Exploring Governance Among Social Co-Operatives: Three Models From Poland

Socialinių kooperatyvų valdymo tyrimas: trys Lenkijos modeliai

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Abstract

There has been overly interest regarding social enterprise and social entrepreneurship in theory and practice. In this paper the author introduces the workings of governance of small social enterprises i.e. social co-operatives, acting in most cases for the purpose of work and social integration of the marginalized, at the bottom of the pyramid of socio-economic system. The aim of this paper is to provide insights into under researched topic of governance among social co-operatives, which have become a unique breed in social enterprise and co-operative landscape in Poland since 2007. Having collected vast amount of data through in-depth interviews with social co-operative members and founders, observation, and participation to the meetings in organizations supporting social enterprise in Pomeranian province, the author employs descriptive and exploratory case analysis of 5 social co-operatives. Because of the space constraints only selected data are presented in the paper. The author proposes three models of social co-operative governance types: ‘small democratic community’, ‘business providing jobs’ and ‘integrated family like’.

KEYWORDS: social enterprise, governance, social co-operative, social entrepreneurship.

Introduction

There has been overly interest into the social enterprise development in recent years. It takes roots in the shrinking budgets for providing public services, but also growing social problems and related needs, not only in developing economies but also in developed ones. There have been three dominant schools of thought on social enterprise. First two, set in American tradition (Dees and Anderson 2006), where one is ‘earned income school’ that emphasizes that any kind of organization, even private or public can be social enterprise, as long as it earns income for the purpose of social mission achievement. The other approach is ‘social innovation’ and has its roots in North America, like in the case of Ashoka Foundation promoting social innovators who introduce new innovative models for resolving social problems (see more: Bornstein 2007). The third approach has been established in the European context.

1 Pomerania is one of nine Polish provinces, located north of Poland.
(Defourny and Nyssens 2006, 2012), as part of EMES\(^2\) research group, providing three types of criteria: social, economic and governance, that an organization can meet to get closer the ideal type of social enterprise.

There have been three models of social enterprise identified in Poland (Ciepielewska-Kowalik, Pielinski, Starnawska and Szymanska, 2015) such as: co-operatives (including social co-operatives), enterprising non-profits as well as work and social integration enterprises. The consideration of EMES criteria in reference to Polish social enterprise organizations has become the main rationale of the interest in social co-operatives as they meet EMES social enterprise criteria to most extent.

In practice many legal forms of social enterprises have been established in institutional frameworks of different countries. In Poland, the concept of social enterprise has only recently emerged in the socio-economic landscape and is relatively new one. It has been used conceptually to describe different kinds organizations from third sector, private sector and even public sector, since the accession to European Union in 2004.

The growing importance and recognition of social enterprise puts pressure on their success (Wronka, 2014) and efficiency in their governance. It is because they deal with important social problems and vulnerable groups. Also apart from increasing levels of earned income they need to rely on public funding, external grants, charity support, and this attracts attention from different stakeholders which makes them more accountable to their environments. In addition, there have been many challenges not only in the private sector – like cases of Enron, Parmalat, WorldCom – but also among co-operatives across Europe in terms of financial scandals, mismanagement, democracy. That is why the quality of governance in co-operatives has been put forward and widely discussed (Lees and Volkers, 1996; Conforth, 2004). There are doubts about boards as being democratic, decreased interest of members in the co-operative participation. Also, historical evidence shows (Spear, 2004), that members of social enterprise have been marginalized in relation to governing bodies. As Conforth (2014) summarizes, the literature on governance among non-profits and co-operatives has been mainly prescriptive and normative, proposing idealistic solutions of how governance should look like. This points to the need of closer look into how governance works, what challenges social enterprises face and how current legal organizational forms allow for effective and good governance.

Different theoretical approaches to governance open up avenues for discussion, where governance of social co-operatives can be set. The author, looks closer on governance criteria offered by EMES with reference to social co-operatives, that have been much under researched in the governance aspect. Through analysis of the existing secondary data, and following a qualitative research project based on analysis of 5 cases of social co-operatives, the author provides insights into their governance and relevant theoretical approach. As this study is devised for researching little known phenomena (Eisenhardt, 1989), it uses descriptive and exploratory case study approach (Yin, 2009). Three models of social co-operative governance models are proposed with underlying narratives on governance and management in co-operative members’ experience.

The literature on governance among social enterprises, and on co-operatives in particular, is under theorized (Conforth, 2014). The research and practice thrives with discussions on quality, systems of governance among corporations. There has been a number of theories used, some of them competing ones, providing in each case rather one-dimensional ap-
approach to governance process. Governance is a configuration and the way the governing and control bodies operate (Travaglini, Bandini and Mancinone, 2010) in an organization. These bodies are expected to manage, control, consider the influence their decisions, respond to an organization and be accountable to the stakeholders. Governance consists of “a system by which organizations are directed and controlled” (Anheier and List, 2005). The structure of governance describes how rights and responsibilities among participants in the organization and its stakeholders, such as clients, managers, founders and others, are distributed. It also entails the rules on how decisions should be made. The governance works as a framework where the objectives of the organization are set, ways of reaching these objectives are set, as well as monitoring of the performance is agreed. Some interesting dimensions of governance have also been discussed with reference social management (Buła et al, 2014) emphasizing the need of consideration of all stakeholders of social enterprise environment.

There are three important points that should be made in the discussion of governance. One issue is that governance, as a formal system, plays important role in large organizations and corporations where the odds of principal and agent disagreements are higher. That is why corporate governance discusses the issues of agency and stewardship theories, as explaining the potential challenges in operation of the boards. In small organizations, where small number of people are involved, the boundaries between governance management and also operational tasks are very often blurred (Spear, Conforth and Aiken, 2007). Yet, so far there is a strong need (Conforth, 2004) to examine how the size of organization influences its governing system and the nature what governing board does (Rochester, 2003). Another point is that in for-profit enterprises owners are one of the stakeholders that are involved in governance and its structures. Ownership, property rights generate the power on owners’ side to influence the enterprise, make decisions. It takes place via general assembly or directly, if ownership is not dispersed. Among non-profits and co-operatives there is no ownership. In case of social enterprises such as co-operatives or non-profits, there are no investors, ‘ownership’ is in hands of members. Co-operatives compose of members, where each has one vote, but the membership does not entail any kind of ownership of capital, which is typical for other social enterprises where asset-lock is one of the main characteristics. However, non-profits as social enterprise organizations are accountable to many stakeholders (Young, 2002), and very often they include them in governing boards for securing resource access and legitimacy. There are very few stakeholders to social co-operatives, as members are beneficiaries and there are not many opportunities for them to include various stakeholders on their boards from formal point of view. Last point refers to stakeholder issues that are strongly discussed in governance analysis. Therefore, one needs see there are two main differences in terms of stakeholder involvement between social enterprises and for-profit enterprises. The former, contrary to the latter, are often set up as a collective process, where different stakeholders have their different stakes in the social mission of social enterprise (Haugh, 2007; Huybrechts, Mertens, and Rijpens, 2013). Also, social enterprises are more likely to give voice to the parties with whom their interact, which results in a variety of stakeholders like beneficiaries, clients, supporters, funders, governments, in their governance structures (Campi, Defourny and Grégoire, 2006; Münker, 2004; Huybrechts et al., 2013). In fact, many of their legislative forms allow and appreciate the involvement of different stakeholders, not only investors, in participating in the governance bodies.

There are many other areas, apart from board roles and relationships with stakeholders, where governance can be discussed. It is not only the legal governance structure characteristic for an organization, but also the way board is recruited, the relationships between the
board, staff and management, how business and social aims are balanced, what the relationships between members are, what regulations and norm in organization operate. These elements are determined by internal rules and values, that make social co-operatives or co-operatives in general, a valuable and particularly interesting subject to study.

There are different theoretical approaches that throw light of how governance works in private sector but there is little acknowledgement in research on governance among co-operatives, social co-operatives in particular.

In his overview Conforth (2004) comments on main six key theories on corporate governance and makes an attempt at applying them to co-operative and mutual associations context. Conforth highlights democratic perspective: here everyone can nominate themselves for the selection and via elections governing body will represent the voters, and be accountable to them. It is important to highlight that expertise of the board member is not the key factor for election. An apparent value of co-operative working is here, where one man (member) has one vote. Another perspective, the agency theory, is well-known background in corporate governance studies. It assumes that there are different interests between the owners (principal) and managers (agents) of the organization. Owners of the enterprise can expect that managers will act for their own interest, not for the interest of the owners. Therefore, the main job of the organizational board is to control the behaviour of managers. The attempt of application of agency theory to co-operatives is not that clear. Members, as ‘owners’ act as principals. Apart from profit achievement, co-operatives’ principals have social mission drive. Also, as the shares in co-operatives are not subject to trade, there are no threats of takeover. Overall, principals and their agents may have different aims for the same organization. Contrary to agency theory, the stewardship theory is proposed. It assumes that managers always act for the benefit of the organization as stewards. That is why there is partner relationship between members and managers, board. A managing board/management is driven to increase organizational performance, which may not always mean meeting members’ interests. Resulting from this is the need of expertise among board members and managers. Another approach, resource dependence theory assumes that organizations are dependent on others to have access to resources. In this case, boards may become avenues for getting access and control of resources, as board members can represent different important stakeholders for the organization. Conforth (2004) summarizes that board’s role is boundary spanning as board members have key contacts, experience, knowledge and resources, and help an organization to reduce dependence on others for resource access. Stakeholder theory assumes that an organization is accountable to different stakeholders, not only owners – members of the organization. By involving important stakeholders in a board, an organization becomes responsive to the needs of the environment. But in membership associations such as co-operatives, there are no measures for involving external stakeholders, other than members in management board. Managerial hegemony theory suggests that even though shareholders of organization own and control corporations they cannot control them as managerial group exerts great power over running the organization. This can also occur among co-operatives, where members are split into ones who only ‘own’ and others who control it. This can happen as these managers become more professional and have expertise. In case of larger co-operatives, where membership is rather passive, this hegemony is likely to occur.

EMES\(^3\) distinguishes three groups of indicators guiding the ideal type of social enterprise: social, economic and governance. These criteria are not to be fulfilled by the organization so
that it could gain the status of social enterprise. They work as guidelines that an organization can follow to get closer to the ideal, Weberian type of social enterprise. Among governance indicators there are three: high degree of autonomy, ‘one man one vote’ principle and participatory nature of an enterprise. In reference to high degree of autonomy, a social enterprise needs to be voluntarily created by people, who govern and create and independent project in that way. Social enterprise is allowed to benefit from public or private support, but they should not, neither directly nor indirectly be governed by public authority or federation of enterprises, corporations or other organizations. But this does not imply that social enterprise cannot depend on external, public subsidies. The people involved a have a right to make any decisions (‘voice’) and finish the activity of enterprise at any time (‘exit’) (Hirschman, 1970; Defourny and Nyssens, 2012). Another governance indicator refers to decision making power that should not be based on capital ownership. Here ‘one man one vote’ principle is applied meaning that the capital share does not influence the power of making decisions in an enterprise. This embodies the drive for democracy and is typical for co-operative ideals. In case of governing body, that has decision making power, still the decisions cannot be based on capital ownership. EMES provides also the third governance criterion on participatory nature of SE. This is because social enterprise constitution is based on the collective effort and also, social enterprise is accountable to a variety of stakeholders (Young, 2002), where some of them are involved in the operation or governance of an enterprise. Stakeholders therefore may participate formally as members according to legislations in various social enterprise organizations but also in less formal way where, for example, clients or workers participate in the social enterprise committees on every-day basis. Defourny and Nyssens (2012) emphasize that indeed it is a goal of social enterprises to strengthen democracy on the local level through economic activity.

There is strong acknowledgment in academic discussion that social co-operatives are the ones that display EMES criteria to the highest degree (Herbst, 2008; Starnawska, 2014; Ciepielewska-Kowalik et al, 2015). Polish social co-operatives can be set up by natural persons but also by legal persons, among which can be local public authorities. Although it does not involve direct public subsidies, it may lead to the co-operative dependence. Some local authorities create social co-operatives to avoid the necessity of public procurement. The contracts can be given ‘in-house’ to the co-operatives they have established as a legal person. The involvement of legal persons creates certain risks because of their bargaining power. In terms of the third governance indicator – decision making power not based on capital ownership – ‘one man-one vote’ principle is clearly highlighted in the regulations on social co-operatives across many other country legislations like Spain, Italy, Portugal, Belgium. In case of participatory nature criterion, the regulations do not provide any clear guidelines in Poland. But at the same time social co-operatives do not seem to involve any wider groups of stakeholders, and in fact they do not have formal avenues to do so.

Governance issues of social co-operatives in Poland become an intriguing research area, as there is less formal involvement on the side of multiple stakeholders surrounding them and there are spaces where their autonomy might be breached.

One of the main factors determining the governance model of the organization is legislation in institutional system. It shapes and outlines the membership structure, the role of managing board and supervisory board. Co-operatives in Poland have long history, with their roots dating back to the beginning of XIX century. After the Second World War, they became an instrument of economic policy and meant that there was a large intervention of the state in their operation. With the start of the transformation time in 1990’s the co-operative identity was tarnished and associated with the communist system. Therefore, co-operatives have
hardly been subject of much appreciation in the socio-economic system and their role has been decreasing (See more: Ciepielewska-Kowalik et al, 2015). Yet, they have hardly been the organizational form chosen for the purpose of targeting social problems. This changed as of 2006, when Act on social co-operatives, involving a number of tax and social security benefits (Act, 2006), was introduced. According to it, social co-operatives’ aim is to support the marginalized groups4 who are individuals in danger of social exclusion, the unemployed or the ones with low employability potential enter to the labour market5. That is where they are a type of Work Integration Social Enterprises (WISE). Social co-operatives run economic activity and at the same time they aim to achieve social aims by work integration. A closer look at legislation in Poland shows, that the minimum number of founding members is five in case these are natural people, and two in case these are legal persons (NGOs, public authorities, church units). Altogether, the minimum number of members is five and maximum is fifty. Social co-operatives are rather small organizations. Also other people, apart from the marginalized group, can become founders but they should not constitute more than 50% of all founders. If legal persons set up a social co-operative, they are required to employ at least 5 people from the marginalized group. Social co-operatives are required to appoint a supervisory board but if there are less than 15 members there is no obligation unless a statute states otherwise. Other relevant regulations determining the governance system in a social co-operative can be described in the statute.

Social co-operatives are one of the smallest groups in the co-operative and social enterprise landscape in Poland. After 2006 their numbers have grown dynamically. This is when the act in social coops was introduced in the legislation, what brought many benefits for the coops but also when a lot of public funds (domestic, EU) were made available to social co-operatives for start-up. While in 2007 there were only 70, in 2008 the number reached 187, in 2009 there were 276 and in 2011 there were around 400 social coops in Poland (Informacja, 2012). Overall, between 2007 and 2011 their number has grown by 470%.

Some data on social co-operatives as social enterprises in Poland from study in 20106 (Informacja, 2012), shows that majority of them (95%) are natural persons’ social co-operatives, when only 5% are legal persons’ co-operatives. Social co-operatives are small. The average number of members is 7, and the dominant size of a co-op is between 5-9 members (80%), smaller co-ops make 10% whereas coops that have more than 10 members make 10% as well. Among the members the most numerous group are the unemployed (83%), the disabled (39%). There are low numbers when it comes to legal persons such as NGOs (5%), and natural persons like people with mental disorders (5%), alcohol addicts (5%). The number of non-members employed at the coops is not impressive. The study shows that it is only 2 people and they work in 33% of all social-co-operatives. Almost 20% are supported by volunteers and their average number is 3 people. Volunteers’ most common tasks involve administration (33%), cooperation with the environment (19%) and support in legal issues.

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4 The unemployed, the physically or mentally disabled, other marginalized groups such as the homeless, addicted to alcohol or drugs, ex-prisoners, refugees). There is a 30% minimum requirement on the share of members from marginalized groups.
5 An important element determining the governance model might be that also people with limited law capacity (due to disabilities, illnesses).
Only 5.5% of the researched coops have established a board of directors and around 47% use formal internal documents (job description, regulations) apart from obligatory statute.

As for the type of economic activity, approximately 12% of the social coops do manufacturing, whereas the remaining majority provide services. This can be explained by the need of larger investments in manufacturing processes that social co-operatives cannot afford.

On the other hand, individual members’ competences determine the service provision as Izebski and Oldak (2013) argue. Very often, the co-operatives get involved in services have a great and diverse portfolio of services as evidence in some qualitative studies (O’Shea et al., 2013). They seem to be inconsistent in their product portfolio and many of their activities are unrelated.

In summary, social co-operatives are a new breed in social enterprise organization landscape in Poland. Their numbers have experienced unprecedented growth. They are rather small organizations, consisting of few members. They are mostly set up by natural persons, where majority of the members that require work and social integration are the unemployed. Nevertheless, within this group, there can be heterogeneity seen as regards to governance and management of these organizations, highlighted in the next part of this paper.

Five cases, being a part of bigger research project on social enterprise, are analysed in this paper: ‘Centre’, ‘Best’ and ‘Elka’, ‘Age’ and ‘Eat’. These cases have been purposively selected, with the emphasis put on the diversity in legal and organizational form, and size of a social co-operative. Therefore, across the cases, there are social co-operatives that consist of legal persons, of natural persons as well as there are smaller and larger co-operatives. Also, the cases selected represent sustainable enterprises, that have operated on the market for at least two years. The data was collected for 2 years (since 2012), with the use of in-depth interviews with social co-operatives’ representatives, experts working for the support of social economy in Pomeranian province. There have been 2-3 interviews made in each organization (each lasting approximately between 1.5-2.5 hours), the researcher has also made about 15 hours of observation and participated in 5 meetings for social enterprise development and social co-operatives development, lasting altogether 22 hours. Also, the author employed internal documents’ analysis.

An inductive approach has been employed in the research and, therefore, no pre-defined categories as theoretical framework were used. This paper, however, gives opportunity to present some preliminary findings on models of social enterprise governance that are subject to further theoretical sampling and saturation.

Both ‘Eat’ and ‘Age’ represent a similar model of social co-operative governance, although there are internal differences between the two.

<table>
<thead>
<tr>
<th>Types of social co-operatives</th>
<th>95% natural persons</th>
<th>5% legal persons</th>
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<tbody>
<tr>
<td>Average number of members</td>
<td>7</td>
<td></td>
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<tr>
<td>Social co-operative size</td>
<td></td>
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<tr>
<td>(no of members):</td>
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<tr>
<td>less than 5</td>
<td>10%</td>
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<tr>
<td>5-9</td>
<td>80%</td>
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<tr>
<td>more than 9</td>
<td>10%</td>
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<td>Types of members:</td>
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<tr>
<td>the unemployed</td>
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</tr>
<tr>
<td>the disabled</td>
<td>39%</td>
<td></td>
</tr>
<tr>
<td>NGOs as legal persons</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>With mental disorders</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>Alcohol addicts</td>
<td>5%</td>
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</tbody>
</table>

‘Age’ was established by 5 females in their early 60’s in 2007 and finally grew to 7 members. They combined their forces following breast cancer therapy, as they met in the Amazon Association for women with this illness. The co-operative is located in a large city in Pomor- anian area. They provide a variety of services as part of economic activity – adapted to the physical abilities and potential of the members – from cleaning, via social care, counselling to leaflet distribution. They create a community of friends. Greta says:

‘Yes, it is just a few of us here. It makes it comfortable. Also, it seems to me that this is a plus, that there is so few of us. If there were many people, we would get lost in all of that (…) We are like these monkeys here, you know’.

The co-operative does not want to grow in numbers. Greta ponders:

‘So what, if there were more of us like more than 10, maybe we would start rows and arguments or something? I would be more difficult to get on well with each other (...) I treat it in a different way, maybe we are not a family but it is so family like – you clean and I will cook, just like it is at home, one person does something better and the other does something else better ?’

They display a good example of membership and work for common good in a co-operative that is very horizontally governed. There are three of them on the management board. Maria recalls what Greta did:

‘actually her experience and practice (...) three people are in the managing board [meaning odd number of people, only two was not a good idea] .... one [person] would not be good at all’.

So the decision making is indeed based on democratic basis, as they welcome the potential of disagreements and discussions in the management.

Greta also speaks about values:

‘I have looked upon the co-operative as, we have looked upon it, all of us, as something that belongs to us. I know that there are co-operatives that could not work like that, Especially manufacturing ones. But here, it means behaving in very economical way, like housekeeping, it is so female like’ She also emphasizes: ‘Just see how much trust we have for one another. This common thing. One of us says that she cannot work because she has a doctor’s visit so I tell her to go there and I will replace her. It does not even need to be said or requested, so obvious. So, common experience of illness’.

They also express concern for keeping co-operative values in co-operatives set up by legal persons:

‘A social co-operative is not for people with mental disabilities. I say no....It is unlikely you will have responsibility sharing or common governance. (...) we have recently spoken to

Table 2

<table>
<thead>
<tr>
<th>Social co-operative name, year of establishment</th>
<th>No of co-operative members (no of all employed)</th>
<th>Social co-operative member types</th>
<th>Interviewee name, age, gender, and role in the social co-operative</th>
</tr>
</thead>
<tbody>
<tr>
<td>‘Age’, 2007</td>
<td>7 (7)</td>
<td>Natural persons</td>
<td>Greta (60) F (president)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Maria (60) F (vice-president)</td>
</tr>
<tr>
<td>‘Best’, 2010</td>
<td>8 (15)</td>
<td>Legal persons</td>
<td>Victor (50) M (president)</td>
</tr>
<tr>
<td>‘Centre’, 2010</td>
<td>15 (81)</td>
<td>Natural persons</td>
<td>Matthew (50) M (president)</td>
</tr>
<tr>
<td>‘Elka’, 2009</td>
<td>14 (14)</td>
<td>Legal persons</td>
<td>Rom (65+) M (president)</td>
</tr>
<tr>
<td>‘Eat’, 2013</td>
<td>7 (7)</td>
<td>Natural persons</td>
<td>Martin (30) M (member)</td>
</tr>
</tbody>
</table>

Cases of ‘Eat’ and ‘Age’ – ‘small democratic community’ governance model
people who want to start a social co-operative, like the one with corporate personhoods as members but employing others... but it seems to me that it is not self-governance'.

The vice-president, Greta has a long experience of working as an accountant for the co-operative for the disabled people. Both, Maria and Greta are very well networked in the social enterprise landscape in the local environment, but also across the country. They are very active in other bodies and associations for social enterprises and co-operatives, know important people in public administration. The co-operative has also received awards for social enterprise of the year and other ones. Even though, they do not directly involve external stakeholders in their governance, they involve community members in participation of the co-operative by capitalizing on the networks of contacts they have, to get important information, required support and recommendations for their services, new contracts.

The other co-operative, ‘Eat’, was established in 2013 by 7 people (in their 30’s) in the big city. They opened a vegan and vegetarian business as part of the co-operative, following their eating habits but also seeing that good support and external funding was available for social co-operatives in Poland. So far, they have done catering, but majority of that has been done in informal economy. In fact, they even worked out their own food brand in the market. In April 2015 they are opening up their own bistro-bar.

The core founder and initiator [Vlad], left the co-operative 6 months after the set-up. One of the members – Marc – speaking about the founder and ex-president of the co-operative:

‘he took people randomly into the co-operative because (...). He did not know them well, he did not care to think if it he would get on well with them or not.’

There are cases like these evidenced in different social co-operatives in Poland, where random people get together to create a social co-operative, to get public support and it does not work. Luckily, Marc and his other members have a lot of things in common. They, as Marc says describe themselves, belong to a subculture, have other common passions like punk music, playing in the band, activity in anarchist associations. This also seems to stick them together like glue. Marc suggests that they knew they would have conflicts:

‘Social co-operative is for people who are hard-working and who want and they need to know one another really well to operate well. We knew we would have wars. We expected that but not so soon. We thought that the peace would last longer. And it was for just a while’.

There are 3 people on the management board, but Marc comments:

‘we can govern ourselves horizontally and in fully democratic way, although the legal regulations require the set-up of some kind of hierarchy, that there needs to be a president, there needs to be the management board, so in our group we are able to reduce it to a minimal formal requirement so .... The president or the management board do not have any special power, accountability or responsibility ... it is horizontally spread’.

So there is a lot of emphasis placed on horizontal decision making and looking for consensus. The values they follow are not clearly expressed, but in similar vein like ‘Age’, they help one another to follow their passions, substituting them in their work:

‘Everyone in the co-operative has other things they do, these are personal activities, that do not bring any money, we participate in different informal groups, like activists etc.... so we have this kind of comfort in the co-operative that if one of us is engaged elsewhere we substitute for them and we have an understanding of the situation among ourselves’.

Marc stresses the importance of mental support too:
'The group is great, there is solidarity there, it is like we know one another well, we know problems each of us has, and it is not that everyone thinks only about him or herself. But we are able to support one another, just like in case of Vlad, you know, we gave him possibility to return to the co-operative three times as we knew his situation we knew he had some mental problems and needed a bit more of attention, we needed to be more careful. In fact, there is one more person in the co-operative that has problems too and they get some support too, as far as we can help. n. People gave him time, gave him options, and it is a kind of sign too, that someone wants to work in a group and such things matter and such things are important'.

Also here, co-operative members as belonging to a subculture, place themselves in a particular group of people, which gives them wide contacts in different associations, informal groups, also Members of Parliament. These stakeholders know they are doing a good job but also follow their life philosophy. No other formal stakeholders, apart from the members themselves are involved in the governance.

‘Centre’ represents uncommon model of the social co-operative. It was established in 2010 by Matthew (in 50’s) in one of the smaller towns of Pomeranian province where unemployment rate is pretty high (15%, whereas in the Pomeranian province it is 9,8%). Altogether, it started with 15 founding members but today it employs about 80 people. Some of the co-operative members have physical disabilities. ‘Centre’ provides various services and products to the market. They sell car parts, do the cleaning services, do the packaging and confectionery services, and manufacture candles. The employees who are not co-operative members are spread across Poland and are involved in security services, and other. Mathew recalls the start-up: ‘So I have come with the initiative to create it (…) I have written down the statute, recruitment was made with the Employment Office, there were job fairs there (…) at the beginning there were 50 willing to get the job’.

It is interesting to see, that Mathew speaks about people coming to get ‘the job’, which in fact is true, but he forgets they also become co-operative members. There is only one person in the management board: ‘In the management board it is me, the only one, Matthew’, he stresses.

In the interviews, he very often uses term ‘business’ or ‘enterprise when referring to the co-operative. He introduced hierarchical system of management, has his subsidiaries, but placed himself on the top:

‘I have taken the Act on social co-operatives and I was reading it. I have written the statute myself, to secure myself. Imagine I create something and instantly somebody will try to destroy it. Two or three people will get together and will try to do it, make a riot. You know, there is no lack of people who make riots. There is always this troublemaker that creates conflicts’.

There is an evident lack of trust on his side, although Matthew knows, that the marginalized members have little bargaining power within the co-operative.

Because the co-operative is large, there is a need for supervisory board there. But it is constituted by two people who work for ‘Centre’ and do some operational and administrative activities and one person from outside. Mathew moves from talking about supervisory board to everyday tasks of the members of the board with an easy manner:

‘here, we have supervisory board, with three people. Eve is here, at the moment she is not present, Joanna has important things to do at the moment as I have sent her to do the
banking things. I have taken people I trust on the board, as I did not want to take on rioters here. And Julia is the third person that comes here (…) sometimes we discuss different things but everything, everything is on my shoulders you know. It is me and how I am, this and this, I prefer to make decisions on my own. At the beginning there were 13 and now there are 85 of people here’.

It very clearly shows, how governance and management is reduced to a few key people in his environment. There are many members in the co-operative, they have been recruited to get the job and to work for ‘the enterprise’. Their voice is put down and in fact they do not mind it at all. They are happy that they have full time jobs and earn their living. When discussing values, he comments:

‘Well… uhm … here, if they learn any values? Well I said, there should be peace here, no gossiping, I do not want to hear that. (…) If someone speaks badly about others, telling some kind of stupid things, telling lies, according to the statute they have no place here. (…) so it is better for them if they behave themselves’.

Clearly, Mathew does not seem to understand the ideals and values of co-operatives themselves. He regards them more as rules of behaviour, so to avoid conflicts and riots in ‘his enterprise’

Matthew has a vast business experience. He has been involved in two other types of co-operatives: large housing co-operative and co-operative for the disabled people. He believes that it is hard to run the co-operative:

‘Well, I worked in different coops, I was a president (…), in the co-op for the disabled. (…) I have bad memories from the co-operative. Everyone is a governor there, there are eighty members or one hundred members and then everyone wants to be a governor’.

He had his own business two and also was politically active for a couple of years. He is a well networked man in the business world and many of the contracts that the co-operative has are results of good contacts with other entrepreneurs and public administration. The co-operative is well regarded and has a positive reputation among local and central authorities. ‘Centre’ has received some awards for social enterprises, and Matthew is often praised and invited for panel discussions by the regional administration. But it is regarded as a competition for the local market. Therefore, he advises other members to keep the business and what is going on in the co-operative.

Another model of social co-operative is also presented here. These are social co-operatives that were established with the legal persons as members. In both cases these are two associations where one of them integrates people with health disabilities.

‘Elka’ was established in 2009, as combined forces of association for physically and mentally disabled people, local government unit and more than 10 other natural persons, where the president – Rom has a disabled son. ‘Elka’ is situated in a little town that experiences high unemployment rates, where economy is dependent on the summer season. The co-operative provides laundry services for local hotels and holiday accommodation, and offers social care services, but majority of the members work for the laundry.

Rom makes an important point about the governance and decision making among members:

‘You know, if you do not lead them, these people with disabilities they will not be able to make it on their own. These are people who have not worked for years… and to gather at least five of such people, and they open the social co-operative. What are we talking about here?’
Some people with disabilities are not able to fully participate in the co-operative life, that is why the democratic standards are not possible to be followed. There needs to be a strong leader, just like even in the case of ‘Centre’ where members are people strongly excluded from the job market and who would not be even able to start the co-operative themselves. When it comes to making important decisions, Rom says: ‘all formal things are in my hands, I am the main decision maker’. On the managing board, there is also a vice-president, an old friend and colleague of Rom. She is the person he can trust. While working for the co-operative, Rom is not earning any money, and the vice-president gets very limited salary, that even does not cover the costs of driving to work. They both have long experience of working in different places within local administration bodies. Rom has a good reputation in local environment and he has established very good relationships local administration, gets a lot of support from them. This is strengthened because local administration unit is one of the founding members for the co-operative. Recently, ‘Elka’ has been experiencing problems with economic sustainability and Rom himself finds working for the co-operative very tiring. His main focus is to find a successor who could take over the management. This is the governance challenge co-operatives like this one are facing, where the sole one or two main people in the management need to leave the organization, with other members unable to take the succession: ‘I could find a successor if only I could afford to be paid for my job’. They have been discussing it with other co-operative in the area so that a formal merger could take place, and job places for the members could be secured.

Asked about the values of the co-operative Rom it turns out that he somehow does not understand the co-operative values, and when prompted about values in the co-operatives, he refers to economic benefits that members get:

‘You know, the value here is that some of these people, who are in this economic situation, they have jobs, they do not need to stay at home and do nothing, that they are among people, it is most important for them. It is clear that even Rom himself does not understand the ideals and values of co-operatives. What is important in social the co-operative is that people have jobs and that is what counts’.

It is clear here, that people with disabilities need to get an occupation, to move out of the economic and social exclusion. They rather experience that the co-operative is a good place to work, it is safe, caring, but they do not have drive for self-governance, solidarity because they are simply not able to need it.

As for ‘Best’, it was set up in 2010, there are 8 members, and additionally 7 more people employed. ‘Best’ is a combination of two associations – one of them for (partly) blind people. It is situated in the big city, in Pomeranian province. The social co-operative provides catering services, also for other NGOs and administration who provide public service, and they also organize weddings. The president – Victor has a vast experience in working for non-government organizations and is a president of the other association too. Majority of members are people with disabilities, and they became co-operative members as a result of the cooperation between the two associations. There are four people on the management board, two from one association and two from the other association, but Victor reports that they are not very much involved. However, he takes ‘on board’ his wife, who works for the co-operative. Her scope of responsibilities was widened:

‘She does not only work during holiday season but throughout the whole year and it is natural and I can trust her, I cannot afford to employ people from the outside, look for them, it is working with money, and I get this current update of spending and costs ...and I am not being told what I want to hear but I can hear directly from her, what is going on, how it is going’.
It is clear that for important tasks, he has taken on trusted persons. When asked if they considered to involve other people into the governance Victor answers:

‘In fact, there once was an idea, because in the management board we have management from two associations, and it has worked so far, at this stage we are not able, we cannot see any chance to change it for some kind of ideological reasons, and hand the management over to the co-operative members, it would not work (...) but they [members] they believe that the co-op is theirs and that is why they can take from the co-op whatever they want to. It is because everything is common. There was an attitude like that for some time, we tried to eradicate that ... but there was this kind of community feeling like that for some time’.

It confirms that the co-operative idea is not necessarily the best governance model. But also, what can be seen here, is that these people, learn about commonness, learn about something they care for and work for together. The author has heard some of the young people working in the kitchen, calling Victor ‘an uncle’. Again, maybe also in this case, there is a need of hierarchy but the attitude and atmosphere is more family like.

The coop has a very good reputation in the area and they are also praised by local government for their contribution to the social economy. Also Victor himself has established a very good reputation in local environment, not only because of his experience of working for different NGOs and administration. Victor just like Rom and other co-operative people, capitalizes on his vast personal network of contacts. Also, having an association as a member of the co-operative, brings them legitimacy in the environment.

The analysed cases can be allocated into three governance models, though, internally they display differences. ‘Eat’ and ‘Age’ are very similar, small social co-operatives. Their members have common background, either illness experience or working for association within a particular subculture. They strongly emphasize the solidarity, helping one another in case of need or problems and substitute one another in-case of absence. They downplay the board role in the governance process. They also display strong understanding and appreciation of co-operative values. This model represents ‘small democratic community’. Another model is an enterprising co-operative, ‘Centre’, where strong hierarchy is built. The president has put effort to make sure that power and presidency remains in his hands. Matthew surrounds himself with trusted supervisory board members. He speaks about the co-operative as if that was his own enterprise, at the same time members come to work, make most effort to keep their job places. This model can be named as ‘business providing jobs’. The third model, characterizes social co-operatives where legal persons are involved as members. These legal persons provide care for people with physical or mental disabilities, who become employees of the co-operative. These co-operatives are very well recognized in their local environments by the community, by the public administration, and get a lot of support. Internally and externally, they create family like atmosphere, although some members need to be ‘brought up’ in this family. There is a strong emphasis on the achievement of economic performance and social integration as social aim. This represents is ‘integrated family like’ model.

The democratic governance is very much emphasized in the first model of ‘small democratic community’. In the following two models, the members are not really interested in constituting the co-operative, their rights as members, what is important for them and for the managing board, is that their employment is secured. Membership is rather passive, members appreciate the employment and the management board have selected themselves and secured their position to make the social enterprise sustainable. In ‘integrated family-like’ model, where members are legal persons, the role of the marginalized employees as mem-
bers is non-existent. Yet, the social aims of work and social integration are met, but co-operative ideals do not have any application. Therefore, should such organizations be called social co-operatives? Co-operative values are not very much emphasized in ‘integrated family like’ and ‘business providing jobs’ models. As for ‘small democratic community’ members openly strive for democracy and make most effort to do so, they appreciate co-operative ideals of democratic governance.

In all the analysed cases, there is a strong independence from external actors. Although ‘Best’ and ‘Elka’ were established as legal persons, the autonomy of the social co-operative is not threatened. The founders and current presidents have been recognized by local public authorities and given a lot of trust in the management of the co-operatives. More research on cases of social co-operatives is required to look more into any potential challenges and threats to their autonomy in case members are legal persons.

As for the participatory nature, these organizations do not exploit opportunity of involving external stakeholders on their boards. Across all cases, there are not any multiple stakeholders, involved in the co-operative governance of formal basis. But one needs to remember that these social co-operatives are small. In case of ‘Centre’ which has grown to a large co-operative, it has developed to quite an opposite form. Matthew, the president, secured his position, surrounded himself with trusted co-workers, and build one person management board of ‘his own firm’. What all co-operatives do, is they capitalize on their own personal contact networks and social enterprise label for the benefit of economic sustainability of the co-operatives and for the social goal achievement. What happens is that different members of local community such as individual people, public administration, NGOs, become clients, fund providers, support actors as they work very closely with the founders, presidents of the co-operatives.

Looking at the social co-operatives closer, one can assume, that there is little consideration of strategic choice and formal involvement of stakeholders in co-operatives’ governance, given the background of resource dependence, yet it is done via networks of founders. As boards are self-selected, there is no threat or risk of principal-agent conflict, and because social co-operatives are small, there is no risk as such for the opportunistic behaviour of managers. Also, following earlier assumption, board members are usually members and founders of the co-operative. They act as stewards to their organizations and there is no capacity of managerial hegemony. Nevertheless, the members of social co-operative belong to weaker groups as they are excluded from the social and economic point of view. This makes the governance issues very sensitive in case they become more hierarchical models such us ‘integrated family like’ or ‘business providing jobs’ model.

Following the analysis of the cases a couple of other important points that need to be made. The way the governance varies depends upon whether the board is self-selected or whether the board is selected by members to whom the board is accountable (Spear et al., 2007). In the cases here, the boards have self-selected themselves due to one more important issue which is the size of the organization. In some instances, the choice of legal organizational form i.e. social co-operative, does not fit the way the organization works. These co-operatives experience ups and downs, conflicts, in some cases leading to the break-up of the co-operative or some serious changes. Even, if members expect such situations, there is an agreed attitude that there needs to be a lot of testing and clarification done, during, but also before the start-up of a social co-operative, so that members can work things out and strengthen co-operative spirit – ‘Age’ and ‘Eat’. Business and social skills, networks and experience of founding members play significant role in its internal cohesion, co-operative strength –this is important across all models. Also, it is important to note that there are two types of mem-
memberships – members that are passive and treat the co-operative like a place to work, and a place where they can feel well, but also where they are almost approached like employees or where there is a strong active involvement in the governance and running of the co-operative.

The board can be dominated by the founder, the initiator and following that a president, but on the other hand in ‘Eat’ and ‘Age’ presidents look out for discussion, common governance and equal participation of members. The core stakeholders of social co-operative are members themselves, who work for the organization. Founding members capitalize on their personal contact networks that constitute informal stakeholdership for building legitimacy and acquiring resource access. In social co-operatives, small ones in particular, there is a lack of clarity between board and staff roles, a lack of work-life balance among members, or board members. This makes social-co-operatives work like enterprising communities, otherwise they should become for-profit enterprises like ‘Centre’, for example. They will not do so, because of the many benefits they receive having social co-operative status.

The aim of this paper was to provide insights into governance among social co-operatives in Poland. Social co-operatives have dynamically grown in numbers in Poland since the introduction of Act on Social Co-operatives between 2006 and 2007. There has been vast financial support given to their start-up through domestic and European public funds. The paper has shown, that in terms of the governance social co-operatives are heterogeneous group. Three governance models have been proposed: ‘small democratic community’, ‘business providing jobs’, and ‘integrated family like’. The explanatory power behind these different governance models, are found not only in different membership types in a co-operative – legal or natural persons. What also matters is the size of the social co-operative, the type of marginalization of members and employees working in the co-operative as well as antecedents of a start-up its recognition in the local community. The reference to three governance criteria offered by EMES, shows that in ‘integrated family like’ model, there is a strong participatory effort on the side of constituting bodies, but also on the side of local environment i.e. variety of stakeholders recognizing the need to develop the co-operative. Other two models either shy away from inviting wider groups because of their size (‘small democratic community’) or aim to work independently as ‘business providing jobs’. The ‘one man one vote’ rule underlying that the decision making is not based on capital ownership, is clearly visible in ‘small democratic community’ set by natural persons, in small co-operatives. Lastly, it seems, that only ‘integrated family like’ model shows increased dependence and reliance on external actors, among whom local authorities play important role, but it is arguable how this leads to loss of social co-operative autonomy.

The paper contributes to the existing literature in the following way. It is the first attempt to gain insights into governance models in social enterprises in the context of CEE country such as Poland. This is relevant for implementing appropriate policies within an enterprise and understanding the different ways social enterprise, like social co-operative, cooperates with the local environment, and for recognizing how it pursues co-operative values and showing the diversity of the governance among social co-operatives. The practical implications of this paper can be taken to the public and social policy level. There is only one legal Act, regulating their operation and governance, and treating, administering the social co-operatives as a homogenous group, is inappropriate approach. Therefore, policy makers should be aware of the detailed differences. The above study, however, has some drawbacks, and inclusion of more cases into the analysis, might have enriched the construction and understanding of the proposed governance models. Therefore, the future work on social enterprise requires studying other social enterprise models, not only social co-operatives. This is particularly
important, if Polish regulatory bodies introduce an Act on Social Enterprise. In this regulation, governing bodies will become an obligatory element of the social enterprise organizations. More valuable insights on: if and how, the founding of formal governing body, can influence social enterprises, can be gained in this area too.

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REIKŠMINIAI ŽODŽIAI: socialinė įmonė, valdymas, socialinis kooperatyvas, socialinė antreprenerystė.

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