Title: *The growing social content of cooperative firms: an evolutionary interpretation*

Keywords: *cooperative firms, evolutionary theory, local embeddedness, social objectives, institutions*

Stream: *I The Social Economy in communities: an international view*

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Language: *English*

0. Introduction

Research concerning cooperative enterprises carried out by scholars and institutions devoted to economic policy seems to have forgotten the very historical and social roots of this kind of firms. The limited attention dedicated to this ownership form grants only a limited and some times pejorative role in market economies. This negative view is mainly justified by an alleged productive and financial x-inefficiency and is focused almost completely on worker cooperatives, which are indeed a minority of the total number of cooperatives. There are portrayed to reduce supply and to emerge only in the presence of market failures that are so severe to generate marginality of particular social groups. They are bond to be marginal and small given their inability to grow in the absence of public support. The comparisons with investor owned firms are conducted exclusively on economic ground, taking into consideration purely self-interested actors. The conclusion accepted by most economists is that in market economies cooperative firms can have at most a positive, but marginal role.

However, in the same period sociological and empirical research have highlighted the advantages of cooperation mainly by giving a relevant weight to economic democracy. More recently cooperative organizations received renewed attention in economic research and spread in various countries both in traditional sectors, like agriculture, and in new fields of operation often characterized by a strong social content. Traditional approaches are not able to explain satisfactorily this renewed attention and diffusion, which can inform also a new and more up-to-date research agenda. This contribution proposes a new approach whose starting point is not the analysis of cooperative firms on purely economic grounds. Our understanding is that a new approach would need to put together both economic and social explanations by modifying some assumptions typical of economic analysis. What is mainly lacking to shed new light on their social and economic potential is the analysis of the social role of the main proprietary and organizational routines. This will be done by focusing on the evolution of the institutions that underpin cooperatives' peculiar social role. It will be shown that institutional evolution in this real is informed by the search for better adaptation at the social level, both with respect to mutuality among members and to the public benefit outcome of the organization. It is not informed by heightened production efficiency. Hence the economic aspect in the operation of cooperatives appears to be mostly instrumental in a way that is not recognizable in investor owned firms. The evolutionary approach seems to represent a better

methodological milieu where to develop a new and innovative approach since it is the only one able to shed light on the evolution of property rights and organizational routines, which when formalized can be interpreted as punctuated equilibria (Bowles, 2004) in the ongoing process of institutional change. More traditional approaches do not guarantee the same depth and completeness in the interpretation of economic dynamics at the institutional level.

The strategy of the paper is as follows: Section 2 reviews and highlights the limitations of the traditional approaches (the orthodox and the new institutionalist one) to the study of cooperative firms; Section 3 introduce the evolutionary approach; Section 4 draws a simple scheme highlighting the tendency of cooperative firms to satisfy needs and motivations more than to pursue purely economic objectives; Section 4 evidences the social rationale of institutional evolution in cooperative firms; Section 5 concludes by underlining the main innovative contributions of the paper.

1. Traditional approaches to the study of cooperative firms

To date, the main theoretical results and empirical tests concerning cooperative enterprises have been reached in two approaches: the orthodox and the new-institutionalist theoretical milieu. They have considered the reaction of cooperatives to market stimuli, in the Ward (1958) model; the phenomenon of under-capitalization, named Furubotn and Pejovich (1970) effect; and the process of creation of cooperative firms due to the presence of market failures, in the Hansmann (1996) model.

1.1. The orthodox approach

The orthodox approach to the study of cooperative organizations represented by the Ward model did not deliver important theoretical results and was unable to stand empirical tests (Bonin, Jones, Putterman, 1987, 1993). It concerns only worker cooperatives forgetting all the other typologies. The hypothesis of the maximization of per capita income in worker cooperatives versus the maximization of total profits in capitalistic firms simplifies excessively the behavior of cooperatives because it excludes all other motivations, and is based on the assumption that labor is variable in the short run (Horvat, 1986), which may not be the case when cooperatives are devoted to employment-protection. These are the two most reasonable reasons why the perverse supply-side effect

predicted by the Ward model have not been observed in reality, though it seem to be true that worker cooperatives show a more rigid supply curve than capitalist firms due to higher rigidity in the utilization of labor. The Furubotn and Pejovich effect concerning under-capitalization derives from a dynamic extension of the Ward model, and allegedly portrays a further perverse behavior when intertemporal growth and the accumulation of capital is considered. It is based on the idea that members of cooperatives will tend to under-invest since they have a limited time horizon of permanence in the firm, and part or all of their investments in the cooperative may not be recouped when they leave the organization. It has attracted more attention also recently and is thought to retain some empirical relevance still nowadays (Tortia, 2006; Podivinsky and Stewards, 2007).

The main limitations of the orthodox approach are that it considers only workers cooperatives and lacks a convincing institutional analysis, while an analysis in evolutionary terms is completely absent. Moreover, it does not valorize any of the features of cooperative organizations that differentiate them from other organizational forms, first and foremost those institutional features more social in character like democratic governance, the socialization of capital funds, the principle of open door, and the presence of public benefit objectives. By evaluating cooperative firms exclusively on the basis of their ability to maximize average income per member, the orthodox approach can be accused of reducing the behavior of cooperative organizations to other and more traditional organizational forms, without considering institutional variation and other specific advantages. It does not come as a surprise if this crude economic comparison between ownership forms, whose creation is informed by different logics and objectives, never yielded convincing results.

1.2. The new institutionalist approach

The new-institutionalist model fostered the understanding of the process of creation and diffusion of cooperative organizations by focusing on transaction costs, a concept used by many other authors in this research stream starting from Coase (1937) and that reaches its most mature elaboration in the Hansmann's (1996) model. The organizations surviving on the market are those able to minimize the sum total of costs connected with their operation. Costs are sorted into the costs of the use of the market and ownership cost. The costs linked with the operation of the market are those linked with market power ex-ante (monopoly and monopsony), market power ex-post (lock-in) and asymmetric

information. The costs of ownership are those linked with decisional processes, risk taking by entrepreneurs, and agency relation with the consequent costs of control of employees and managers. The costs of ownership are undergone by the firm's owners, while the other contractual costs are undergone by the other stakeholders that interact contractually with the firm. Given N different stakeholders interacting with the firm, it is efficient to assign the ownership of the firm to the class of subjects that is able to minimize the sum total of costs:

Where CP are the ownership costs for the *j* class of subjects, and CC_i are the contractual costs undergone by all the other classes of actors. Competitive pressure on the market will make the minimization hypothesis effective. The main limitation of cooperative firms is represented by higher collective decision making costs, especially as firm dimension grows, though not all typologies of cooperatives suffer this limitation in the same way.

The new institutionalist perspective helped to uncover important aspects of organizations different from investor-owned, highlighting the process of creation of cooperative firms and nonprofit organizations in the presence of market imperfections, for example market power and/or asymmetric information. It explains all typologies of cooperatives, but explanations seem particularly weak in the case of worker cooperatives because imperfection often present in capitalist labor market are not considered at all, while the paucity of worker cooperatives in market economies is exclusively based on the idea of heterogeneous worker preferences and the slowness of decision processes. In more general terms the approach undergoes various serious shortcomings, which can be summarized as:

- the underestimation of the role of institutional change in fixing the problems emerged in cooperative organizations, which can generate ownership costs;
- a conception of the firm exclusively based on cost-minimization;
- the assumption of exclusively self-interested individual;
- the neglect of the social role of cooperatives.

First of all, the main shortcoming of cooperative firms is identified by Hansmann in too high ownership costs, more specifically in the costly process of decision making

which undergoes severe shortcoming due to the different preferences and interests expressed by different stakeholders. However, at least in its basic version, the model does not give enough weight to the possibility that institutional change (both unintended and designed) can help finding new and better solutions and behavioral patterns, for example at the governance level (Borzaga and Tortia, 2005). Indeed it has already been observed that new and more up-to-date groups of cooperatives have been able to improve and fix problems existing in other groups of cooperatives and there is no reason to think that this process of institutional updating will ever come to an end.

The ownership costs deriving from a lower pace of decisions and from different interest and preferences expressed by members need proper regulation at the level of the govern of the organization. Some example will make clear this point:

- the distribution of the firm proceedings is a central problem in worker cooperatives since workers can differ markedly in seniority, in the level of effort produced, and in skills and capabilities. Hence cooperatives need to define in advance a proper system of income indexation suitable to reduce distributive conflict, actual and potential, and to bust procedural transparency;
- differences in the preferences concerning the definition of the firm strategic objectives or the inflow of new members may well lead to contradictory and incompatible stances. Hence they need to be filtered through a system of representatives that is in charge of defining financial and economic policies, while the members of the organizations may have only the right to approve or reject these decisions;
- creation of multi-level governance structures whose function is to preserve independence at the productive level for small scale cooperatives, while at the same time increasing the total scale of production, create the base to produce common strategic services (for example the R&D function) and centralize the most part of strategic decisions at the group level. In this respect the well-known example of the Mondragon group of cooperative seems the most relevant one;
- when members hold relevant shares of the firm capital individually it is necessary to devise proper solutions for the reimbursement or the sale of the shares insofar as autonomous decisions would easily lead to the spread of

strategic behavior that may seriously damage the firm financial equilibrium (Hansmann, 1999). Different solutions have been devised in different places and times. They range from the sale of the membership position on the market (Dow, 1986 (?), 2003) in the form of shares or bonds, to the reimbursement of capital shares at their face value, or to a mixed solution whereby the member has the possibility to sell her share at above-face value market prices, while the reimbursement at face value by the firm is still guaranteed (Tortia, 2006). In all these cases careful regulation is needed if the risk of strategic behavior is to be overcome.

Second, the conception of the firm transmitted by the new institutionalist school is largely based on transaction costs and on their minimization, while the multifaceted complexity of human motivations and behavior shows that different organizations can create different amount of economic and social surplus– hence having also different cost structures and levels - starting from different motivations and behaviors and setting up different organizational models. One example is represented by social cooperatives and many entrepreneurial non-profit organizations that often pay lower salaries, but shown in many respects higher levels of satisfaction and perceived fairness with respect to investor owned firms. However, firms with very different levels of costs and efficiency are reported to survive also in competitive sectors this way excluding the naïve conception of evolutionary processes based on competition and the survival of the most efficient firms defended by some authors (Alchian, 1950; for a critique of this idea cfr Hodgson, 1993). Indeed, competitive models widely under-determine the variety or organizational and ownership forms, many of which can coexist in the same competitive landscape. Hence an analysis of economic dynamic cannot forget the process of surplus production and its motivational base.

If the level of costs cannot represent the best variable predicting the survival potential of the firm, then a deeper analysis of governance and its implications for surplus production, and actors' motivations and behavior is needed. Given the different institutional structure and the relevance of preference endogeneity (Bowles, 2004) it is reasonable to expect different motivations and behaviors in cooperatives with respect to other ownership forms (Borzaga and Depedri, 2005; Borzaga and Tortia, 2006). These differences between cooperative and other ownership forms is likely to be marked in the

governance of the process of production and can imply, for example, a different way in which economic and social surplus are produced due, for instance, to the way in which:

- information circulates inside the organization;
- firm specific knowledge is accumulated;
- human capital is accumulated and retained inside the organization.

Third, a huge number of theoretical and experimental contributions has shown that human behavior cannot be described exclusively in self interested terms (Fehr and Schmidt, 2001). Human behavior is to be understood as complex, and the presence of self-interested, economic and monetary motivations has been described to co-exist and co-evolve with non self-interested motivations and behaviors (Sen, 1977, Ben-Ner and Putterman, 1999). Hence the self-interest assumption cannot but lead to restrictive and unrealistic conclusions crippling the interpretive power of economic models. It can at most uncover partial aspects of human behavior evidencing the importance of monetary returns and of other individual gains like professional growth or employment protection. It may be quite useful in describing the behavior of actors involved in investor owned firms, it becomes utterly unrealistic and misleading when cooperative firms are considered since in their case the social component of the firm operation comes to the forefront. Furthermore, at the ontological level it is to be considered wrong insofar as it represents an unwarranted metaphysical description of human essence, which is not supported by empirical evidence (Screpanti and Zamagni, 2005).

Finally, but more significantly for this work, the nature and the historical root and evolution of cooperative firms is strictly linked with the arousal and the attempt to solve social problems, both among their members and with respect to the community at large. Hence the social content of cooperative institutions has always be relevant, even if mutuality can be driven also by self-interested motivations. For example, the moral growth of the membership has always played a central part in the creation of cooperatives: democracy in the workplace; non-hierarchical govern; involvement in the form of increased autonomy, relational content and creativity, are all elements thought to enhance the moral quality of members. This is not to deny that market failures have played an important role in justifying the creation of cooperative firms in many instances. Many cooperative ventures justified by the pursuit of explicit social aims can also be interpreted in terms of market failures. For example, social cooperatives, thanks to lower costs, price

discrimination, and voluntary work, can increase the supply of welfare services, when these have the nature of common goods, where public and private organizations would not be able to produce at all or at marketable prices. Just because of this overlapping of market failures with other economic and social causes, it reasonable to state that the Hansman model may have transformed in an unwarranted way a proximate cause (face market failures) in the ultimate and more fundamental reason for the creation of cooperative firms (satisfy social needs).

The overall picture that emerges from traditional approaches to the study of cooperative firms is a strong tendency toward reductionism, the lack of a convincing institutional and evolutionary analysis and an almost complete neglect of some of the most important features of cooperative firms, which turn out to have a relevant social impact in terms of formation and dissemination of more inclusive governance forms, the accumulation of social capital, the valorization and the spread of non monetary motivations.

2. The evolutionary theory

Many of the shortcomings shown by the orthodox and the new institutionalist streams in explaining the characteristics and the existence of enterprises and of other organizational forms different from investor-owned can be addressed efficaciously within the boundaries of evolutionary economics. The first move is to consider the firm not as a mere maximizer of the net returns accruing to its investment programs and operating in perfect or imperfect markets, but as a coordinating device geared to satisfy needs that can be material and private, but also collective and psychological. Organizational routines have evolved and continue to evolve to allow different subjects to come together and pursue production objectives (Nelson and Winter, 1982) with the aim of enjoying the results (the surplus) deriving from the activity in economic – monetary and motivational - but also in social and psychological terms. This way the metaphysical shortcomings highlighted in the previous section are avoided since nothing in this definition requires individuals within organizations to be only and fully self-interested and the social aspect of the operation of firms can be as crucial as their economic objectives. Indeed, many results coming from the study of group selection clearly show that altruism and pro-social attitudes can be functional in increasing the reproductive success of individuals, organizations, communities and society at large (Hodgoson, 1993; Bowles, 2004) by

boosting sympathy, trust and the sense of community. In order to take into account also collective and social objectives individuals need to be characterized by motivational complexity. Private economic returns are not the only objective of their activities, but relational and other-regarding preferences play a crucial role in advancing their well-being. One strong implication is, for example, that a high monetary remuneration is not able to displace the negative effect of the perception of an unfair work-environment (Tortia, 2006) or of an anti-social behavior of the firm. Hence economic objective need to be coherent with the relational and social aspects of the firm operation. Indeed, it can be defended the idea, that will be more fully developed in the next section in connection with the study of the institutional structure of cooperative firms, that economic and monetary objectives can be and often are merely instrumental to the pursuit of other, non monetary objectives. These can be material, like the satisfaction of individual, collective or social needs, but also immaterial, like the possibility to enjoy a cultural performance or to operate in a fair environment with involvement in decisional processes.

Furthermore, the focus of the evolutionary theory is on institutions and their evolution. Institutions take the form of property rights, governance structures and organizational models. Preferences are clearly endogenous since different institutions exert a relevant differential impact on individual behavior. Hence the understanding of individual behavior cannot be defined ex ante on the basis of some general criteria, but has to be assessed empirically identifying the relevance of the interaction between the individual end the institutional environment. This interaction can be modified together with the modification of social demands, both needs and the ability of the system to answer these needs. Finally, the focus is on the production of surplus, and not on mere cost-minimization. Surplus production, not mere cost minimization, is the main driver of economic activity and of its evolution. Higher costs can be a viable solution if the surplus allows the organization to survive and expand anyway. However, the surplus need not be characterized exclusively by private returns, but can well have collective and social connotation.

The evolutionary theory can have interesting implications also in dealing with the role of the firm in local development and its embeddedness at the local level (Granovetter, 1985). The firm's ability to survive in the surrounding environment depends not on the maximisation of monetary outcomes, but on its ability to adapt to local and/or global conditions and to realise its productive potentials, both economic and social. The embeddedness of the organization at the local level is crucial, the more so in the case of

cooperative firms, which are usually represented as flat and democratic governance structures, where the needs and the motivations of the involved actors become endogenous and play a role in the definition of the productive and strategic objectives of the organization.

All these elements define the evolutionary paradigm as a more flexible and realistic one in explaining the firm existence, suitable to overcome the limitations of the more traditional approaches and to focus the attention on the changing patterns of interactions, which are clearly crucial for the emergence and survival of cooperatives and social enterprises. Empirical and experimental enquire become crucial since individual behavior is not studied any more on the basis of the ex-ante presumption of exclusively self-interested preferences.

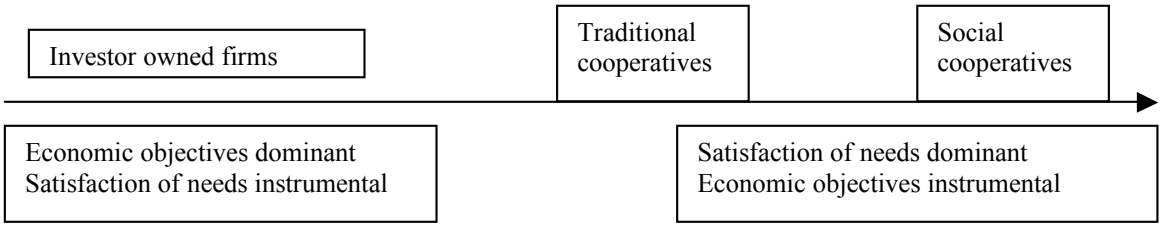
3. An interpretive model

Starting from the premises accomplished by the evolutionary theory it is possible to better assess the relevance of different forms of entrepreneurship and especially of cooperative organizations in modern market economies. This aim will be pursued in two steps. In the first stance it will be made clear that non instrumental aspects of economic behavior may turn out to be central in organizations that do not pursue the maximization of net economic returns. Secondly, the real characterization of cooperative institutions will be described to highlight the strong social component that has always characterized the creation of cooperatives and the historical evolution of this component.

As for the first aspect, it can be said that the satisfaction of needs and the pursuit of collective and social objective may well be sufficient to motivate the entrepreneurial venture, while financial and economic objectives may be restricted to a mere instrumental role. Financial equilibrium and economic sustainability, hence also an adequate level of productive efficiency, are necessary conditions for the pursuit of the objectives of any enterprise and also of cooperative organizations, but do not constitute the final aim of all of them. In the case of cooperative firms this can be the satisfaction of needs and the creation of individual and collective well-being. This scheme may not be applicable to all ownership forms. Indeed, in firms were the explicit objective is the maximisation of the economic results in monetary terms, this objective is likely to dominate the other aspects of their activity, which become instrumental to profit maximization. A kind of inversion

may be observed with respect to the preceding scheme whereby the satisfaction of needs and the possibility to pursuit social objective, for example within the framework of corporate social responsibility, become instrumental to the maximization of economic results.

Figure 1. Organizational objectives and ownership forms



In order to simplify and pin down these ideas, different ownership forms can be located on a continuum where at one extreme is indicated the dominance of economic and financial objectives, while the satisfaction of needs enters in an instrumental way and is represented by the satisfaction of an already existing demand for goods and services. At the other extreme, the satisfaction of individual, collective and social needs comes to the forefront, while economic and financial objectives are merely instrumental, that is at the level which guarantees the existence of the enterprises and its growth (Figure 1).

Of course the scheme represents an extreme simplification of reality, but can be useful to clarify the basic idea. While the traditional conception of the firm is inextricably linked to the idea that firms are created to pursue monetary objectives, and it is not clear what is the role of other substantive objectives like the satisfaction of needs, the suggested scheme is free from this bias and can be used to study the behavior of all ownership forms. The stronger the relative weight of the two kinds of objectives will lead to the prevailing of different ownership and organizational forms. In this respect, both theoretical speculation and empirical observation make clear that economic objectives are dominant and represent the main objective in investor owned firms that are created just to maximise economic returns for investor (Screpanti, 2001). This process in paramount in the functioning of regulated financial markets, which price publicly the value of firms on the basis of expected future returns. However, the same principle is dominant also in non-publicly quoted organizations where the pursuit of economic objectives is a necessary condition for

the sale of the firm at the highest possible economic value. Not the same is true in the case of cooperative organizations, where the pursuit of economic objectives is usually not the dominant objective, but instead it is subordinated to other objectives of the owners like the protection of employment, financial support for producers deprived of adequate collateral, control of product quality and lowering of retail prices, the increase in scale and contractual power for little producers. The instrumental role of economic objectives appears built in cooperative institutions, whose features and historical roots are coherent with this collocation. The limitation of the profit motive, which characterize invariably, but to differing extents, cooperative organizations is the most fundamental institutional solution introduced to make economic objectives instrumental to the pursuit of other objectives. Second, members of cooperatives (be them workers, producers, consumers, borrowers etc…) usually invest limited financial resources in the firm, and have the right to recoup only the face value of their investments. Hence the value of individual capital quotas does not incorporate expected profits. In most cooperative legislations at the national level a conspicuous part of the capital of the organization is held in indivisible (i.e. collective) reserves. This socialized solution is all the more important in evidencing the social vs private and monetary connotation of the organization.[1] The same arguments can be applied to social enterprises (non-profit organizations and cooperatives).

Overall it is clear that a series of institutional devices has been built overtime that guarantees the curbing of purely economic incentives that are usually dominant in investor owned firms in order to favor the expression of other objectives that very often turn out to be social in character. This view is coherent with a more general conception of the firm that does not focus exclusively on monetary and economic objectives, but that introduces a wider conception of an incentive structure enclosing also non-monetary aspects of the organizational environment, like the intrinsic, relational and procedural ones. These aspects are able nonetheless to generate well-being for the involved actors. Hence an at least partial trade-off between these incentives and the monetary ones can be hypothesized (Borzaga and Depedri, 2005), while at the same time firms can chose organizational models more suitable to make these components flourish without increasing (possibly lessening) monetary costs (Borzaga and Mittone, 1997; Bacchiega and Borzaga, 2001, 2003). The understanding of the rationale of these institutional and evolutionary patterns

[1] Rarely all, since also financial involvement is considered important for members of cooperatives.

is one of the main steps that need to be taken if the relevance of cooperative organizations in modern market economies is to be correctly assessed.

4. *The social institutions of cooperative firms*

The social role of cooperatives has been widely neglected or understated, at least in the most notable contributions, while its empirical relevance is all but deniable. The orthodox and the new institutionalist streams concentrated their attention exclusively on the economic rationale of cooperative firms and non-profit organizations within the realm of traditional assumptions, hence methodological individualism informed by self-regarding preferences. These assumptions were analytically synthesized by the maximization of monetary incentives. The neglect of the social side of cooperation was thus unavoidable. The economic rationale of cooperative firms and non-profit organizations appeared deprived of its social rationale and was thus confined to marginal occupations since it was hardly at all compatible with the dominant paradigm. The reduction of cooperatives to the economic rationale of more traditional organizations, envisaged already at the beginning of the XX century by the Italian economist Maffeo Pantaleoni, did not allow to work out relevant scientific implications just because it overlooked of differential aspects of cooperative firms at the institutional level.

In this contribution it is highlighted instead that the very historical roots of cooperative firms throughout the world are to be found in an attempt to anchor the operation of production organizations, first and foremost firms, at the social level. Hence the historical process followed the contrary direction to what economists have highlighted. Social problems and values (be them the aid to be given to weak social groups or a more inclusive and participatory management) came first as the starting point in the creation of cooperatives, while economic problems and their solution were merely instrumental to the fulfillment of the social objectives. Firm stakeholders different from investors sought a possibility to have a formal say in strategic decision making. Consumer coops were born to give consumers the possibility to control retail prices and the quality of purchased goods, but also to favor saving by poor people (like in the case of the Rochdale pioneers) and to allow the survival of poor communities by allowing the sale of goods on credit. Worker coops were conceived as an institutional tool suitable to fight exploitation and the precariousness of labor contracts. Credit unions were born to widen the concession of credit to petty entrepreneurs destitute of collateral, for example in order to allow the

rescue of economic activities in deep crisis, like agricultural ones. Hence the objective was social, and not merely economic. Social cooperatives extended the operation of firms to public benefit aims by introducing services necessary for needing people, but absent from the market. This was done by changing the ownership form and the rules of governance.

The social character of cooperative organizations was immediately built into institutional patterns organizational routines that often differentiated sharply these organizations from the other ones. The main patterns are strictly linked to the ownership structure of the organization, since they serve the need to involve members in its governance and to pool resources for productive aims:

- the personal character of the relation between the member and the ownership of the organizations, which is not connected any more with the mere ownership of capital quotas but gives to the member either as individual or as juridical person the exclusive right to govern the organization. The firm is transformed from an anonymous company to a personal venture whose govern cannot be separated from the identity of its members;
- the per capita right to vote that was intended to overcome the precarious conditions of stakeholders different from investors in investor-owned firms. The right to vote in the ordinary assembly guaranteed a higher degree of participation and control on strategic decision making and on other managerial decisions creating a direct channel that tapped the expression of members' needs and motivations directly into the definition of the firm's objectives;
- the open door, whereby any subject that has the suitable subjective requisite to become a member of the organization ought to be admitted in the membership, was conceived to widen as much as possible the membership and to prevent discriminatory practices against subjects in weaker positions;
- the exclusion of the profit motive in the form of the remuneration of invested capital with the net economic results of the organization;
- the accumulation of collective reserves of capital served the function of socializing the ownership of the organization and its benefits producing an intergenerational transfer of capital, which was also to become a patrimony of the community.

The social objectives pursued by the firm's owners had often important implications in the realm of local economic and social development. The govern of the organization is not

controlled any more by investors that can leave the locality at any time and develop their main interests very far from the locus of productive activities. The mismatch between the firm's objectives and the needs of the community if often an unavoidable consequence of the physical and psychological distance. The more so in the case of transnational corporations, where a real phenomenon of strategic failure (Sacchetti and Sugden, …) can be hypothesised since strategic decisions are taken by persons that are extraneous to the context where they are applied. The development paths induced by such corporations can be considered exogenous insofar as their origin is necessarily represented by a monetary advantage and is found outside the locality where they take place. At the opposite extreme, cooperatives are always embedded in the context of their operation and are in the best position to channel local needs and motivations transforming them in organizational objectives. This characteristic derives directly from their proprietary structure and cannot be reproduced in other ownership forms. The development paths induced through involvement at the local level are endogenous since they derive from the decisions of the same actors that are involved in those processes. Hence they are based on the valorisation of local resources and serve mainly the satisfaction of local needs. The explication of this development function has also a strong social component since positive externalities are expected at the local level not only in terms of well-being and accumulation of capital, but also in terms of strengthened trust relations and accumulation of social capital.

The communitarian role of cooperative firms was reinforced in the recent decades by the emergence of social cooperatives. The requirement of a public benefit aim for cooperatives working in sectors like social services has constituted a shift from private and toward social objectives. Also multi-stakeholder governance has emerged step by step in concomitance with the growth of the communitarian role of cooperatives. A formal legal framework for the interaction of subjects expressing different and potentially diverging interests has allowed in many cases to reduce the costs deriving from asymmetric information and to create synergies among different actors and firm-specific capital, this way internalizing potential gains where mere market transactions and for-profit or public providers were unable to deliver satisfactory results. Where contracts are radically incomplete due to asymmetric information and uncertainty, transactions can be substituted by centralized governance, which is a costly solution due to less expedite decision processes, but has the advantage to bust information flow and allow the accumulation of firm-specific knowledge. Hence the shift toward social objectives has opened the door to the development of new productive potentials.

These institutional patterns did not emerge all and in the same way. However, the overall direction of development shows recognizable similarities across countries. Hence, the need to focus research work in this field of enquire in order to understand the economic and social rationale of these peculiar institutional solutions.

5. The contribution of the paper

The logic of the enquire has made clear that an evolutionary approach to the study of cooperative firms requires first of all to bring back under the spotlight of the analysis the social nature of cooperative institutions. This recognition, when put within the framework of an evolutionary analysis, does not question the entrepreneurial character of cooperative firms as it may happen in more orthodox frameworks. It is the enquiry of what was the social role of the emerging cooperative routines and the way in which they substituted the routines of investor owned firms that can shed a notable light on this pattern of institutional evolution. The economic side of this process is relevant in sustaining the feedback loop of cumulative causation in the obvious sense that the new solutions need to go through the check of economic sustainability in a competitive environment. Given the functions of the new solutions, organizations will go through a re-adaptation of internal equilibria. When the new solutions prove to be feasible and sustainable also from an economic point of view the same routines will be reinforced and will tend to spread by imitation. Of course this aspects rises also important questions on the creation and sustainability of cooperative ventures since their share of market economies is still nowadays limited. However, in some regional system their number and weight has been growing steadily over the past decades and various limitations once limiting the diffusion of cooperative have found satisfactory solutions. Overall it seems safe to state that cooperative firms do not need to be marginal when a proper cultural transmission and institutional framework are at work.

As for the specific objective of enquire of the work, it has been shown that the analysis of the historical records, of relevant institutional frameworks, and theoretical speculation of an evolutionary type converge in highlighting a strong social component in the emergence and spread of cooperative firms. Indeed, most of all in the last decades of last century, it became clear that cooperative have been able to spread when they sustain the processes of local development and exploit their “natural” embeddedness at the local level, often taking up the production of common goods and of social services, with

positive spill over for the entire local economic and social system. This role can be implemented on an ongoing base only when it is built into specific institutions that have often emerged by design. Indeed, the visible hand of institutional engineering seems to represent the hallmark of this ongoing process of institutional evolution. Quite clearly, the building of a form of positive freedom (Berlin, 1958) and of deliberative democracy (Saccehtti and Sugden, 2002) based on positive social rights seems to need conscious intervention at the institutional level.

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