

The resilience of the cooperative model: How do cooperatives deal with the Covid-19 crisis?¹

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The centrality of user-members in cooperatives and cooperatives' embeddedness in their community and in a global network influence positively their resilience in times of crisis, as illustrated by cases of cooperatives that acted entrepreneurially during the Covid-19 crisis.

Key points

Cooperatives are hybrid organizations that maximize value instead of profit, being owned, governed and controlled by their members.

Cooperatives are more resilient than their capitalist counterparts in times of crisis thanks to their peculiar governance characteristics that ensure member centrality.

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Next to member centrality, the embeddedness of cooperatives in their local environment and in a global movement enhances mission centrality, as well as trust and solidarity among their members, local communities and other cooperatives.

Introduction

The Covid-19 crisis and the resulting ‘Great Lockdown’ in 2020 have highlighted failures of the current globalized capitalist system (Floyd & Rahman, 2020), among others: shortage in global value chains, absence of local production of essential goods, lack of access to some basic services for some categories of population, and further exploitation of precarious workers such as bike deliverers and seasonal workers. With an eye on recovery, this has significant consequences for entrepreneurship (Shepherd, 2020) in general and to entrepreneurship that aims at social value creation in particular (Bacq & Lumpkin, in press; Ratten, in press). In this article, we look at cooperative entrepreneurship, a specific and collective form of such social value creating entrepreneurship (Diaz-Foncea & Marcuello, 2013), and draw lessons from the cooperatives’ characteristics that make them more resilient in times of (economic) crisis (Birchall & Ketilson, 2009; Roelants *et al.*, 2012).

Cooperatives share a specific organizational design and a strong organizational identity based on an internationally agreed-upon set of values and principles (Nelson *et al.*, 2016). In particular, cooperatives are value-driven, member-owned, and democratically controlled enterprises that seek to fulfil the economic, social and cultural needs of their members by their production of goods and services (Battilana, 2018; Levi & Davis, 2008; Shantz *et al.*, 2020) rather than provide them with financial gains through dividend distribution. Examples of renowned cooperatives include Mondragon (Forcadell, 2005), Ocean Spray (Nielsen, 1988), and Park Slope Food Co-op (Gauthier *et al.*, 2019).

As history reveals, cooperatives often emerge during times of crises. Cooperatives are often founded by persons sharing a common need and a collective identity of a community of destiny (Defourny & Develtere, 1999) to ensure the provision of products or services which the market, and/or the state, fail to provide them with (Mushonga *et al.*, 2019). Interestingly,

cooperatives also show more resilience in periods of crisis, the most recent evidence being the aftermath of the financial crisis in 2008 (Birchall & Ketilson, 2009; Narvaiza *et al.*, 2017).

In this article, we explore the *capacity of cooperative entrepreneurship to deal with crises in general, and with Covid-19 in particular*. We contend that two main elements have a strong role in this resilience. First, the *raison d'être* of cooperatives, that is to satisfy members' needs, is embedded in their peculiar organizational form by ensuring the centrality of user-members. Cooperatives use their profits merely as a means to fulfill their mission. Therefore, in times of crisis, cooperatives will tend to strive for the continuation of their production or service delivery for their members, to sustain their needs, livelihoods and well-being. Second, cooperatives are strongly embedded in local communities and a global movement that promotes a governance culture triggering them to act entrepreneurially to stand for their values and support their community.

The article first provides a short introduction to the cooperative model. Then, we outline a theoretical outset of how the cooperative model steers the organization towards sustainable value creation, and hence resilience in times of crisis, and provide illustrative examples of cooperative entrepreneurship in times of Covid-19 in various countries and sectors. In the discussion, we acknowledge that many cooperatives depart from the presented ideal-typical cooperative governance and that this may result in mission drift and 'cooperative degeneration'. Against this backdrop, we argue that a necessary condition for cooperative entrepreneurship and resilience lies in the daily implementation of democratic governance principles.

Cooperatives and their appearance in the world

Cooperatives are member-owned, member-controlled and member-benefitting enterprises that provide services or goods to fulfil their members' economic, social and cultural needs

(Battilana, 2018; Levi & Davis, 2008). In essence, the members are therefore the users of the cooperative, at the same time as they are its owners and democratically control it. Cooperatives are categorized as social enterprises (Peattie, 2020; Périlleux, 2015), in that they incorporate both a business logic and a community logic (Battilana & Dorado, 2010; Doherty *et al.*, 2014), taking a unique position between non-profit and for-profit enterprises.

Cooperatives represent a significant share of economic life (Shantz *et al.*, 2020). Globally, around 1 billion people are involved in a cooperative and 10% of the global population works in a cooperative (Kaswan, 2014). In the Emilia-Romagna province in Italy, almost 35% of the GDP is realised through cooperatives (Restakis, 2019), making the region one of the least unemployed in Italy (the numerous wine and Parmigiano cheese cooperatives are famous examples). In Spain, Mondragon serves as the cooperative par excellence to illustrate the supportive role the sector has on the socio-economic resilience of the Basque region (Narvaiza *et al.*, 2017). In the United States, the cooperative model has grown amongst farmers in presence and effectiveness in regions where people suffered the most from corporative logic (Boone & Özcan, 2014).

In contrast to conventional capitalist enterprises that aim to maximize shareholders' financial interests, cooperative enterprises need to optimize the transaction-relation with their members. A fundamental distinction between cooperatives and conventional enterprises resides in the "multiple hats" that cooperative members typically wear (Mamouni Limnios *et al.*, 2018). Cooperative members engage in various relations with their organization, including a transaction relation as users of the cooperative to satisfy their needs; an investment relation as owners of the cooperative; and a say relation as controllers in a democratically governed organization. Moreover, cooperative's members are also users of the enterprise in that they are its employees, suppliers, or customers etc. (Mamouni Limnios *et al.*, 2018). In fact, it is the nature of the members' role that defines the type of cooperative (Nelson *et al.*, 2016).

Traditionally, members belong to a single stakeholder category: worker cooperatives are owned by their workforce (whether employed by the enterprise or self-employed); consumer cooperatives are owned by their customers; producer cooperatives are owned by their suppliers. Recently, multi-stakeholder (or solidarity) cooperatives have emerged and are owned by a combination of the previously-mentioned stakeholders (Michaud & Audebrand, 2019).

Cooperatives are value- rather than profit-driven organizations and they strongly distinguish themselves in terms of identity and governance by following an internationally shared set of values and principles (see Table 1, ICA, 2015). Cooperatives are embedded in a global movement (Mushonga *et al.*, 2019) that is structured around multiple sectorial and geographical apex organizations, which are united in the International Cooperative Alliance (ICA). The ICA was founded in 1895 to promote the cooperative model and their distinctive identity, and to offer guidance on the implementation of the cooperative principles.

INSERT TABLE 1: Cooperative values and principles, as adopted in 1995 by the ICA

The cooperative principles include at least three specific governance characteristics. First, cooperatives are owned by their members, which implies that members jointly possess the enterprise. This type of ownership differs significantly from the capitalist logic in that shares in cooperatives are not transferable and cannot therefore be traded on a market (Mikami, 2016). Whenever a member withdraws, they can only receive compensation for shares.

Second, cooperatives have a democratic decision-making governance structure in which each member usually has one vote, regardless the number of shares they own (Novkovic, 2008). This right is used by members to vote at the General Assembly to have a weight on the decision-making process. Members are eligible and expected to participate in the decision-making process to let mediate their preference through a democratic process (Spear, 2000).

Third, cooperatives aim to benefit their members through their economic production activity. In other words, a cooperative's members are its users and, hence, cooperatives are user-centred. Consequently, the value created by cooperatives is primarily defined by the (non-)financial benefits the member-users derive from the satisfaction of their needs by the cooperative, namely 'use-value' (Peredo & McLean, 2020; Smith, 1976/1776), instead of market performance and share value. For instance, a worker cooperative cares for valuable and long-term employment for its worker-members. A producer cooperative strives for fair and long-term contracts with its supplier-members. A consumer cooperative focusses on an excellent price-quality ratio for goods or services for its client-members. The cooperative thus seeks to maximize user-benefits for members instead of dividends and shareholder value like conventional capitalist enterprises. This 'user' relationship between members and the cooperative is the *raison d'être* of the enterprise and constitutes the core of value creation in the cooperative (Peredo *et al.*, 2018).

The resilience of the cooperative model in times of crisis

Because cooperatives emerge to fulfil essential needs that both market and state fail to address (Novkovic, 2008), it comes as no surprise that the history of cooperatives is tightly linked to economic downturns and crises (Williams, 2007). Waves of creation of cooperatives can be observed in the aftermath of crises, such as consumer cooperatives (groceries) after World War I to counter low purchasing power (Fonte & Cucco, 2017), wine producer cooperatives in the late 19th century, after the phylloxera epidemic ravaged many European vineyards in the mid-19th century and during the mid-20th century following the Great Depression and the Second World War (Fernández & Simpson, 2017). While it is still too early to observe whether a new wave of cooperatives will follow the Great Lockdown of 2020, the way cooperatives behave during crises is also worthy of attention.

Cooperatives resist better in times of crisis than their capitalist counterparts (Birchall & Ketilson, 2009; Roelants *et al.*, 2012). What discerns the cooperative model from conventional types of business in times of crisis is the following twofold: (i) the central place of its members and (ii) its embeddedness both in a global movement based on a shared identity and in community through a stronger local anchorage. We review these characteristics in light of the cooperative principles they relate to and explain how they lead to stronger resilience of cooperatives during crises. We illustrate them with cases of cooperatives that acted entrepreneurially during the Covid-19 crisis which we interviewed or which we came across in our readings.

Members' centrality

Sudden switches in the environment resulting from a crisis may reveal underlying power structures in an organization, that are not always visible during more favourable times. For conventional enterprises, times of crisis usually compel managers to reconsider trade-offs to protect shareholders' interests. This often amounts into saving capital and hence cut on workforce and social commitments (Yunus, 2009). As highlighted above, cooperatives are user-centred (Hansmann, 1999); the relationship between they hold with their members is therefore the priority, even in times of crisis. This relationship is manifold since a cooperative's members are simultaneously owners of the enterprise, control it, and stand in a use-transaction relationship with the organization (Mamouni Limnios *et al.*, 2018). Structural cooperative characteristics including collective ownership and democratic governance help to deal with this unique but complicated relationship.

Structural characteristics of cooperatives leading to user centrality

First, cooperatives are structurally different from conventional corporations with respect to ownership and the distribution of decision rights, as reflected in the first two cooperative principles (that is, open and voluntary membership; democratic member control). Instead of tying decision rights to capital, cooperatives grant decision rights on membership, not ownership (Peredo *et al.*, 2018). By uncoupling decision rights from capital, member-users are “internalized” through their ownership structure, which therefore creates strong ties with the organization (Núñez-Nickel & Moyano-Fuentes, 2004). It further limits shareholder value primacy because dividends for cooperative members are different from dividends for shareholders in conventional firms. In cooperatives, patronage refunds are the way of reimbursing members. Instead of following a capitalist logic, that is sharing profits in proportion to the amount of capital invested, these refunds are in proportion to the activities (sales, hours of work, production etc.) generated by the individual member (Rhodes, 1983). Hence, even though capital remains important for the success of the cooperative venture, it does not make up the condition for financial return. This collective structure of ownership incentivizes the cooperative to focus on sustainable use-transaction relationships with members rather than mere financial value.

Also, the non-transferability of ownership in cooperatives reinforces this dynamic. Since cooperatives usually do allow the trade of their shares, they do not provide incentives for rapid growth of financial profits after which shares can be sold on the market for higher prices (Mikami, 2016). In addition, members are not encouraged to acquire more than one share, since this does not grant more benefits. This, in turn, results in less danger for the cooperative of falling prey to dominant shareholders, at least not resulting from the size of ownership share.

Second, members’ control of cooperatives is democratic, as the second cooperative principle states. This is most often implemented by a one-member-one-vote principle at the General Assembly of members. Hence, members are expected to govern collectively. It

requires the equal consideration of each member's vote (ICA, 2015) which means that managers are constrained by a democratic procedure and not only, as may be the case for conventional enterprises, by the pressure of dominant shareholders. As a consequence, such democratic control favours concern for members in all decisions and guarantees the allocation of means on the creation of use value, including in times of crisis. Moreover, the cooperative movement has a culture of layered decision-making, increasing participation in the governance by regional committees, working groups and boards of representatives (Allemand *et al.*, 2013; Hoffmann, 2005), all practices that give members the opportunity to engage in a dialogue with managers.

Third, the centrality of user-members is ensured by their economic participation in the activity of the cooperative (that is, the third cooperative principle, see Table 1). Besides engaging as an investor, members commit to use the cooperative (ICA, 2015) by (i) supplying raw material to, (ii) working for, or (iii) buying from the cooperative. This transaction is benefitting both the members, who increase their utility, and the cooperative, that needs this input to sustain its economic activity. Such mutually-dependent relationship between the cooperative and its members also strengthens the need for the cooperative to create value for the members, who might otherwise freeride and jeopardize the cooperative's resilience due to a lack of resources (De Moor, forthcoming). On the other hand, if they can anticipate utility in the long term, members are motivated to be loyal to their cooperative by participating in its economic well-being and to make collectively the right decisions for the enterprise (Feng *et al.*, 2016).

Lastly, this peculiar 'user-centered' governance structure of cooperatives has also specific implications for trust relations between members in a cooperative (Hatak *et al.*, 2016). Trust relationships are considered indispensable to lasting and successful relationships (Arrow & Fisher, 1974) and vital for fine stakeholder management (Crane, 2018). Trust tends to be

higher in member-owned enterprises compared to their investor-owned counterparts (Boone & Özcan, 2014; James Jr. & Sykuta, 2006; Spear, 2000). Trust is an organizational coordination mechanism (Adler, 2001) that, just like hierarchy and price mechanisms, partially follows the form of an organization, or is at least mutually affected by the choice of governance (Puranam & Vanneste, 2009). In cooperatives, this happens in response to several reasons, among which the lower potential of opportunistic behavior due to more distributed power (Hansmann, 1999) and their greater reliance on relational contracts among members rather than regulation and sanctions (James & Sykuta, 2005). Trust in cooperatives also arises because of the need to self-organize and the absence of strict hierarchies, key principles of the cooperative movement (Ole Borgen, 2001). Since agency problems and distrust between parties usually arise from the separation of ownership and control, cooperatives are less prone to this because ownership and control fall together (Borgen, 2004). Trust thus not only potentially fills the coordination gap in cooperatives, it is also steered by some of the typical features of the cooperative form.

To sum up, the member-centrality, reflected in the patronage refunds concept, the non-transferability of shares and the one-member-one-vote principle, creates a trust relationship. It also makes the cooperative form less appealing for entrepreneurs striving for financial gain and less attractive for member-shareholders to join (Hansmann, 1999). A core characteristic of cooperatives lies in the use-transaction relationship members have with the company. By using the cooperative form, cooperatives decentralize in a way their governance, thereby incentivizing the cooperative mission. This is close to the spirit of cooperative entrepreneurship: collectively coping with collective action problems and free-rider behavior (Staatz, 1987).

Manifestations of user centrality during the Covid-19 crisis

We observe that the above-mentioned structural characteristics of cooperatives, which are stemming from the first three cooperatives principles and ensuring members' centrality, come into play in at least two distinct ways with regard to how cooperative behaved entrepreneurially during the Covid-19 crisis and that would participate in explaining their resilience. On the one hand, cooperatives showed solidarity with their members to satisfy their needs in times of crisis. On the other hand, members showed solidarity with their cooperative to safeguard the enterprise they collective own and ensure its functioning in the long run.

First, searching to maximize their member-users' utility triggered some cooperatives to adapt to address the new and specific needs of their members created by the pandemic and the lockdown. Such adaptation resulted in some cases in a change in their economic production activity; in other cases, it involved a redirection of the allocation of their financial reserves and investment plans. For instance, Lokaliteit is a worker-owned cooperative restaurant in Ghent, Belgium, that initiated an entrepreneurial switch during spring 2020 to keep its workers at work. To face the compulsory shutdown of restaurants for a long period, perishable food was transformed into canned and fermented products, such as tomato sauce or kimchi. The restaurant was turned into a small food shop, fulfilling both the needs of the cooperatives' members to continue to earn their livelihood, as well as its mission, to provide healthy and sustainable food to the community. As founder Arno De Mol shares: "the pandemic has forced the cooperative to overthink their financial and business plan, magnifying the flexibility of the cooperative model within the boundary of its unique mission" (personal communication).

The numerous self-help groups in India, where women join forces, sources and knowledge to create better livelihoods in their fight against poverty, illustrate this flexibility of the cooperative model as well as the care for the community on a larger scale. Supported by long-standing Indian associations such as SEWA (Self-Employed Women's Association) that groups many of these groups and small self-help cooperatives, these collectives of women have

played an important role in the recent health crisis, both for sustaining themselves and their communities. For example, they have taken up initiatives to ensure the nutrition of vulnerable groups within their communities by setting up community kitchens, have trained each other to use digital communication channels to spread awareness of Covid-19, developed specific Covid-19 health insurance products for rural communities to cover hospital costs, and started producing and distributing face masks, herbal sanitizers and soaps, and kits with protective gear to prevent the spread of Covid-19, providing themselves an important and stable income during the lockdown².

Second, the bond between cooperatives and members was strengthened in both directions: members supported their cooperatives, and cooperatives supported their members to get through the crisis. This member engagement is triggered by collective ownership and member economic participation, which form the basis for psychological ownership and identification with the cooperative (Vandewalle *et al.*, 1995). Such support expressed itself as well for cooperatives that were experiencing hard times due to the Great Lockdown, as for cooperatives that were experiencing fast (and temporary) scaling issues due to unexpected peaks in demand, such as in the short supply chain food sector. For example, the consumer cooperative ‘La cooperative ardente’³, based in Liege, Belgium, delivers biological, ethically and locally produced food items in collaboration with nearby short-supply chain farmers. To handle the sudden huge increase in demand of local food due to consumers’ avoidance of large supermarkets, the cooperative needed additional manpower. Despite hygienic restrictions, cooperative members presented themselves spontaneously as voluntary helpers, ensuring the continuing supply of the service of the cooperative in the early weeks of the lockdown.

² <https://yourstory.com/socialstory/2020/09/women-self-help-groups-shgs-fight-covid19-pandemic-india>

³ <https://lameuse.sudinfo.be/557810/article/2020-05-11/covid-19-les-entreprises-liegeoises-se-sont-reinventees>

Conversely, cooperatives themselves have shown considerable initiative to support their members. For example, Co-op Childcare⁴, which is owned by Midcounties Co-operative, UK, and runs close to 50 nurseries across England, have launched the ‘Helping Hands’ redundancy support programme, which offers free childcare sessions, financial reductions and flexible payment terms to parents of young children who have been affected by Covid-19. Additionally, free virtual consultations are offered to enable parents to find additional support.

Embeddedness in a global movement and in the community

An enterprise characterized with high embeddedness is likely to be better able to anticipate and to adapt to environmental changes because it has a better knowledge of the demands of its stakeholders and opportunities created by this changing environment (Baum & Oliver, 1992; Dacin *et al.*, 1999). It results in a longer term orientation (Dufays, 2016), facilitates social innovation (Lashitew *et al.*, 2020), and is associated with growth under certain circumstances (Baù *et al.*, 2019; Greenberg *et al.*, 2018) and better resilience in times of during crises (Dahles & Susilowati, 2015). Cooperatives are strongly embedded both in a global movement (Williams, 2007) and in their local community (Becker *et al.*, 2017) because of their organizational identity and their design.

First, cooperatives share an organizational identity that is promoted at the global level by the International Co-operative Alliance (Nelson *et al.*, 2016). This identity consists in a set of principles and values (see Table 1 above) to which cooperatives are supposed to subscribe and that are intended to guide them in their daily activities as well as their strategic decisions (ICA, 2015). Such a shared identity enshrines cooperatives’ alterity and alternativeness with regard to other types of organizations (Basque & Langley, 2018), which despite their great variation results in a “us vs. them” feeling (Elias & Scotson, 1994/1965) that creates a bond

⁴ <https://www.thenews.coop/151312/sector/retail/co-op-childcare-launches-family-support-scheme/>

among cooperatives. This bond is further strengthened by the sixth cooperative principle of “collaboration among cooperatives”, which encourages cooperatives to seek out cooperative suppliers, customers, and employees to conduct their activities, as well as to participate in sectoral and geographical (both national and international) networks of cooperatives (ICA, 2015). As such, cooperatives are embedded in a movement that is given shape through their affiliation to networks and subscription to the principles and values they jointly hold (Schneiberg, 2013).

Two mechanisms explain why this embeddedness in a global movement results in solidarity among cooperatives. Firstly, by being embedded in a movement and sharing organizational identity, cooperatives are better informed on each other. They can rely on the shared cooperative values and principles and on the information that circulates through the structured movement, in particular through apex organizations, to better predict other cooperatives’ behaviour. Such situations of higher predictability make inter-organizational cooperation is less risky and more likely (Gulati & Gargiulo, 1999). Secondly, cooperatives experience bounded solidarity, a mechanism that has largely been documented among ethnic and immigrant entrepreneurs (Portes & Sensenbrenner, 1993). Bounded solidarity emerges among members of a minority group on the basis of their “alternative” status. By sharing values and principles, that are embodied in the cooperative identity, cooperatives develop a sense of belonging to a distinct, non-mainstream or alternative class of enterprises (Nelson *et al.*, 2016). This alternativeness results in a willingness to cooperate and be solidary to maintain the alternative character of cooperatives (Dufays *et al.*, 2020; Fonte & Cucco, 2017). In sum, cooperatives’ embeddedness in a global movement thus translates into solidarity among cooperatives, a phenomenon that is likely to be further reinforced in times of crisis as a sort of defense mechanism to preserve the cooperative organizational model and values (Vieta, 2010)

and to find collective solutions to keep satisfying the needs of cooperatives' members (Zamponi & Bosi, 2018).

Besides their embeddedness in a global movement, cooperatives are also highly embedded in their (local) community both by principle (seventh cooperative principle of “engagement with the community”) and by design (Muñoz *et al.*, 2020; Shrivastava & Kennelly, 2013). The high local anchorage of cooperatives (see for instance Filippi, 2014) results from the close link cooperatives have with their member-users. If members are to use the services of a cooperative, it often has to be geographically located close to them. Also, the place of decision-making has to be accessible to ensure its democratic character. This might entail decentralization of the decision-making for large cooperatives (Lamarque, 2018). Although digitalization could counter this obligation of closeness to the members and hence cooperatives' local anchorage, the literature shows that cooperatives often still strive to create social capital among and with their members as well as with their stakeholders such as local communities (see the example of Fairbnb in Foramitti *et al.*, 2020).

Manifestations of embeddedness in a global movement and in the community during the Covid-19 crisis

Cooperatives' embeddedness in a global movement creates solidarity among cooperatives. During the Covid-19 crisis, cooperatives supported each other and created new partnerships for delivering additional social value to their members. Also, many cooperative apex organizations showcased these new partnerships and solidarity initiatives on their website and on social media to inspire other cooperatives around the world⁵.

⁵ See for instance: <https://www.ica.coop/en/cooperative-endeavors-during-covid-19>, <https://coopseurope.coop/resources/news/covid-19-coop-response>, <https://www.legacoop.coop/quotidiano/istituzioni/provvedimenti-covid19/>

The behaviour of some retail cooperatives during the crisis illustrates increasing solidarity patterns emerging from belonging to a (global) movement. For example, Italian retail cooperatives, having experienced increased revenues during the pandemic, decided to donate their surplus to support local community cooperatives, which did not have any income due to the lockdown, as well as to public hospitals. This support was crucial to maintain a net of local (social) cooperatives. Solidarity also took place at the international level. When Bulgarian retail cooperatives were facing a national shortage of cleaning detergents and disinfectants in the midst of the first wave of the pandemic, Coop Italy responded to their call by delivering promptly, despite their own stock being critically challenged⁶.

Sometimes, new partnerships emerged from the cooperation among cooperatives, resulting in entrepreneurial initiatives. It is the case of Pwiic, a platform cooperative, and Multipharma, a cooperative pharmacy in Belgium, who partnered up and set up in a couple of days after the start of the lockdown an online community that brings together supply and demand for assistance at the local level⁷. If a citizen needs help to do some shopping, to go to the pharmacy, to care for animals, etc. they describe the assistance they need on the platform. Conversely, those who wish to offer help in their spare time can also indicate on the same platform in one sentence how they can help their neighbours. In just a few days hundreds of people, whether clients from Multipharma or members of other Pwiic communities, joined the platform and helped each other.

Further, the strong embeddedness in their community triggered the cooperatives' entrepreneurial behaviour during the Covid-19 crisis. To support their local communities, many cooperatives have engaged in delivering additional services beyond their membership base. This was for example the case for the workers' cooperative 'Thuisverpleging Meerdael'

⁶ <https://edmayo.wordpress.com/2020/04/08/what-has-italy-got-right/>

⁷ <https://febecoop.be/cases/multipharma-pwiict/>

which connects around 40 self-employed nurses specialized in home health care in Leuven, Belgium. In the beginning of the pandemic, when access to medical protection kits such as face masks and hand sanitizer was dire and prices were roaring, the cooperative was able to mobilize members to jointly look for suppliers to secure their stock and negotiate better prices for new orders. They also offered access to protection material to local nurses who are not members of the cooperative, but who asked them for help as they had already run out of basic materials. Likewise, founder Steven Vancraesbeek (personal communication) explains how the cooperative set up a Covid-19 unit consisting of several members that took up the task of nursing patients returning from hospital, even taking over patients from non-member colleagues to better protect the groups at risk. Also, the cooperative designated a number of members to follow up on the quickly changing government restrictions and rules to prevent the spread of Covid-19, sending out regular condensed updates to the other members as well as non-member colleagues who, being self-employed, had been overwhelmed by new technical information. This way, in hard times such as this crisis, the cooperative spirit and concern for community has substantially supported front line workers who were better informed and protected to be able to continue to carry out their crucial work of nursing and caregiving.

ChiFresh Kitchen⁸ in Chicago, United States, is an example from the food supply sector, also essential during this pandemic. ChiFresh Kitchen is a worker cooperative that was set up to open in June 2020 to provide economic security and empowerment to its members, formerly convicted, primarily black women. When the pandemic hit in March, they decided to open earlier to generate income for their own members. Also, the cooperative started to deliver donated meals to local people experiencing emergency food insecurity, in collaboration with Urban Growers Collective, a Black- and women-led non-profit farm in Chicago. Both

⁸ <https://nextcity.org/daily/entry/formerly-incarcerated-women-launch-worker-owned-food-business-covid-19> and <https://freespiritmedia.org/features-search/2020/7/16/deliah-cortez-95c9t>

organizations strive towards their mission of enhancing social equity and empowerment of vulnerable people through nutritious and locally grown food, showing how local collaborations can directly serve the wider community, and at the same time ensure livelihoods for their own members, especially in times of crisis.

Contributions, limitations and future research

Cooperatives are basically designed to serve the needs of their members, even during periods of crisis and uncertainty. When individual members are sustained in their job (worker cooperatives), their livelihoods and families, and hence communities bear the ultimate fruits. When producers are sustained in their operations (producer cooperatives), their workers and families also bear the fruits. Or, when consumers are granted a fine price-quality ratio (consumer cooperatives), they benefit from a higher quality of life. The understanding of the positive externalities produced by cooperatives is evolving and refining as an increasing number of studies on the subject are published (Antonazzo, 2019; Muñoz *et al.*, 2020). Our cases support the reasoning that cooperatives can enhance the resilience of an economic system making it more adaptive and capable of absorbing economic shocks. Nevertheless, we acknowledge the limitation inherent to the case study method, especially as they are used in an illustrative way in this article. Therefore caution is particularly needed in generalizing the results. For instance, further research would be needed to better understand to long term effects of the produced positive externalities. We encourage future research to conduct empirical research with longitudinal research designs.

Further, this article contributes to the literature on cooperative model and resilience. We present two core features of ideal-typical cooperatives that steer towards their sustainable value creation, namely member-centrality and embeddedness in local communities and a global movement. We discussed and illustrated how these features trigger cooperatives to behave

entrepreneurially during crises and to be more resilient recent Covid-19 crisis. Nevertheless, in the reality of a crisis such as Covid-19, not all cooperatives will flourish. Empirical research shows that cooperatives sometimes take distance with their basic organizing principles and values, a process that is coined degeneration (Cornforth, 1995; Storey *et al.*, 2014) or mission drift (Grimes *et al.*, 2018; Staessens *et al.*, 2019). How a particular cooperative will eventually react to a crisis can often be traced back to the embodiment of member-centrality. In other words, cooperatives are only more resilient *if* the cooperative principles are not only legally embedded in their bylaws, but actually enacted in the daily functioning of the cooperative. That is, if democratic governance is a reality. For instance, a recent study of Bruneel *et al.* (2020) shows that bylaws may play an important role as facilitators to arrive at a hybrid governance structure, yet they need to be enacted in practice. Future research could investigate how cooperatives can endorse the actual, and not only ceremonially, enactment of democratic governance and how to ensure democratic decision-making in times of crisis.

Furthermore, the focus of cooperatives on satisfying their members' needs in a sustained way has another important consequence with regard to their resilience during crises. Indeed, to compensate for the difficulty to rapidly raise equity capital, cooperatives typically accumulate indivisible reserves. This accumulation is even compulsory in some countries such as France and Italy. Such reserves come useful as a buffer to ensure the continuity of the activity in case of crisis, in particular to maintain employment in worker cooperatives. In other types of cooperatives, reserves also create an important financial buffer, ensuring the continuation of production and service delivery for the members. Future research may investigate the differences in the buffer-function of reserves across the types of cooperatives in greater detail.

Implications for practitioners and policy makers.

The insights provided in this paper are also valuable for both practitioners and policy makers. First of all, we discuss that the actual enactment of democratic governance in the daily functioning of the cooperative is a crucial feature of the resiliency in times of crisis. An important precondition for this is that members need to be provided with transparent information about resources and strategies, and the opportunity to effectively control and influence decision-making. Second, cooperatives are encouraged to actively participate in and sustain their global and local embeddedness by collaborating with other cooperatives and being supportive in times of crisis. This will further increase the resiliency of the cooperative model.

Lastly, even though they are no magical *passe-partout*, cooperatives can be a source of inspiration for constructing a post-corona society that puts the economy at the service of humankind. Especially the cooperative's curious focus on utility makes it not only a realistic model, but also a highly desirable one in times when reform of the economy is not a luxury, but a necessity. As climate change and rising social inequality are coming to the forefront as larger global crises, cooperatives are equipped as positive entrepreneurs: their member-centered mission and their values of self-help, democracy and solidarity might prove to be vital in the local and global sustainability challenges our societies are facing. In this vein, policy makers are recommended to create conducive institutional, legal and administrative ecosystem for cooperatives. This will require the development of systems and tools for the provision of training and support services to cooperatives and promoting forms and principles of cooperatives. For instance, policy makers may stimulate the provision of entrepreneurship education focusing on cooperatives.

Conclusion

Cooperatives' organizational characteristics and embeddedness are participating in making cooperatives more resilient, as well as contributors to the resilience of their community.

Cases from around the world, illustrate how communities can continue to function, without the disruptive effect of capitalist reactions to crises, that is saving on capital and cutting on workforce, contracts or price-quality ratio. Cooperatives have shown to be more resilient because of how they structurally embody their mission, that is the provision of qualitative products or services for their members and stakeholders, as opposed to financial gain for corporate shareholders. Trust and solidarity among members within a cooperative, along with its oftentimes strong anchoring in the local community, ensures continuing support in money and kind, both during calm times and when hitting a collective rough spot. The embeddedness in a global movement creates an international solidary spirit among cooperatives that further contributes to this. Nevertheless, the principles and organizational features that ensure democratic participation of members – not only in times of crisis – are likely to be at the very core of cooperative resilience (Mushonga *et al.*, 2019).

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Tables

Table 1: Cooperative values and principles, as adopted in 1995 by the ICA

Cooperative values	Values of the cooperative members
Self-help Self-responsibility Democracy Equality Equity Solidarity	“In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others.”

Principles	Explanation
1. Voluntary and open membership	Cooperatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership.
2. Democratic member control	Cooperatives are democratic organizations, controlled by their members, who actively participate in setting their policies and making decisions. Elected members are accountable for their actions and all members have equal voting rights (one-person, one-vote).
3. Member economic participation	Members contribute equitably to, and democratically control, the capital of their cooperative, of which part becomes the common property of the organization. They usually receive limited compensation on capital subscribed and allocate surpluses for the development of the cooperative.
4. Autonomy and independence	Cooperatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.
5. Education, training and information	Cooperatives provide education and training for their members, elected representatives, managers and employees so they can contribute effectively to the development of their cooperatives. They inform the general public – particularly young people and opinion leaders – about the nature and benefits of cooperation.
6. Cooperation among cooperatives	Cooperatives serve their members most effectively and strengthen the cooperative

	movement by working together through local, national, regional and international structures.
7. Concern for community	Cooperatives work for the sustainable development of their communities through policies approved by their members.

Biographies

Adrien Billiet is a PhD Candidate at the Faculty of Economics and Business at KU Leuven, Belgium and holds an FWO fellowship (Research Foundation Flanders). His research focuses on organizational and economic democracy, stakeholder theory and governance innovations in hybrid organizations such as social enterprises and cooperatives but also regular enterprises.

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