

## Modeling Multi-Stakeholders Co-operatives: A Framework for Sustainable and Socially Responsible Co-operatives

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The traditional analytical focus on co-operatives is on worker, consumer, agricultural, and financial co-operatives and other single purpose co-operatives. These types of co-operatives have been interrogated in terms of their socio-economic viability, their contribution to internal fairness and to social responsibility. This is both from a theoretical and empirical perspective. And, single purpose co-operatives are often compared with the traditional investor owned firms. A working assumption of scholars sympathetic to co-operatives is that these co-operatives should be sustainable, and these co-operatives should also be socially responsible (because it is implicitly assumed that co-operatives adhere to the International Co-operative Association (ICA) principles either explicitly or implicitly). I argue that there is no good reason to expect that single-purpose co-operative should be socially responsible. If one makes the reasonable assumption that co-operators are largely self-interested as are typical individuals, one would predict that the a single-purpose co-operative will strive to maximize the interests of its members. And, this is contingent upon the extent to which co-operative leaders are well connected and ultimately responsible to their co-operative's members. This is a great improvement over what workers and consumers are provided for, in theory, by narrowly self-interested investor-owned firms. I argue that only a multi-stakeholder co-operative (also referred to as solidarity co-operative) will be most likely to be socially responsible and more specifically aligned with the interests of stakeholders who are not members of the traditional single-purpose co-operative. For example, in my modeling framework, a stakeholder co-operative that incorporates both consumers and workers will treat their workers fairly because workers are members of this co-operative. A single purpose consumer co-operative might strive to maximize consumer benefits even if this means causing harm to their employees. A stakeholder co-operative, in contrast, incorporates the interest of both workers and consumers, in this example. An employee co-operative might sacrifice the interest of consumers or residents of their community by charging 'excessive' prices or polluting the environment, for example, as can increase members benefits. The same can be said for a producer co-operative. This type of social cost may not be imposed on non-members if they have representation in the co-operative. The basic finding of this paper is that only a multi-stakeholder or solidarity co-operative internalizes the interests of the broader community. This would be the case even if co-operative members are self-interested. A stakeholder co-operative has the governance structure to increase the probability that ICA principles and values are more broadly adhered to.