

COOPERATIVE ENTERPRISES: TOWARD CHANGE AND MANAGERIALIZATION

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1. Purpose of the research

Changes in institutional, economic and technological environments have propelled cooperative enterprises into new forms of governance and management. Such new forms require new managerial approaches, strategies and managerial instruments, which embed traditional cooperative principles. These innovations are crucial in releasing the potential of cooperative enterprises, rising both the performance and profitability of the firms. Literature shows, however, that cooperatives undergoing changes, are struggling to find and introduce strategic, organizational and managerial novelties.

The reason behind this is that cooperatives become hybrid organizations and, as such, they embed two or more institutional logics at the same time. Finding a good balance between cooperative values and economic efficiency is a complex matter.

While the complexity of hybridity has been studied from different viewpoints (Dunn and Jones 2010; Mair et al. 2015; Ebrahim et al. 2014; Billis 2010; Ménard 2004), this paper focuses on the role that middle and top managers have in struggling to manage different institutional logics and introducing project management processes in a cooperative enterprise.

Taking advantage of a case study (a labour cooperative enterprise) this paper examines two critical aspects of these hybrid models that need a more in depth analysis:

H1) What is the role of middle and top managers in fostering managerial logics.

H2) How do cooperative enterprises structure the relationship between the economic efficiency and the cooperative values by exploiting managerial instruments.

2. Theoretical framework

The term “hybrid” refers to the nature of particular forms of enterprises where common logics in non-for-profit organizations are commingled with others usually pertaining to the for-profit realm (Ebrahim et al. 2014). In the most common cases, the hybridity consists in pursuing both welfare/social purposes and efficiency/financial goals (Dart et al. 2010; Ebrahim and Rangan 2010).

In literature a high number with very diversified purposes of hybrid organizations are analysed using different taxonomies or by referring to different theories (Ménard 2004; Ebrahim et al. 2014). The majority of hybrid organizations are providers of services with various social reverberation in substitution, jointly, or on behalf of the State and/or Local

Governments (Minkoff 2002). While hybridity is considered an inevitable and permanent characteristic of cooperative enterprises (Brandsen et al. 2005), the same argument is valid when considering the public sector where the interest of the community is usually pursued by taking into consideration financial constraints (Skelcher and Smith 2015).

When analysing the forces influencing change in organizations, some authors have adopted the interpretive lenses of the institutional theory (Jay 2013; Canales 2014; Busco et al. 2017; Teixeira et al. 2017) where organizational complexity often generates an opposition between at least two different logics (Pache and Santos 2013). In a hybrid organizational context, two competing logics are those of the social/welfare anchored to the cooperative principles and the commercial (or market) logic that arises from strategic and legal duties (Santos 2012; Tracey et al. 2011; Dacin et al. 2011; Almandoz 2012; Battilana and Lee 2014). Consequently, in searching for an equilibrium, changes in institutional logics may occur (Nigam and Ocasio 2010; Glynn and Lounsbury 2005) and these have recently been considered triggers of innovation (Jay 2013; Canales 2014; Busco et al. 2017; Teixeira et al. 2017).

The coexistence of different logics embedded in hybrid organizations is recognised as an enabling situation that may generate innovation in terms of governance, management, and opportune processes and management tools (Dunn and Jones 2010; Mair et al. 2015; Ramus et al. 2016; Ebrahim and Rangan 2010; Cinquini and Tenucci 2010; Teixeira et al. 2017; Busco et al. 2017). Among others, Thornton et al. (2012) identified conditions, which make innovation possible by acting on the equilibrium among competing logics. These authors mentioned technological changes; economic crisis and social upheaval; occurrence of salient events; and changes in management attitudes.

Another key role in the institutional logics changes is the figure of the institutional entrepreneur (DiMaggio 1988; Hardy and Maguire 2008). Institutional entrepreneurs are human agents (individuals or groups of individuals) that play a prominent role in altering institutional practices. In particular, the actions and ideas of institutional entrepreneurs can “switch categories from one institutional order to another based on prior knowledge” (Thornton et al. 2012). Thornton et al. (2012) provide examples of how the institutional logics dominating the life and activities of some entrepreneurs in terms of belief and rules have inspired and propelled them to change their companies’ strategies, processes and management tools.

This paper focuses on the interaction among middle and top managers within a cooperative enterprise that struggles to find an equilibrium between two institutional logics. In particular, we will describe the role of the institutional entrepreneurs that instil and gather consensus on innovative ideas and a more efficient managerial approaches.

3. Research Method

The method we have adopted is a longitudinal and inductive approach based on interviews, observation, and (archival) document studies (Creswell, 1998; Yin 2015; Myers 2013).

This study adopts:

1. Qualitative interviews conducted with 18 key managers and consultants of the firm. The use of the interview guides, even though conversations were very flexible, drew out detailed information and comments on roles, coordination processes, artefacts, decision processes, power, etc.
2. Examination of documents from different sources: official financial and non-financial reports, internal organizational documents, newspapers, and websites.

3. Observation of the team. In a two-day training activity all the interviewed actors have been observed during the discussions about what innovative solutions the cooperative should adopt.

In order to enhance rigor of our research the engagement of workers and analysts has been prolonged, triangulations of interviews with observation and documentation has been made, peer debriefing and support with the CEO and president of the cooperative enterprise has been regularly conducted.

To preserve anonymity and privacy, hereafter the term “ServiceCo” will refer to the fictitious name of the cooperative enterprise we have analysed. ServiceCo is one of the largest cooperative enterprise in the HORECA sector. Founded in the 1970s, it has become a leader in catering services in the northeast of Italy, with 1100 workers capillary distributed in the geographic area providing about 6 million meals per year. Facing massive economic investments, the cooperative now provides the following services: self-service restaurants, business catering, school meals, hospital and elderly catering services, etc. Nowadays, the ServiceCo progressively grows, managing 250 cooking points, competing with national and multinational companies and maintaining its identity as a labour cooperative enterprise. In their website, they declare to be “[...] not just a simple economic phenomenon, [...] but the union of two aspects: business and workers partnership.” ServiceCo wants to be competitive and innovative “[...] without forgetting the concepts of solidarity, collaboration at work and mutuality which are the inspiring principles of a cooperative.”

4. Main or expected findings

In the last couple of years, ServiceCo has changed drastically because of various socio-economic tensions. On the one hand, the HORECA and catering sector has become more and more dynamic with lower entry barriers that: (i) rise competition enabling also big multinational companies to enter in the market, (ii) challenge the economic sustainability of cooperative enterprises which should combine the need of solidarity and work mutuality with cost reduction. On the other hand, the labour HORECA market has undergone major changes such as a higher average age of workers, a greater need of dynamic and managerial capabilities, and a growing need of corporate welfare.

These trends has pushed ServiceCo to act toward various changes some of them have been planned, designed, adopted and fully accepted; others have been introduced to resolve emerging situations and now are source of friction between organizational functions.

In the follows, three significant examples of organizational changes are briefly described in order to put in evidence how each function has introduced innovative and managerial solutions. These are strongly related to the new managerial institutional logic adopted by the enterprise to deal with the HORECA market.

For instance, the function of quality and food safety introduced various protocols to guarantee a high standard level in the food transformation processes responding to both the legal requirements and the goal to improve the quality of services in all the restaurants. The middle managers in charge of the quality office developed very effective protocols but line workers, who needed time to understand, be trained and accept the new production processes which refers to a different logic, have slowed down their introduction: cost reduction, standardization of the services, and quality check.

The same approach has been adopted by the accounting manager who developed a reporting systems aimed at punctually track the economic and financial efficiency of the firm. While the reporting system is functioning perfectly some problems occur due to the fact that: some functions do not provide precise data, the analysis is not used to improve the efficiency of the existing processes. In the first case, the human resources function (in charge of the workers contracts, training, career development, labour organization and wellbeing) do not provide precise and updated data. It is important to note that the HR department is strongly oriented to a more solidarity approach, pursuing the goals of a labour cooperative with its mutualistic needs.

A special consideration should be given to the services of school meals, hospital and elderly catering because it constitute around the 60% of the revenues. ServiceCo introduced new processes aimed at balancing efficiency, quality and cost reduction. The cooperative enterprise has improved its quality and security protocols (food safety), standardized menus according to the required nutritional standards, automatized the purchasing processes according to the intended menus, developed an efficient delivery service of fresh products in each restaurant (distributed in a wide geographical area). The coordinator of all these activities has become, in practice, the sales manager who is in charge of defining new projects for call for tenders. In these calls, the following information is required: the cost of production, the menus creation protocol, the quality level of products and food transformation processes, etc. Since the sale manager is also a person with a very strong competence in cost evaluation, he indirectly shapes the decisions of other peers and company functions.

5. Theoretical, empirical, and managerial implications and contributions also with reference to the theme of WOA

The visions of the middle managers in ServiceCo are quite different and refer to two orthogonal institutional logics. At organizational level, these two institutional logics shape identities and practices and apparently, no dominant logic is prioritize in the analysed case study.

In the previous examples, the pervasive power of the sales manager in the cooperative enterprise finds a strong collaboration with the accountability and quality managers but rises tension with other peers such as the HR manager. This is very evident if we consider that middle managers believe in two different institutional logics.

Paradoxically the coordination process between activities (in the services of school meals, hospital and elderly catering) should push the various functions to coordinate, but become the artefact, which generate tensions between the middle managers who believe in two opposite logics.

At the time of writing, the top managers are still struggling to find a balance between these two opposite logics because satisfying institutional demands from one side might require violating the other (Pache & Santos, 2013).

We contribute to the existing literature on hybrid organizations by showing how processes can become critical organizational artefacts to manage multiple and conflicting logics (Reay & Hinings, 2009).

6. References

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