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Abstract

Multistakeholder cooperatives include more than one type of members in their ownership and governance structures. They are a growing phenomenon in multiple contexts, with or without specific legislation. Italy, France and Quebec (Canada) are considered in the chapter as the most advanced institutionalized environments for multistakeholder cooperative development. We discuss the theory and practice of multistakeholder cooperatives, as well as their contribution to the governance of the commons.

Keywords: Multi-stakeholder cooperatives; solidarity cooperatives; the commons

1. Introduction

Multi-stakeholder cooperatives are a growing, but little understood evolution of the model in the global cooperative landscape. Unlike in traditional cooperatives with a single member category (one of: workers, producers, or consumers), members in multi-stakeholder cooperatives have diverse interests, but a shared mission, goals and objectives. While not a new phenomenon, this kind of cooperative was first codified in statute in Italy in 1992. There is evidence of multi-stakeholder cooperative practice in a wide range of countries, contexts, and industries with or without specific enabling legislation. Conventional economic theory fails both to predict the emergence and growth of this phenomenon, and to sufficiently account for its contributions, while the emerging literature on the commons based on the pioneering work of Elinor Ostrom, may have more to contribute to the understanding of this development. This article reviews the experience of multi-stakeholder cooperatives in three of the places where the legal framework and practice has been most advanced (Italy, France and Quebec) and reviews the scant literature on the practice and its outcomes. The article concludes with some directions for future research.

2. What is a multi-stakeholder cooperative?

Classified by the nature of members' interest in the cooperative enterprise, multistakeholder cooperative has "[...] more than one type of member with significant involvement in the activity of the cooperative, and in which: more than one type of member is represented in the governance structure of the cooperative; and no type of member has a dominant position through a majority of votes in the governing body or an exclusive veto over decisions." (ILO 2020: 19)

Multi-stakeholder cooperatives (MSCs) integrate two or more classes of members in a single cooperative's ownership and governance. Various member categories defined by the nature of members' contributions to the operations of the enterprise may include workers, consumers, producers, community supporters, or other organizations. The nature of member (stakeholder) involvement and level of participation may vary widely, as do these cooperatives' size, industry, location, context, and legal frameworks. As the practice is ubiquitous and emergent, it makes a fascinating model to explore.

We limit our consideration here to the ILO 2020 definition of MSCs, i.e. cooperatives that formally engage multiple membership classes in ownership and control (i.e., governance) of the enterprise, thereby meeting the International Cooperative Alliance definition of a member of a cooperative.

3. History and legal-forms

The multi-stakeholder cooperative was first codified as a specific and distinct legal form in Italy in 1991. The Italian framework and experience inspired other jurisdictions to adopt a particular MSC law of their own. These included Portugal, France, Greece, and four Canadian provinces. Many other places, including Germany, Spain, South Korea, and several U.S. states, have also created a framework for this kind of cooperative under existing cooperative law, or, in the case of Denmark, under existing company statute (Vezina & Girard 2014; Defourney & Nyssens 2014; Münkner 2004). And in countries formerly part of Yugoslavia (e.g., Croatia, Slovenia, Serbia), workers' membership was a mandated element of the cooperative law under the country's system of worker self-management, therefore creating a legacy of MSCs with diverse types of members (Novkovic & Golja 2015).

An important factor in the development of the MSC model is that the practice of multi-stakeholder ownership and governance preceded a specific legal structure (Vezina & Girard 2014). In addition, reports continue to surface from countries worldwide documenting the emergent practice of multi-stakeholder cooperatives even in the absence of enabling legislation. While exciting and indicative of a lively interest in the MSC model, its widespread emergence makes it particularly challenging to comprehensively document the history or practices.

3.1. The cases of Italy, Quebec, and France

Italy, France, and Quebec in Canada are the three jurisdictions with the longest and broadest experience of MSC practice under specific enabling legislation.

The Italian law governing MSCs is the oldest and unique in several respects. Its history is an effort to institutionalize and standardize a process of stakeholder engagement that was already well underway in practice. Perhaps because of this, the Italian statute is both more restrictive in some aspects and more flexible in others than other legal MSC frameworks that followed. For example, unlike many other statutes, the Italian law applies only to a limited number of industries and situations where the practice was initially focused¹ and does not cover the formation of MSCs in most other industries and so in that way is more limiting. On the other hand, the law is very accommodating and facilitates many different combinations of membership classes and governance, whereas statutes to follow generally set some boundaries on these issues.

In Italy, experimentation with the multi-stakeholder cooperative model emerged beginning in the 1980s in response to general community dissatisfaction with government delivery of some public goods, social services in particular. Locally grown civil society organizations arose as a way to deal with crisis, attracting a diverse array of stakeholders (beneficiaries, families, workers, community members, etc.) to their effort. Innovative methods of multi-stakeholder governance were developed to respond to and

¹ Health, education and social services for Type A cooperatives and businesses integrating certain specifically defined marginalized populations for Type B cooperatives – see below.

engage this diverse constituency, and thus emerged a new practice of governance that differed significantly from traditional nonprofit organizations or for-profit enterprises. Thus, while the Italian social cooperatives statute was the first formal legal framework for multi-stakeholder cooperatives codified in national law, its existence was the result of a bottom-up effort, rather than a top-down directive. (Borzaga & Depedri 2014; Vezina & Girard 2014 citing Pezzini 2008).

Due to its emergence in the social service sector, the Italian MSC statute is actually a statute governing all “social cooperatives”—those delivering social, health and educational services, as well as those operating to promote the reintegration of disadvantaged persons into the workforce.² Currently there are about 15,500 such social cooperatives registered in Italy. One quarter of these have been in existence for more than 20 years, while a third have been formed only in the last five years, indicating the stability of this kind of cooperative, and the continuing interest in their formation. As of 2020, 18% of social cooperatives were led by board presidents under 40 years of age, so it is also a model with significant appeal to younger cooperators.³

Not all cooperatives organized under the social cooperative statute in Italy are multi-stakeholder, leading to some confusion and erroneous conflation of the two terms. However, the majority are MSCs (about 70% according to Borzaga & Depedri’s data from 2014), making them one of the largest and most vibrant examples of MSC practice in the world.

While restrictive in its applicability to only social services, the Italian statute also allows for a great deal of flexibility and experimentation on the part of the individual cooperative in the number and classes of membership permitted, and how those members are involved in governance. Social cooperatives in Italy may (or may not) include workers, volunteers, community supporters or public bodies in their governance structure, and there is much diversity in governance structure in practice (Vezina & Girard 2014). Volunteers are limited to 50% of the membership. Type A cooperatives (those of professionals providing health, education, or social services) tend to mostly involve workers and volunteers, but the membership categories of Type B cooperatives (those providing work opportunities for disadvantaged people) are more diverse and often include users as well as workers and community organizations (Birchall & Sacchetti 2017).

Following on the successful example and inspiration of Italian law, other jurisdictions followed suit. Two of the most prominent examples are Quebec and France. In 1997 the province of Quebec established the first law permitting cooperatives of more than a single membership class, calling them “solidarity co-operatives,” a name that is now sometimes used to refer to MSCs in general. In contrast to the Italian freeform model, these cooperatives in Quebec were initially required to embrace all three categories of membership the law allowed: Workers, Users (such as consumers or producers), and Supporter members. The law was amended in 2005 to allow solidarity co-ops to include only two of the three membership classes. Volunteers are not included as a separate category, but may join as supporter members. Public bodies are also not allowed as members, except in the wind power industry.

² Social cooperatives delivering health, educational or other social services are referred to as “Type A” social cooperatives, while those aimed at providing work opportunities for certain specifically named categories of disadvantaged persons are “Type B” social cooperatives. Social cooperatives organized under the statute receive some preference for local government contracts as well as certain tax advantages. Vezina & Gerard 2014.

³ Valerio Pellirossi, Confcooperative, 2022 personal communication

Also unlike MSCs in Italy, solidarity cooperatives in Quebec were allowed to be registered in any industry. In addition to social services, solidarity cooperatives have been formed to provide recycling services, food, housing, and the arts, as well as technical fields like cable broadcasting and renewable energy. Indeed, one purpose of the solidarity cooperative law was to permit communities to more effectively mobilize around the provision of vital resources (food, energy, tourism, or other local anchor industries) to retain population and prevent out-migration (Vezina & Girard 2014). Whatever the industry, most MSCs in Quebec are organized at least to some degree around a social purpose, although this is not a requirement.

In the French and Italian MSC models payment of dividends is strictly limited, but in Quebec dividends are permitted with one significant exception. Supporting members are required to be just that—supporters of the enterprise. They are not allowed to collect a financial dividend of any kind. Solidarity cooperatives also get a tax benefit if dividends are prohibited for all member classes. Like other cooperatives in Quebec, as well as those in many European countries, solidarity cooperatives are also required to allocate a portion of annual surplus to indivisible reserves⁴ until a certain level of equity is met.

The French Sociétés Coopératives D'Intérêt Collective (SCIC) MSC law followed Quebec's in 2001. As in other jurisdictions, there had been some experimentation with the model predating the formal legal designation as multi-stakeholder cooperatives. Like the Italian social cooperatives, SCICs are specifically designated in statute as social enterprises, with a dual social and economic purpose and an obligation to produce goods and services that are of public interest and use. The law is stricter than the other two regarding representation: governing boards must have at least one employee representative, one beneficiary, and one representative from a third class of member such as volunteers or public bodies. As in both Italy and Quebec, a significant portion of profits (57.5% minimum) must go to indivisible reserves (Vezina & Girard 2014, p. 122). In Italian social cooperatives, this figure is 100% (as it also is for Portuguese multi-stakeholder social cooperatives (Defourney & Nyssens 2014, p. 24).

3.2. Growth of the model

As noted above, social cooperatives in Italy continue to be a popular vehicle for new cooperative formation, with a third of the total being registered in only the last five years. In Quebec, multi-stakeholder solidarity cooperatives are even more popular: Since the mid-2000's it has become the primary method of choice for new cooperative formation, accounting for 60% of all new cooperatives formed in 2006—2015 (Vezina & Girard 2014). These figures include new and single-member cooperatives converting to include additional member classes. Solidarity cooperatives have also successfully brought the cooperative model to industries and sectors where unique needs arose, and cooperatives were scarce (e.g., healthcare). Solidarity cooperatives also organized new categories of members such as physicians and other professional workers, who had not previously been involved with cooperatives.

⁴ "Indivisible reserves" refers to retained earnings that must be kept in the cooperative to provide a sound financial foundation for the cooperative and finance collective benefits. These financial reserves are not permitted to be distributed to individual members as patronage. Most indivisible reserve provisions also require that, in the event that a cooperative should close, any indivisible reserves must be given to another cooperative, or a cooperative service entity. This is referred to as an "asset lock on closure."

According to Vezina and Girard (*ibid.*), SCICs in France have not seen the growth of MSCs observed under the Italian and Quebecoise law. The lack of growth is perhaps because the MSC law alone requires each new SCIC to get individual government approval, significantly constraining new development. The fact that French MSCs are required to include representatives of at least three different membership groups rather than two might also serve as an inhibiting factor. However, they have succeeded in bringing a multi-stakeholder approach to a wide variety of industries, with SCICs being set up in agriculture, consulting, the arts, housing, healthcare, and social services.

3.3. The role of government

The role of government on a local level has also diverged in these three primary examples of MSC development. In Italy, social cooperatives receive preference for local contracts in some situations. The same preference is not granted in France or Quebec. Still, in France, local public agencies have been very active in helping to finance MSCs, holding shares in more than 40% of SCICs a decade after the passage of the enabling legislation (Vezina & Girard, 2014). In Quebec, however, which arguably has the most vibrant MSC sector globally, local government investment is not permitted in most cases.

Defourney and Nyssens (2014) cite the evolution of social cooperatives in Europe as being strongly linked to evolution in public policy, both as an outcome of public programs and as an influencer of subsequent policy. Although not all social cooperatives in all countries are multi-stakeholder, it may be that multi-stakeholder ownership and governance were beneficiaries of benevolent public policy as a related and parallel development, even if not the direct target.

Thus, it does not appear from the scant experience that there is a single magic path for public sector involvement to provide a beneficial environment for the growth of MSCs. In each of the three prominent cases, interest in and experimentation with the MSC model pre-dated the passage of formal enabling legislation, sometimes by decades. But direct involvement by local government—while helpful when in place—has been neither uniform nor necessary for success. However, the Italian national social cooperatives law and the Quebecoise solidarity cooperative law both appear to have played a significant role in the sector's growth by providing explicit definitions, boundaries, and legitimacy for this kind of cooperative by codifying this somewhat unusual practice into a recognized legal framework. The experience in France, however, has not been the same. The lack of French growth could be due to several reasons. For example, it may be because the enabling legislation has a more restrictive framework (requiring three or more membership classes and a recognized social purpose) and a more cumbersome approval process.

4. Theoretical considerations

The three jurisdictions provide the clearest examples of MSC practice supported by an enabling legal framework. But it is essential to recognize that experimentation with multi-stakeholder cooperatives has been going on for many decades and in many different places worldwide. The growing interest in and practice of multi-stakeholder cooperation in many respects runs counter to the expectations of mainstream economic theory.

For example, with MSCs, there is added heterogeneity in governance. The notion is that heterogenous governance is more difficult to successfully manage collective action due to transactions costs (Dow,

2003; Hansmann, 1996). However, in practice, this model is a way to integrate labor into consumer and user cooperatives or internalize governance and management externalities by including outsider stakeholders in decision-making (Ajates Gonzalez 2017; Novkovic 2020).

According to new-institutional economics, different “patrons” of firms have specific and conflicting interests depending on the type of transactions with the enterprise (Hansmann 1996). Consumers seek lower prices; workers want higher pay; suppliers demand high prices for inputs they supply; investors aim to gain the highest return on investment, and so on. Therefore, ownership by a homogeneous group of patrons or stakeholders is least costly, while heterogeneity increases governance costs. Heterogeneous members are thought to contribute to inefficiency in governance and eventually cause cooperative degeneration (e.g., Cook 1995, 2018). The impact of member heterogeneity on increased governance costs works through two mechanisms (Borzaga & Depedri 2014): democratic decisions will have increasing complexity and leave marginalized groups of voting members unsatisfied. Further, delegating decisions within the organization will also be costly without a clear definition of organizational goals.

However, there can be advantages to having diverse interests involved in cooperative governance. Cooperative members ‘wear many hats’ and may simultaneously engage in multiple roles as workers, consumers and community members (Mamouni Limnios et al. 2018; Leviten-Reid & Fairbairn 2011; Lund 2011). With different voices in decision-making within the organization, there seem to be more advantages to multi-stakeholder governance that could offset the additional transactions-costs.

Borzaga and Depedri (2014) point out that theoretical considerations do not translate into practice. Members of multi-stakeholder social cooperatives in Italy do not have significantly increasing transaction costs because the heterogeneous groups agree on the organizational mission and purpose, translating into simplified and less costly decision-making processes (ibid, p 153). Further, Borzaga and Sacchetti (2015) suggest that social costs are missing in the transactions cost calculation. When they are included, the multi-stakeholder option may prove less costly than homogeneous member governance, especially in cases when social costs of exclusion⁵ are high. Further, the inclusion of multiple constituents increases access to various resources. Multi-stakeholder governance is more likely to fulfill stakeholder-specific and societal needs. In particular, democratic deliberation by multiple constituents seems to provide a good solution to complex social issues (ibid; Girard 2015).

Multi-stakeholder cooperatives with distributed ownership and control among diverse stakeholders may outweigh the increased costs of decision-making by reducing the costs of information asymmetries and managing complexity in a more effective way (Turnbull, 2002). Positive externalities produced by multi-stakeholder cooperatives (Ajates Gonzalez 2017; Borzaga & Depedri 2014) may also explain why this form of enterprise is on the rise, particularly in the provision of social services (Borzaga & Depedri 2014, 2015; V. Zamagni 2012), and in other sectors with a focus on a general societal benefit such as work integration or renewable energy, as highlighted above. MSCs also internalize the externalities, moving from single member-orientation to complex relationships for positive socio-ecological and economic impact (Ajates Gonzalez 2017; Borzaga & Depedri 2015; Sacchetti & Birchall 2018; Vezina & Girard 2014).

⁵ According to the authors, social costs arising from the exclusion of stakeholders in decision-making may include quality of social services, loss of creativity and motivation, persistent inequality, etc (p 21).

MSCs reduce the risk of co-optation of the cooperative model (Ajates 2021) through non-congruent isomorphism (Di Maggio & Powell 1983; Bager 1994). Ajates (2021) examines agricultural cooperatives and alternative food networks, noting that the MSC model increases social capital. Increased social capital reduces transaction costs and strengthens the cooperative culture, a feature not typically considered in economic models.

Beyond short-term cost-effect perspectives, we can find some more normative arguments that emphasize solidarity as the root of social relationships in several MSCs. Diverse members do not necessarily represent a particular interest group as assumed in theory, but engage in solidarity with others for a common purpose (Novkovic & Miner 2015, 2020; Borzaga & Depedri 2014). Lund terms this feature “solidarity as a business model,” arguing that stakeholders in MSCs build long-term relationships to encourage transformation, rather than engaging in purely transactional relations: “Another way to understand the multi-stakeholder cooperative model is to consider the different time horizon inherent in the solidarity approach. While a traditional price-driven business model (whether cooperative or not) may be seen as primarily transactional, the multi-stakeholder cooperative enterprise is often focused on being more transformational” (Lund 2011, p. 5). In this sense, Lund points out that the general understanding of cooperative entry resulting from market (or government) failure⁶ needs to be modified as MSCs enter industries in response to social injustice. Indeed, fair (non-market) pricing, living wage, and equitable wealth distribution is the core principle of engagement of multiple stakeholder groups.

Mainly, labor inclusion is essential in that it also reflects the uses of multi-stakeholder forms of governance for labor self-determination as a tool for social transformation (Novkovic 2020). Reasons for labor-inclusive multistakeholder formation vary in different contexts. It can stem from the ethical stance of the founding members regarding respect for workers’ rights and empowerment or social inclusion through work and labor’s transformative potential (ibid.). From the economic advantage point of view, it is argued that work is difficult and costly to monitor, especially in the social services sector, due to multitasking and its personalized nature relying on human relationships (Borzaga & Depedri 2015; V. Zamagni 2014). Intrinsic motivations are crucial to quality service, and it is efficient in these cases to empower and motivate workers as members. For example, the same argument can be used for other non-divisible outputs, produced in teams or service-based. The evidence is that workers are members of a significantly large number of MSCs in Italy, France, Quebec, Portugal, the US, and elsewhere; in some cases, this is legally mandated, in others a voluntary development.

Regarding governance, Turnbull (1997, 2001, 2002) provides compelling arguments outlining the advantages of the multi-stakeholder cooperative model (stakeholder mutuals, in his terms). Highlighting the governance structure of the Mondragon cooperative network as the blueprint, he makes a convincing case for the competitive advantage of distributed control and multi-stakeholder arrangements. It is not well known that some 25% of cooperatives in the Mondragon network are multi-stakeholder in nature (Imaz et al. forthcoming). They span all sectors—from education and consumer cooperatives to finance, industrial sector, social services, and research centers. The common factor in the Mondragon case is the presence of workers as a member category in all MSCs, highlighting labor inclusiveness as one of the motivations for their formation. In particular, Mondragon’s MSCs were formed to provide services to the existing worker cooperatives (social security for their worker-

⁶ Zamagni & Zamagni 2010 point out the difference between the demand side (reactive) motivation for cooperative entry and the supply side (pro-active) deliberate choice of cooperative form of enterprise.

members; education, research) and broader community, and to secure jobs and worker control (Imaz et al. forthcoming).

More recent interest in the governance of the commons has brought multi-stakeholder cooperative ownership and control into focus. Multi-stakeholder governance in cooperatives offers a blueprint for democratic engagement of diverse stakeholders around a common purpose and the common good (or a common resource). Indeed, given the inability of mainstream economic theory to successfully explain the consistent ability of diverse groups of actors within MSCs to regularly overcome their differences and pursue common objectives with effective results, Leviten-Reid and Fairbairn (2011) propose that perhaps a new theoretical framework is in order. They suggest the promising pool of research around the collaborative management of common pool resources would be an appropriate place to look for helpful parallels. The burgeoning projects and literature on the commons include the cooperative model without exception, although it encompasses a broader set of issues.

The pathbreaking work of Vincent and Elinor Ostrom dismantled the assumptions that drove Hardin (1968) to the conclusion that commonly owned resources will necessarily be overused (Ostrom 1990; Bollier & Helfrich 2019; Allen 2014). E. Ostrom (1990) developed a set of design mechanisms behind successful community management of common-pool resources, proving the efficiency of collective participation over resource privatization and enclosure. These design mechanisms include features of cooperative organizations, such as clear boundaries, bottom-up decision-making, and collectively designed rules of engagement, among others. From the common pool resources (Ostrom 1990), the term “commons” has been expanded to include “a resource shared by a group where the resource is vulnerable to enclosure, overuse and social dilemmas” (Hess 2008:37), and a “common creation of value using peer governance to manage this process and peer property to protect common value from private appropriation” (Bauwens 2006: 532). Hess 2008 elaborates on the definition of the “new commons” which include collective action, voluntary association, and collaboration. As the common good typically includes protection and decommodification of a resource through collective action, the multistakeholder nature is an integral feature of “commoning.” Therefore, the multi-stakeholder cooperative form is quite prevalent regardless of the legal form of the organization (Münkner 2004).

Theorizing cooperatives and commons includes treatment of labor; knowledge; natural resources; urban spaces; and other common goods benefiting broader society which should not fall under the private ownership regime, and market exchange (de Peuter & Dyer-Witthoford 2010; Hess & Ostrom 2007; Bollier & Helfrich 2019; Bauwens 2006).

5. Multi-stakeholder cooperatives: practice and performance

Many observers new to multi-stakeholder cooperatives have two primary sets of questions: the first technical one, regarding how votes, patronage, board seats and other resources are allocated when there is more than one type of member in the cooperative. The second set of questions generally have to do with outcomes and performance. Can a diverse group of decision-makers really get together around a common set of ideas and needs? Can MSCs ever be an efficient way to approach a market or situation, let alone a more effective way?

5.1. Governance structures

The answer to the first set of questions is simple: MSCs exhibit a great deal of diversity in the ways that they set up their membership and governance structures, while at the same time adhering to the international cooperative principles (ICA 1995). MSC structures are particularly adept at addressing local conditions, and as such, there is no single path to MSC governance, but rather a number of them.

In terms of board seats, most MSCs mandate that a minimum number of board seats be held by representatives of each membership class. Under the Quebec and French systems, each member class must have at least one board seat, although in Quebec, supporter members are only permitted a maximum of one-third of the board seats. MSCs that are organized using existing cooperative statutes naturally have the freedom to allocate board seats as they wish, as do cooperatives organized under the Italian Social Co-op law, which does not mandate multi-stakeholder membership or governance, but only enables it.⁷ In some MSCs, all of the seats are allocated according to member class in governing documents, and in some cases there are also “at large” board seats that may be held by members of any class.

In Portugal, both workers and users must be represented in MSC social cooperatives. In Greece, the social cooperatives must have individuals in target group, healthcare workers, and community institutions represented on the board (Defourney & Nyssens 2014 p. 23). In Ontario, originally MSC were required to have a representative from each member class not only on the board, but present at every board meeting to keep quorum, until this element proved unworkable and was removed from law in 2009 (Leviton-Reid & Fairbairn p. 34). Interestingly, MSCs can also be formed at the secondary level. iCoop in South Korea is a secondary cooperative made up of 85 farmer cooperatives joined with 35 consumer co-ops (Birchall & Sacchetti 2017 p. 7). MSCs in the Mondragon group are often formed to serve the other cooperatives in the system, but they also embrace worker-members and other stakeholders⁸ (Imaz et al, forthcoming).

As for votes for the board, the Italian law directs that each member of the cooperative, no matter which class, shall receive one vote for the board of directors, with organizational members receiving five votes each⁹. The French law divides members into voting “pools” with each voting pool being allowed between 10 and 50 percent of the vote so no member group can dominate¹⁰. The Quebec solidarity law directs that members of each class select their representative(s) to the board on a “one-member, one-vote” basis: worker members elect the worker representatives to the board, consumer members elect the consumer board seats, etc., with the co-op’s bylaws setting the number of seats per member class

⁷ The exception is that social cooperatives are not allowed to have more than 50% of their members be volunteers.

⁸ As an example, cooperative bank Laboral Kuxha has as members cooperatives, workers in the bank, and consumers. Mondragon University is governed by its workers (faculty and staff), students, and cooperatives in the Mondragon network; while Eroski, a large retail cooperative, has workers and consumers as separate classes of members.

⁹ Italian MSCs may decide internally on a minimum of board seats for different classes of members, but the statute does not require this.

¹⁰ The French law is actually even more complex: voting pools do not equate directly with categories of members. A minimum of three categories of members is required, and there is a minimum of three pools of members. However, there may be as many as ten pools of members. There are two permissible ways to calculate the weight of each pool in matters put before the general assembly: either all of the votes may be voted according to the wishes of the majority of the members of a pool, or alternately, the pool may cast its vote proportional to the vote of its own members. Board membership rules also vary by the size of the cooperative.

(Vezina & Girard 2014)¹¹. Many, although not all, U.S. MSCs are also set up in this manner, and other MSCs around the world are as well.

The reasoning behind members voting in pools is that each membership group presumably knows its area of expertise best, and can best select its own representatives. Pooled membership also allows the cooperative to balance power and financial benefit between the membership groups, by allocating more influence (via more board seats) to some categories of members—beneficiaries, for example, or workers—and limiting the influence of others, such as community supporters. MSCs can then use this pooled membership structure to differentially allocate any surplus amongst the groups of members (more money to worker-members, less to consumer for example), which then can be equitably divided within each membership class according to patronage (Lund, 2011).

A distinction should be made between multi-stakeholder cooperative ownership, and multi-stakeholder governance. Some single-member cooperatives have experimented with MSC governance by inviting non-member representatives of an important stakeholder group—such as key customers or community representatives—onto their board as outside board members. This is a laudable practice, but not the same as the co-ownership we consider here. Other single-member cooperatives such as consumer co-ops have directed that a certain number of board seats be held by employees who are also consumer members (or in other instances limited or prohibited employees from running as consumer members).¹² This is also not the same as being a multi-stakeholder cooperative. In the instances of an employee being elected to a consumer cooperative board, he or she is still being elected based upon their status as a consumer-member, not as a worker-member.

It is possible for multi-stakeholder governance to serve as a precursor to MSC formation, however. The conversion of many single-member cooperatives in Quebec to solidarity cooperatives when the new law was passed suggests a good degree of comfort, and therefore perhaps familiarity, with the model beforehand (Levitan-Reid & Fairbairn 2011).

5.2. Multi-stakeholder cooperative performance

In answer to the second question about how multi-stakeholder cooperatives work in practice, the scant empirical research appears to validate the multi-stakeholder approach, with MSCs performing well vis-à-vis similar single-stakeholder co-ops on several important financial as well as governance measures.

Borzaga and Depedri (2014, 2015) research data on a sample of 320 social cooperatives in Italy found that MSCs attract significantly larger number of volunteers (members and non-members) as well as members who contribute financially, compared to single stakeholder social cooperatives, partly supporting the claim that access to resources increases in MSCs. MSCs also reported a higher level of autonomy from reliance on government contracts, and a higher propensity to accumulate locked assets, thereby reserving surplus funds internally, bolstering the financial stability of the organization overall. Finally, MSCs were more successful in reaching communities that had few other resources, and in

¹¹ Although in Quebec solidarity cooperatives, it is only board seats that are elected by colleges of each member class; for issue put before the general assembly, each member has one vote, unless the cooperative's organizing documents say differently.

¹² This is also a legal barrier in credit unions in Canada, for example, as employees cannot serve on the board, regardless of their consumer membership status.

general in the “satisfaction of unsatisfied needs.”¹³ The researchers did not find a difference between multi- and single stakeholder cooperatives in terms of mission alignment, this being a strong motivational factor in both kinds of social cooperatives.

Regarding multiple objectives, Campi et al. (2006) find no evidence that goals differ between single stakeholder and multi-stakeholder organizations among work integration social enterprises in their study, indicating homogeneity of purpose among seemingly heterogeneous stakeholders. They also confirm the findings in Quebec and elsewhere that multi-stakeholder governance is not as costly as transactions costs literature suggests (Levitan-Reid & Fairbairn 2011), and that its benefits have not been fully accounted for in the literature.

Homogeneity of purpose is also highlighted by Bianchi (2021) who tracks the development of the multistakeholder form in Italy beyond the social, to community development cooperatives. Inclusion of multiple stakeholders who rally around a common goal to provide community goods/services (not return on investment) is the formula for success and longevity accompanying the community revival, as well as innovation and diversification of this enterprise form. This observation holds true in multiple areas where MSC organization is an emergent phenomenon, rather than a specific legal form (see Novkovic & Golja 2015).

Borzaga and Sachetti (2015) found additional, nuanced benefits to MSCs which could not be emulated by traditional single-member or investor-led organizations simply by contracting with others because “the protection offered by a contractual system does not hold for services of general interest or for the non-monetary elements of stakeholder relations” (p. 4). In addition, they point out, the very existence of diverse points of view being represented at the strategic, governance level changes the nature of the output, for the better. This, in their view, makes multi-stakeholder governance a vibrant and creative driver of innovation rather than a drag on efficiency.

Contrary to the fear that multi-stakeholder governance would lead to conflict Levitan-Reid and Fairbairn (2011) found, in their surveys of solidarity cooperatives boards in Quebec, a high level of satisfaction with governance. More than 90% of respondents rated that participation of multiple stakeholders was high, and their ability to achieve consensus was excellent. When asked to identify upcoming challenges, respondents cited common economic concerns such as increasing revenue rather than issues related to decision-making.

The fact of involving other stakeholders in the cooperatives did not take away from the positive experience of worker members. In both cases, in Borzaga and Depedri’s comparison of single-member worker cooperatives and multi-stakeholder social cooperatives, employees expressed high motivation and satisfaction with their jobs. They perceived their organizations as fair and communicative. In summary, they concluded that the “single-stakeholder governance model does not jeopardize users’ interests nor does multi-stakeholder governance model sacrifice employee’s wellbeing.” (2015, p 119).

MSCs are not without their challenges. While there are personal and organizational benefits from crafting a set of common rules and norms together, this is seldom a quick and easy process. Multi-stakeholder governance takes more time and resources, at least initially, to align the interests of diverse stakeholders. MSC boards may also demand more from board members in terms of maturity, openness

¹³ P. 119 Borzaga and Depedri 2015.

and willingness to learn. Borzaga and Depedri (2014) found that more rigid norms might be necessary to coordinate the diverse set of actors, meaning someone will have to go to the trouble of codifying and monitoring those norms. Sacchetti and Tortia (2014) agree, noting that rules are necessary to facilitate the environment of reciprocity and trust needed to achieve consensus amongst such different parties successful. Borzaga and Depedri (2015) also note that some categories of members might lose a degree of autonomy and independence by adhering to a more broad, multi-stakeholder mission.

Taken together, however, the data that exists does not support the mainstream economics theoretical perspective of multi-stakeholder cooperatives as fraught, costly, fragile and unstable. Indeed, the opposite seems to be the case. The significant growth forming these cooperatives indicates that MSCs effectively address some needs and seize some opportunities that traditional single-member cooperatives may be missing.

6. Context and illustrations

MSCs as a legal form are known to exist in at least a dozen different countries, and they are ubiquitous in many more. One of the explanations put forward by Leviten-Reid and Fairbairn (2011) for the emergence of these and other social economy organizations is the failure of governments and markets to provide for the needed goods and services and address challenging social and economic situations such as out-migrants and unemployment. This is undoubtedly the motivation behind the formation of many MSCs, but seeing the model only as a reactive response to larger economic forces does an injustice to some of its most creative proponents. In addition to responding to situations of adversity, MSCs have also been successfully used as a proactive tool to create a more desirable set of circumstances or structures more in keeping with a shared values-aligned notion of how complexity should be addressed in an organization. True to the definition of a cooperative, diverse members of multi-stakeholder cooperatives have joined together not only to meet their common needs, but also their shared aspirations.

Broadly, MSCs have been active in four main situations or settings:

6.1. Social, educational, and health services

Most certainly the largest and most experienced community of practice for MSCs is the social services sector. In Italy, certainly, but also in Spain and Portugal, these new kinds of cooperatives emerged as a response to widespread dissatisfaction with the quality and availability of government social services. These contexts share common features, such as a historical reliance on family as the first and primary provider of such services, as well as a relatively weak nonprofit sector and strong cooperative tradition, which help to explain the emergence of a new cooperative model based upon a diverse foundation of community stakeholders (Borzaga & Sacchetti 2015; Defourny & Nyssens 2014). In France as well, we see the growth of MSCs resulting from the move by the government to withdraw from the direct provision of some basic social services, and decentralize their administration and delivery, leaving a gap to be filled by the new cooperatives (Vezina & Girard 2014).

6.2 Complex social issues

Beyond social, educational, and health services, Vezina & Girard (2014) in particular question “the capacity of the traditional single-stakeholder cooperative model to address contemporary challenges facing civil society” at all (p. 111). While most of the research attention has been focused on the Italian social cooperative experience (with reason, given its size, policy support, and success), Vezina and Girard (2014) expand on this idea to document the emergence of multi-stakeholder in a range of “complex social contexts characterized by high levels of instability and diversity” (p. 129).

In this way, they see the development of MSCs in the social service sector as being only one, albeit a very important, example of the application of the model to a range of contemporary situations and challenges, many brought on by a condition of increased globalization and the growing power of corporate interests. Examples they cite include the practice of solidarity cooperatives in Quebec taking on the provision of core goods and services such as food and fuel in rural communities, and the developing industry to combat the issue of out-migration. In speaking of social cooperatives, Borzaga and Sacchetti (2015) note that for these MSCs “inclusive governance and deliberation do not have a transitional character but represent specific solutions which recognize the complexity and richness of public interests” (p. 22). The same could be said for the wide variety of industries cited by Vezina and Girard, where MSCs have provided a framework for addressing difficult issues with a tool and an approach that itself embodies the “complexity and richness” warranted.

6.3. Labor inclusion

While the first two examples could be characterized as situations where MSCs have developed in reaction to local and global events, it is worth noting that the largest multi-stakeholder cooperative in the world was started in a completely different set of circumstances. Eroski, the chain of supermarkets owned by the Mondragon Cooperative Corporation in Spain, began as a consumer-owned cooperative in 1969, but converted itself to an MSC in the mid-1980s, with half the board seats elected by consumer-members and half by workers (Imaz et al, forthcoming).¹⁴ The complexity of embracing diverse points of view does not seem to have slowed this co-op down, as it experienced two decades of substantial growth following, and today has revenues of more than 1.7 billion euros.¹⁵ The motivation for converting to a multi-stakeholder model in this case was not external social and economic forces, but rather internal commitment to social and economic justice, and the inclusion of workers in the ownership and control of all cooperative enterprises in the group. While Mondragon is justly famous for their remarkable illustration of widespread worker ownership, as noted above, 25% of the cooperatives in the network are actually MSCs (present in all sectors, from manufacturing, to finance, to R&D), with labor inclusion as the driving force behind their formation. Similarly, several consumer cooperatives in the United States have either converted to MSCs or formed as MSCs from the beginning with fairness and labor inclusion as the driving force.

6.4. Co-Production

Another example of proactive application of the MSC model comes from the United States local food movement. Unlike the most studied examples in the world where MSCs have been focused in human services, in the United States their most common application has been in the production and distribution of specialty, non-commodity agricultural products, particularly local food. These

¹⁴ While board seats are evenly divided, on the Eroski board, the board president is always a consumer-member.

¹⁵ <https://www.statista.com/statistics/749714/sales-value-of-eroski-in-spain/> [accessed 2.22.2022]

cooperatives involve at least two of the three main categories of actors in the sector (producers, consumer and workers) but can have as many as six different membership categories. Local government has not been included to date, but a variety of other organizations and individuals have been, including local food processing firms, nonprofits and community supporters. These cooperatives are formed not out of direct need (there is plenty of food on the supermarket shelves in these communities) but out of a shared desire to promote and participate in a food system that is more closely and transparently tied to the members' values. These might include fair compensation for farmers and farm workers, organic or sustainable farming practices and humane animal husbandry, as well as promotion of regional specialty products and community economic development. The primacy of price and a zero-sum system of asymmetric information gives way to a joint consideration of supply and demand, and longer term perspective where the positions of each actor on the value chain are considered (Lund, 2012, 2011).

7. Key benefits, challenges, and central tensions

The multi-stakeholder cooperative phenomenon is intriguing in the diversity of its structure, location, size, and sector, as well as the breadth of situations it is invoked to address. As Vezina and Girard (2014) note, “despite its anchorage in co-operative principles, the MSC takes diverse legal forms that enable it to consider both collective and societal issues”... despite a common genome, “it has been adapted in some important ways to the respective national context.” (p. 129).

The tensions and costs implicit in engaging with a diverse body of stakeholders is a criticism commonly directed at the MSC model, although this is usually done without consideration of the externalities produced by single-member entities. Without the direct, ongoing, and mission-aligned democratic governance of diverse constituents that multi-stakeholder cooperatives enable, other organizations miss important information (its own source of tension). There are certainly many proxies available in the marketplace for some of the information exchange that common ownership and governance can facilitate (surveys, focus groups, contracts, to name a few), but such proxies are incomplete at best.

Enhanced consideration of timeline is an important element in understanding the potential for innovation and impact of MSCs, as is a more comprehensive view of externalities and cost. The fact that MSCs are able to integrate—and by doing so, perhaps mitigate—the cost of externalities by way of inclusive design is certainly a significant reason for paying attention to these co-ops and their development.

The embrace of MSCs by diverse communities and community members across the globe makes it clear that many see the model as an important tool for self-help and self-determination while engaging in solidarity with other stakeholders; values that have been core to cooperative practice from the very beginning. Multi-stakeholder practice can also be an important tool for cooperatives themselves. As Novkovic (2020) notes, “Twentieth-century developments, in particular, globalization and deregulation in market economies [has] placed unprecedented competitive pressures on cooperative enterprise, often resulting in isomorphism and degeneration as cooperatives were emulating structures and behaviors of the ubiquitous investor-owned businesses” (Spear, 2004). Multi-stakeholder design can be used by cooperative members to combat such a drift toward conventional business practices and replace them with a uniquely cooperative solution.

It is perhaps not surprising that the answer that has arisen in many diverse circumstances to deal with the complex social and economic situations shall itself also be the source of further complexity. Further research is needed in many areas to better understand this model and to inform potential members of its most effective use. The examples of Italy and Quebec, however, indicate that a clear but flexible enabling legislation can make a substantial difference in helping these kinds of co-ops to flourish, creating a community of common practice, and building a team of knowledgeable legal and finance professionals to assist them.

8. Further research

The multi-stakeholder cooperative form is both ubiquitous and emergent. It is as old as cooperation itself, but it has been recognized as a separate legal form only in recent decades. The multi-stakeholder cooperative model is therefore understudied and poorly understood, offering a fertile ground for future exploration. The literature suggests that multistakeholder (MS) governance is more effective than unitary boards (Turnbull 1997; 2002), even in the absence of ownership by various stakeholder groups. Studies of MS in cooperatives where decision-making is accompanied by ownership, use, and distributional benefits can inform this literature in profound ways.

Directions for future research on multi-stakeholder cooperatives are many. They start from a mapping exercise to try and capture the context in which MSCs appear and thrive. We have some knowledge of MSCs when a legal framework exists, but hardly any sense of their prevalence where institutional framing of the membership type is not prescriptive. What is the context for MSC development? Existing research suggests it is about the history and path dependence (Novkovic and Golja 2015), but also about complexity of member 'needs and aspirations' and external dynamics (Borzaga and Santuari 2001; Vezina and Girard 2015).

The challenges and benefits of MSCs compared to single stakeholder cooperatives is also an important direction for future research, given the increasing interest in this cooperative form. MSC governance, its strengths, weaknesses, enabling structures and hindering factors could shed light on democratic governance mechanisms more broadly. In particular, MSC governance structures and processes are likely sources of innovation in democratic decision-making, yet not much is known about their comparative (dis)advantage relative to single stakeholder cooperatives. Further, in jurisdictions where member categories are not prescribed, a relative performance of MSCs with different types of stakeholders is important to understand. As an example, MSCs may or may not include workers. Is there a difference when they do? What kind of difference (in governance, longevity, social capital, and/or performance?).

The intersection of multi-stakeholder cooperative form and the commons, understood as common goods benefiting broader society which do not fall under the market exchange, is of particular interest since 'commoning' movements are on the rise in multiple areas – from community owned resources, to digital fabrication laboratories (FabLabs) driven by new technological developments and opportunities for coproduction and prosumerism. New economic models (eg social solidarity economy; the circular economy) are emerging which involve collaboration between multiple stakeholders and may or may not include explicit contractual arrangements. Models built on trust and reciprocity lend themselves to

cooperative ownership and control, while supply chains resting on cooperative networks may contribute to the circular economy and sustainability.

Research in multi-stakeholder cooperation may also contribute to stakeholder theory. There is a level of discomfort in using the term 'stakeholder' in cooperative practice, due to the implied (and potentially conflicting) self-interest among different member categories in MSCs. The term 'solidarity cooperative' is often used instead, as for example in the cooperative law in Quebec. Cooperative institutional logic is rooted in self-help and voluntary association; stakeholders -members, who are at the same time users and owners, are not selected by managers for their contribution to the enterprise; rather, they self-engage in collective action. What is the difference when a cooperative is established as an MSC from the start, compared to an expansion of a single stakeholder cooperative to include another stakeholder group? How is the decision made in case of the latter- and does the literature on stakeholder salience (Mitchel et al 1997; Tashman and Raelin 2013; Khurram and Pestre 2017) inform this process? Further, the dual nature of cooperatives suggests non-separability of social from economic function (Novkovic et al 2022), adding a different dimension to the stakeholder salience line of inquiry.

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