraphs, we will examine the steps leading to the start-up of the worker cooperatives.

1. Need - Crisis

In all the cases studied, a leader was identified at the outset. In the two cases involving bankruptcies, the leaders were the former union leaders (although the unions had not been strong or militant in either case). The union leaders were therefore the logical people to continue the enterprise. They formed task forces to look at buyout possibilities as the old company was being liquidated. In both cases, therefore, the cooperatives emerged from a crisis, although it was not clear in the beginning that the enterprises to be created would be cooperatives. The cooperative solution was selected during the process. In the case of the construction design firm, the leaders selected the cooperative formula for financial rather than ideological reasons: theirs was a seasonal business, and under Quebec’s law this was the only way for them to remain self-employed and still obtain unemployment benefits in the low season.

In the other two cases - the theatre groups - it was obvious from the outset that the enterprise would be a cooperative, because the leader was committed ideologically to egalitarian principles. The enterprise form selected was therefore bound to be participatory, with ownership in the hands of the employees.

In all six cases, the people involved were extremely insecure at first, especially in the two cases involving bankruptcies. Here, it took some months in one case and some years in the other for the enterprise to be resumed. In the two cases where the cooperative formula was selected ideologically, many discussions were held, in which the people involved were able to negotiate their differences and defend their interests.
In three of the six cases, this initial phase lasted approximately a year. In the two theatre groups, where the egalitarian ideology was very strong (both were created in the 1970s), and in the construction design firm, it lasted about the same time as it takes to create a standard enterprise.

2. **Scenarios**

Different scenarios were examined for the cooperative structure. In the two cases of bankruptcy, the unions became involved, seeing the new enterprises as a way of preserving their membership. In fact, although the workers now own the enterprises, they are still unionized and pay their union dues.

It is at this stage that the architecture of the cooperative is discussed and defined. In the cases analyzed, long discussions took place on how the system would be structured and managed. It is not easy to manage an organization that is owned by the workers. In most cases, the people involved consulted the cooperative training division of the Quebec Government’s Department of Trade and Commerce. The division’s staff have extensive experience with cooperatives, often spanning several decades, and are able to give training on cooperative management. The people involved also used the programs and courses developed by educational institutions, to help them create and subsequently manage their new cooperatives.

At this stage, many people become involved in the process, mobilized by the leaders. They take part in discussions on how the cooperative will work. For example, in one of the theatre groups, the group agreed that female members expecting babies would continue to be paid and would be allowed to decide on the number of weeks or months during which they would be absent from work following the birth. They also agreed that cooperative members would receive 15% more than the standard wage for each child they had. This was the only case in which remuneration was not dependent on performance or task complexity. The same group agreed on a system of sabbatical leave, every six years, where every group member would be entitled to one year off, paid by the cooperative, to study or reflect on the work they were doing. Over the years, the group has developed its own special niche. They create short plays (half an hour to two hours) on specific subjects for corporate meetings, conventions and conferences. It is a more lucrative market than the traditional theatre market.

3. **Creation**

At this stage the structure of the cooperative is established: who will make decisions, who will be in charge, what will be the duties of each individual, and so on. Fairness is a constant concern here: although remuneration is generally linked to performance, the workers all own a share of the enterprise, and are entitled to participate equally in decisions concerning management. The cooperative principle of one member, one vote applies to the worker cooperatives.

4. **Start-Up**

Someone is appointed to manage the cooperative. The management system of each is unique. There is a lot of participation and consultation, both formally and informally, and transparency reigns. Salaries are public knowledge, as are expenses. In the start-up phase, differentiation is a key concern. One way of differentiating is to empower every individual. This is a form of quality practice. Everyone is responsible as though it were his or her own enterprise. This makes a tremendous difference at the level of service quality, and all the cooperatives studied had quickly earned a reputation for quality.

The creation and start-up process for worker cooperatives is much simpler than for consumer cooperatives. The latter require more discussion within the community and at the political and social
levels. The difference in complexity is reflected in the difference in time. Worker cooperatives are generally created within a few months, while consumer cooperatives take an average of two years from identification of the need to start-up.

In this section of the paper, we have looked at how cooperatives are created. We have seen that there is a significant difference between consumer cooperatives and worker cooperatives. In the former, a social need is identified, a group is formed around a social leader, task forces are set up, and finally the cooperative itself is created. In the latter, a crisis occurs or the project forms around a leader who is committed ideologically to the cooperative formula. When we look at the overall process of cooperative creation, six steps can be identified. They are shown in Table 3 below.

### TABLE 3

**Process of creation of new cooperatives**

<table>
<thead>
<tr>
<th>Stages</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Need</td>
<td>Expressed by more than one person</td>
</tr>
<tr>
<td>2. Mobilization</td>
<td>Many different players</td>
</tr>
<tr>
<td>3. Involvement</td>
<td>Single player or small number of players</td>
</tr>
<tr>
<td>4. Scenarios</td>
<td>Cooperative option expressed</td>
</tr>
<tr>
<td>5. Structuring</td>
<td>Negotiations around egalitarian principles</td>
</tr>
<tr>
<td>6. Creation</td>
<td>Solidarity, quality</td>
</tr>
</tbody>
</table>

**DISCUSSION**

Our second question is: WHY choose the cooperative formula rather than profit or the non-profit organization formula? We propose to address the subject from two standpoints: support and ideology.

Table 4 shows that all the consumer cooperatives studied were products of communities that had other cooperatives, financial or others, which were regarded positively by the community members and considered to provide an excellent service. The Desjardins cooperatives are a good example. They have existed in most of Quebec’s cities and villages since the early 20th century, and have earned a reputation for reliability.

In two of the consumer cooperative cases, the cooperative was created in a sector where there had never been a cooperative before. In the four consumer cooperative cases studied, none of the creators had previous experience in the setting up of a cooperative, although the leader and some task force members had all been involved with cooperative activities in some way. In the worker cooperatives, the people involved had experience in the sector concerned in five cases: the two bankrupt companies, the two theatre groups and the construction design firm. The other was launched by people who had identified the cooperative formula as the best in the circumstances, and who then brought in people with experience of the sector concerned.

Community involvement was very high in all the consumer cooperative cases, and non-existent in the worker cooperatives, except for the microchip cooperative. The theatre groups, ambulance cooperative and radio station, for example, had no ties with the community, while the consumer cooperatives were truly the products of their community.

As Table 4 shows, if there is no community influence or ideological stance, a standard enterprise is created. Where there is an ideological commitment, as in the theatre groups, the ambulance cooperatives and the radio station, for example, the result will be a cooperative enterprise with no
community ties. Where there is no ideology but the enterprise has the support of the community, the result will usually be a non-profit organization created by the community. Where the community supports and is involved in the principles of fairness and equality, the cooperative enterprise will be the product of the community. This was the case in our sample for the consumer cooperatives.

### TABLE 4

**Cooperative Creation: Support and Ideology**

<table>
<thead>
<tr>
<th></th>
<th>Without</th>
<th>With</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Support Axis</strong></td>
<td><strong>Without</strong></td>
<td><strong>With</strong></td>
</tr>
<tr>
<td></td>
<td>Standard enterprise</td>
<td>Cooperative enterprise produced by the community</td>
</tr>
<tr>
<td></td>
<td>Enterprise created by the community</td>
<td>Cooperative enterprise no community links</td>
</tr>
</tbody>
</table>

In three of the cases studied - the two bankrupt companies and the health service - the regional development cooperatives had a strong impact, and in two - the bankrupt companies - the union played a leading role. Regional development cooperatives have existed in eight of Quebec’s regions since 1988, and have influenced cooperative creation in those regions.

A third question was addressed in the research: What can entrepreneurship contribute to the cooperative movement, and what can the cooperative movement contribute to entrepreneurship?

The cases studied clearly show the emergence of a new form of entrepreneurship: social entrepreneurship. This form of entrepreneurship originates in a group rather than an individual. In the case of worker cooperatives, this will be a group of workers, and in the case of consumer cooperatives, it may be an entire community. The cooperative formula has been used in the past to create credit unions or financial cooperatives, but the new wave of cooperatives in the service sector is renewing the cooperative movement by leading to the expression of cooperativism in sectors where cooperatives were not previously permitted - for example, the health sector - and in sectors where they were not usual - for example, education. It is therefore interesting to observe the new enthusiasm for cooperatives in the service sector, and especially the home service sector for elderly people, where a significant need exists.

The cooperative movement has much to contribute to entrepreneurship. We tend to associate entrepreneurship with individuals. However, the cooperative formula is a kind of social entrepreneurship, and a new way of expressing entrepreneurship related to a group rather than to an individual. Cooperatives are created by groups that commit themselves to creating or continuing an enterprise that is deeply rooted in its community. Our research on self-employment has revealed a change in values in recent years. An increasing number of micro-enterprises are no longer created for reasons of profit, but because the individuals concerned wish to control their environment. The key word that explains their behaviour is personal ecology, not growth. The cooperative key word may well be social ecology. The cooperatives studied were created not to make money, but to give a group or a community greater control over its own services. This is particularly true of the consumer cooperatives, which were created by consumers to provide services that they would not otherwise have had. In the worker cooperatives, the workers, by creating a cooperative, obtained control over their working environment. Quality of life is the driving force, not profit. This is consistent with a growing trend among self-employed people, for whom the notion of success is judged according to intrinsic criteria related to quality of life as defined by the individual, rather than extrinsic criteria related to status or wealth as defined by society (Filion, 1996).
The new forms of cooperative entrepreneurship exhibit very different values, objectives and motives from those generally exhibited by non-profit or profit organizations. The people involved in the cooperatives try to limit the size of their organization. In all the cases studied, the members mentioned the need to limit enterprise growth. In the case of the Laval home services cooperative, for example, the management is currently considering the possibility of creating another, separate cooperative rather than increasing the size of the existing one by adding new divisions. Again, this is consistent with the notion of retaining control.

It should be noted that in all the cases studied, the cooperative formula brought fiscal advantages; cooperatives pay approximately 10% less tax on their profits than other enterprises. However, they obviously pay more tax than non-profit organizations. A further advantage lies in the fact that, in worker cooperatives, people who are laid off are eligible for state unemployment benefits, even if they are part-owners of the business. This is not the case for regular business owners and self-employed people, who have no such entitlement. In the construction design cooperative, the project leaders had opted for the cooperative formula mainly for this reason, because their business was seasonal. In the consumer cooperatives, members obtained preferential rates on the services provided.

We also observed that the majority of cooperatives are in semi-rural areas or small towns (100,000 inhabitants or less). It was difficult for us to find cooperatives in urban areas.

In addition, cooperatives tend to group together more easily than ordinary enterprises. For example, the ambulance sector cooperatives have now created their own federation, as have the home service sector cooperatives. This enables them to share expertise and knowledge, and to work together more closely than is generally the case for small businesses. They also provide services to help people create similar cooperatives in their own towns. We did not emphasize this aspect in our research, but it is worth noting. It probably arises from the fact that service, not profit, is the main driving force of the cooperative enterprises. However, we did not find that cooperatives preferred to deal with other cooperatives when buying goods or services. Further research in this area may be interesting.

CONCLUSION

This study comprised preliminary field work. We were looking for answers to three question: How are cooperatives created in new service sectors? Why choose the cooperative formula? What can entrepreneurship contribute to the cooperative movement?

In answer to the first question, we suggested a number of steps derived directly from the study of worker and consumer cooperatives (Tables 1 and 2), together with a general cooperative creation process (Table 3).

The second question is rather more complex, and answers tend to differ depending on whether the cooperative in question is a worker cooperative or a consumer cooperative. In the former case, the leader was usually committed to egalitarian principles in organizational management, while in the latter case the idea to create a cooperative came as a result of consensus directed by the past experience of the project leader. The notions of “community involvement” and “equality” are therefore key factors in the decision to create a cooperative. In other words, the creation of a cooperative is a consequence of a commitment by a set of people already aware of the cooperative formula. This is especially true of workers cooperatives.
One of the elements observed in the cooperative creation process is the introduction of democratic principles. All the partners are equal, and the base of all cooperatives is the one share, one vote rule. In consumer cooperatives, surpluses are distributed in proportion to the value of the transactions effected by each member with the enterprise. In worker cooperatives, surpluses are distributed equally according to overall performance.

The consumer cooperatives studied had been created in sectors where it is difficult for private enterprises to reach profitability, or where the cost of creating public institutions or organizations would be prohibitive. The cooperative seems to be an intermediate solution between rich and poor, corresponding much more closely to the middle class. People must have sufficient expertise and resources to create the cooperatives, but in most cases the cooperative formula had been selected because no-one had sufficient capital or sufficient motivation to launch a private enterprise in a situation where it would be difficult to achieve profitability. The community was therefore obliged to take matters in hand and invest collectively in the service it needed. For the consumer cooperatives, the choice was thus practical rather than ideological. The cooperative formula allowed the community to invest and to participate in the creation of the services it needed. Although the sectors concerned were unprofitable, in most cases the services involved were essential or fairly essential - for example, education and health services. In fact, the people involved made a good living from the cooperative enterprise, but had not become rich. In all the cases studied, the sectors were easy to enter but difficult to sustain.

Cooperatives seem to emerge more from circumstances than from ideology. The cooperative formula seems to be extremely promising in sectors that are not sufficiently profitable to attract private enterprise, or too costly to be covered by the state. It therefore offers potential in the health, social services, education and home care service sector. In all these cases, margins are small but the quality of the services provided by cooperatives compares very well with service quality in the private and public sectors.

**IMPLICATIONS**

The implications of the research can be divided into three categories: awareness, training and logistic support. It would be useful to raise awareness of the cooperative formula through conferences and seminars. We observed that in two of the cases studied, the success of the cooperative, especially at the start-up stage, was made possible by the training received from cooperative management specialists. Such training should be more widely available to a broader range of people, and it would be useful to draw a clear distinction between the management of worker cooperatives and the management of consumer cooperatives. Finally, it is important for each region to have a certain level of logistic support from organizations such as the regional development cooperatives. The people providing such support should be properly trained in management and have practical experience in cooperative management.

In future research, it would be interesting to examine the values and profiles of the people who create and manage cooperatives, to look at the elements explaining the entrepreneurial behaviour of cooperatives, and to compare the performance of cooperative enterprises with traditional enterprises. This requires further consideration, since the criteria to be used to evaluate performance are not the same for cooperatives. A further dimension of interest would be the impact of existing cooperatives on new cooperative creation. Our preliminary research has suggested that the more cooperatives a community has, the more new ones are likely to be created. The authors who have studied cooperatives (Gassee and Bertrand, 1995; Malo, 1996) observed that the cooperative enterprise may offer a way of bringing young potential entrepreneurs into the labour market. If they create a cooperative, it is easier for them to benefit
from the expertise, experience and knowledge available in the community. Many examples exist in isolated or non-urban areas, where cooperatives created by young people succeed thanks to the support they received from the community. Cooperatives are not viewed as threats by other enterprises, but as organizations that contribute to the general welfare of the community without competing.

Further research is needed on cooperative creation and management. What circumstances are more likely to produce a cooperative enterprise? What problems are encountered by cooperatives on start-up and in the early years of operation? The interviews provided a considerable amount of information on this element, which was not addressed in the text due to space constraints. However, it is certain that cooperatives cannot be managed in the same way as traditional enterprises, and cooperative managers need training in this respect.

REFERENCES


## APPENDIX 1
Cooperatives studied for the research

<table>
<thead>
<tr>
<th>Name of Cooperative</th>
<th>Date Created</th>
<th>Share Value</th>
<th>No. of Members</th>
</tr>
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<tbody>
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<td><strong>Consumer Cooperatives</strong></td>
<td></td>
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</tr>
<tr>
<td>1. Laval Home Care Cooperative City of Laval</td>
<td>06/95</td>
<td>$10</td>
<td>500</td>
</tr>
<tr>
<td>2. Saint-Étienne Health Service Cooperative, Saint-Étienne</td>
<td>02/95</td>
<td>$50</td>
<td>1000+</td>
</tr>
<tr>
<td>3. Horizon College Cooperative, Ham-Nord</td>
<td>10/90</td>
<td>$100</td>
<td>100+</td>
</tr>
<tr>
<td>4. South Shore Home Care Cooperative, Lévis</td>
<td>11/92</td>
<td>$100</td>
<td>250</td>
</tr>
<tr>
<td><strong>Worker Cooperatives</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Radio Cooperative 103.5 Lanaudière, Joliette</td>
<td>03/96</td>
<td>$10</td>
<td>6</td>
</tr>
<tr>
<td>2. CHIP Information Systems Cooperative, Montreal</td>
<td>08/94</td>
<td>$2000</td>
<td>10</td>
</tr>
<tr>
<td>3. Zakouski Entertainment Cooperative, Montreal (Theatre)</td>
<td>03/90</td>
<td>$10</td>
<td>6</td>
</tr>
<tr>
<td>4. Montérégie Ambulance Cooperative (CETAM), Montreal</td>
<td>01/88</td>
<td>$1000</td>
<td>214</td>
</tr>
<tr>
<td>5. Building Design Consultant (ADAPTECH), Joliette</td>
<td>05/87</td>
<td>$5</td>
<td>3</td>
</tr>
<tr>
<td>6. Parminou Theatre Cooperative, Victoriaville</td>
<td>05/74</td>
<td>$10</td>
<td>22</td>
</tr>
</tbody>
</table>

Our thanks go to Isabelle Boivin, who had just completed her Master’s degree in cooperative management, and who was research assistant for this study.