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Letter from the Editors

IN THIS ISSUE OF IJCAM we have an opinion piece and four research papers. In the opinion piece, Dr. Peter Davis, University of Leicester, argues that the ICA should not expel Russia. His piece provides a dissenting voice on the Ukraine, American policy and the future of European social democracy. In the next paper, four researchers from the Universidad de La Laguna, Spain, Vanessa Yanes-Estévez, Ana Garcia-Pérez, Enrique González-Dávila and Cándido Román-Cervantes, explore cooperatives' internal and external social networks and size. In the third paper, Barbara Richter, Linda Bitsch, and Jon H. Hanf, all from the Geisenheim University, Germany, examine branding and brand management for wine co-operatives in Germany. The fourth and fifth papers were authored by graduates of Saint Mary's University's Masters of Management in Co-operatives and Credit Unions. The papers are based on their capstone research projects. Karen Flamand is Associate Vice-President, Co-operators Group Limited. In her paper, Karen researches opportunities for The Co-operators Group Limited to leverage its co-operative identity in order to accelerate its achievement of the United Nations Sustainable Development Goals (UNSDGs) by integrating sustainable development and a circular economy within its business strategies. The fifth paper was written by Douglas Baldry, Assistant Branch Manager at the Vancity Savings Langley Community Branch. In this paper, Douglas focuses on how values can influence decision-making within an organization and can contribute to a positive work environment. His research was completed through a case study of Vancouver City Savings Credit Union (Vancity).

Call for Papers

General Call for papers on co-operative accounting and management topics

- Submission deadline – February 28, 2023

Papers related to management topics should be submitted to Peter Davis: pd8@leicester.ac.uk and those focusing on accounting and reporting should be submitted to Daphne Rixon: daphne.rixon@smu.ca.

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Why the ICA Should Not Expel Russia. A Dissenting Voice on the Ukraine, American Policy and the Future of European Social Democracy

An Opinion Piece

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Keywords: Russia, Ukraine, U.S. foreign policy, European history, European social democracy, international cooperation

The principles of Co-operation surely teach that the search for the common good, driven by the principle of solidarity (the desire to reach a mutually acceptable agreement in the context of conflicting interests), needs to underpin international relations. Thus there can be no security for any one country or block of countries in Europe that does not guarantee all countries security East and West. Russian security concerns are real and historically justified and the Western European nations surely can appreciate this. No one country can insist on alliances that threaten the security of all the other countries of Europe. I refer here of course to Ukraine. That Russia would not let NATO advance further right up to its own borders was going to be Putin's inevitable response to the posturing of Ukrainian politicians encouraged by a huge influx of western arms long before hostilities commenced. This is the Cuban missile crisis in reverse. I heard one BBC correspondent today suggest that Putin might be regretting his decision to invade. But if anyone knows Russian history and, indeed, Putin's personal history they may draw the conclusion that he would have felt there was no other choice.

Let us view history for a moment from Russia's perspective. When the Nazis were threatening to invade Czechoslovakia, the Russians offered a joint treaty with the West to defend the Czechs. This approach was turned down and the western powers allowed the invasion unopposed. The Gestapo's record of atrocities against the Czech people is well documented. The Russians subsequently signed a peace treaty with the Nazi state but then so did the British. The Nazis tore up the British agreement first and we declared war. When the German Army was in the Channel Islands, and our cities bombed day and night, and most of the rest of Europe under Nazi occupation, the American Congress remained neutral. Then Hitler invaded Russia who lost 20 + million dead in the struggle to defeat the Fascist forces. The suffering of the Russian people at that time is hard to contemplate.

My Dad was an able seaman on the convoys that supplied our Russian allies and as a post war child I remember playing in the air raid shelter, by then turned into a potting shed at the bottom of the garden. Does anyone in Europe East or West really want another war? Yet the media's one sided hysteria currently vilifying the Russians is talking us into this abyss. I do think the demonizing rhetoric may be toning down a bit but if we are not careful a war in Europe by design or accident is on the cards. All the countries in Europe had Nazi sympathizers before and during the Second World War. Today Ukraine's fascist party is reputedly the biggest in Europe, so Putin is not entirely wrong to be concerned about the growth of the extreme right on Russia's border. This is particularly so when armed by western lethal aid, as it is termed. This is the same lethal aid the West supplied to the Taliban to defeat the pro Soviet regime in Afghanistan.

Another bit of recent history, which the Russians will remember and colours Putin's experience growing up, is that their then President Gorbachev unilaterally withdrew Russian forces from Eastern Europe and called for a peace

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agreement for mutual security in Europe. The NATO response was to advance towards Russia and re-militarize the former Warsaw Pact nations within NATO. The humiliated Gorbachev fell from power to be replaced by the pro-western President Yeltsin - a drunk and a crook who, with the West's blessing and to the City of London's great profit, created the Russian oligarchs who then left the Russian people, having stolen their birthright, to starve. It took Putin and the KGB to re-establish some semblance of order in Russia post Yeltsin. In many ways, Putin is the creation of the West.

Since then, under President Obama with Hilary Clinton as Secretary of State, the US further escalated the arms race in Europe, deploying tactical nuclear weapons along NATO's frontline pointing at Russia. Now there is a threat that NATO wants to advance right up to Russia's border – this crazy and delusional project moved out of fictional entertainment and became policy when Ukraine's TV star turned populist leader became elected President Volodymyr Zelenskyy. The West refused to negotiate on the issue of NATO membership and instead continued to send in billions of dollars' worth of lethal aid to the Ukrainians, who armed their civilian population for war which, without negotiation and western concessions to Russia, was inevitable. America has succeeded in applying huge sanctions on Russia for this. This policy has been damaging for the whole European economy and its peoples not just Russia.

Europeans outside of Russia should pause to reflect on the double standards and apparent paradoxes in US foreign policy. President Putin is castigated as an invader and war criminal and as operating a phoney democracy but it's not Russia but China that invaded and annexed an entire country, Tibet, and continues to commit huge human rights abuses in the process. The last I looked there were opposition parties in Russia whilst there are none in China and the democracy movement in Hong Kong is being ruthlessly suppressed. There is also evidence of mass persecution of the Muslim minority community. But no sanctions are being called for against China.

Instead, President Biden has facilitated America's third proxy war with Russia, wrecking the European Economy in the process. But he does nothing about China and has abandoned the defence of freedom in Afghanistan as being too expensive whilst seeking to borrow a further $31 billion to prolong the slaughter in Ukraine. If the Russians did win total victory, I think girls and boys would still get equal access to education in Ukraine. What is at stake is not individual rights but Russian security and the peace and economic development of the whole of Europe. A neutral Ukraine without being flooded with US arms even minus some of its Russian speaking territories will not reduce human rights in the region or represent a security threat to the states within NATO or the European Union (EU). Russia and the EU need a trade deal not a trade war. Part of the deal, including some acceptance of Russian claims on land in Ukraine, should include EU membership for Ukraine but guarantee Ukrainian neutrality.

None of this would be viewed as good from the US perspective. But the American people need to reflect whether, with China rearming at such a fast rate, and with a regime far more totalitarian than Russia, this is the time to weaken Europe and push Russia towards China? In Europe, looking from a perspective of comparative politics, European politicians, from one nation conservatives to right, centre and left Social and Christian Democrats, need to ask themselves, what is the game the American political elite is playing? Can we be serious in being so concerned about Putin and the Russian oligarchs and his so called cronies on one of our borders while being blind to the fact that no person in the USA has a chance of becoming President without the backing of the American billionaire class and that one in four American are directly or indirectly connected to the arms industry (instead of with a public health service or a real social security system)? American capitalism operates on a Libertarian model not a Social Democratic one and the latter is a major competitor and alternative political model to the USA.

Europe is far from perfect but it leads the way in human rights, climate change reforms and social mobility and social justice. It is also a major competitor to China and the United States on the global market. European politicians need to reflect that threats to European security, economy, social democracy and human rights standards have more than one front to consider. It seems Billionaires in China and America are entrepreneurs not oligarchs according to our media. But all billionaires are oligarchs if given the chance and Platform Capitalism has enabled them to get that chance. Climate change to *Elon Musk*, net worth around $276B, is a business opportunity not a threat and the Ukraine war takes our attention away from the failure of Congress to pass the measures Biden promised on climate change.

As for the alleged Russian war crimes, let us remember that in any modern war more civilians die than soldiers. If there are armed groups fighting inside civilian locations, there will be civilian casualties and, regrettably, war crimes against civilian populations. Was it any different for the British Army fighting in Kenya or Malaya or Ireland, or the Israelis fighting Hezbollah or the PLO? Have our media pundits forgotten what the Americans did in Vietnam? Not only did they inflict cruel anti-personnel weapons, they also used chemical weapons in their war against a democratically elected North Vietnam whilst refusing free elections in the South on the ground the Communists would win. Was the British firebombing of Dresden in the closing months of the Second World War justified on military grounds? Did the shortening of the war with Japan justify the A-bombs on two populous cities, both non-military targets? It is not just Putin who has blood on their hands.

We must reopen talks with Russia for a genuine security for all and it's up to the European members in NATO and for those European states in the EU to start by making it clear NATO will not advance further towards Russia or provide arms to Ukraine and that the EU wants positive economic relations with the Russians and peace not war and sanctions. *This is in everybody's interest, particularly right now for the people of Ukraine, as the last thing they need is for this American-Russian proxy war in their country to continue.* A genuine attempt at peace talks by European leaders could provide Russia with a way out that achieves its main strategic objectives in the area of security and lays the ground for the peaceful development of Russia and the reconstruction of Ukraine with the prospects of incremental improvements in Russia's flawed but at least existent democratic processes. There is no chance of such changes in China, which is a one-party state, but America seems to ignore this in its anti-Putin rhetoric.

If things continue, the UK Brexit attack on European Social Democracy funded by American money will be able to develop. The prospect of German rearmament and rising discontent amongst the poorest classes across European nations as a result of the economic consequences of this war will further enable populist leaders to undermine European unity. Brexit shows the threat is real. Some commentators are claiming the war demonstrates how much better off we are under American leadership. Tell that to the starving Afghans or to the Kurds fighting in Syria only to be dumped by the Americans. Tell it to the democratic electors in Chile who saw their leader murdered in a military coup and his followers rounded up and gunned down in a football stadium. Tell it to the Vietnamese. No calls about war crimes or crimes against humanity by either America or the UK governments then. The EU cannot let itself be bounced by America's puppet Zelenskyy into increased prolonged hostilities. Concessions to Russia on security and land, non lethal reconstruction aid to Ukraine and a trade deal for both is the only serious policy to save European Social Democracy.

Sadly, the postures on Ukraine by the current Labour Party leadership in the UK and European Social Democratic parties, including the German Greens, demonstrate they have less regard for Social Democracy and peace than they have for gaining office. Roberto Michelle's *Political Parties*, a study of the pro war stance of the Ist World War German Social Democratic Party, is instructive here. This is why principled leadership and a call by the International Cooperative Alliance (ICA) for peace talks is important. The right will say we are seeking to reward Russian aggression but what such a call is really about is ensuring a wider war is avoided. Social Democratic Europe can continue with the chance to help Russia move on and develop its governance and civil society institutions given a sustainable economic partnership with Europe. It seems whilst pointing the finger of judgement at Putin and continuing the flow of arms, Russia gets weakened (with consequences that are not predictable), Europe's and the world's poor grow poorer whilst America continues to profit. It's not American civilians who are sacrificing lives and seeing disruption for future generations forced into exile as we see continuing in Syria and Afghanistan and now in Ukraine.

Peace not war in Europe. We need to offer Russia more than just threats and sanctions. Let me conclude with the words of Ariel Guarco**,** President of the International Cooperative Alliance.

> *Advocating for the immediate cessation of violence in Ukraine, we continue to call on governments, international organizations, and civil society organizations in general to build a positive global agenda for peace based on cooperation. Imposition by force will never be the way.*
>
> *In the spirit of the ICA Declaration on Positive Peace through Co-operatives, we reaffirm that*

conflicts arise from unmet human needs and aspirations. The ultimate goal for cooperatives is the satisfaction of basic human needs and aspirations. Cooperatives act for a better, more inclusive, more sustainable, more participative, and more prosperous future for all.

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Cooperatives' Internal and External Social Networks and Size

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Abstract: Under the perspective of social capital and social networks, this work analyses agrifood cooperatives' internal and external social networks and if they are conditioned by their size. A questionnaire about internal and external social networks was answered by managers of agrifood cooperatives in the Canary Islands (Spain).

The results show that there is an intense interaction both inside and outside the cooperatives, through very frequent contacts among members, managerial teams, customers and other external agents. Size only has an impact on the kinship or friendship ties. They differ depending on the number of employees of the cooperatives: there are more kinship and friendship ties in most of the smaller cooperatives.

As implications from these results, cooperatives' managers should be aware that their social ties make them different from the rest of firms. Social capital facilitates innovation and the exchange of information. Managers must favour its development. They must also focus on managing the information that flows through the diverse interorganisational and interpersonal relations in the cooperatives in an integrated way with their strategy.

This article contributes to the literature analysing organisational social capital of agrifood cooperatives, its elements, and its origin with respect to internal and external social networks. This paper also participates in the debate on the appropriateness of cooperatives' growth by linking their social networks to their size.

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Keywords: agri-food cooperatives, management, social capital, social networks, size, strategy

1. Introduction

It has been argued that cooperatives are not only an entrepreneurial network but a "society of members with a social network" (Deng and Hendrikse 2018, p. 750). Therefore, the presence of a social group and the interactions and ties among those who belong to it mean that cooperatives' social capital becomes a significant comparative advantage against other forms of governance (Nilsson et al., 2012). This work explores the idea of the importance

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of social networks for cooperatives following the perspectives of social networks (Scott, 2000) and social capital (Burt, 1992). Social capital is the benefits obtained by the agents from their relations (Nahapiet & Ghoshal, 1998). Their main benefit is the information that these relations provide (Alder & Know, 2002; Coleman, 1990).

Thus, the literature links social capital and social networks to cooperatives. For example, García-Pérez et al. (2016) and Lamers (2012) consider cooperatives a *"network of networks"* whose members, in the case of agrifood cooperatives, can be farmers, managers, first-order and second-order cooperatives and other external organisations. Ties among these members are those of family, friendship, professional, market or contractual relations, among others. Therefore, members with their various roles in the cooperative can access different information and share it with other cooperative members. In short, these social networks allow greater access to information about the industry and a stronger link between a cooperative's members and the markets.

On the other hand, there is a great consensus about the need for Spanish agrifood cooperatives to grow (Juliá et al., 2010; Mozas-Moral et al., 2021). Their growth would allow them to be more competitive, given the asymmetry in the agrifood chain. However, one of the consequences of the growth of cooperatives is the greater heterogeneity of their social base as well as the need to incorporate professionals to manage them (Nilsson et al., 2012). Thus, when the cooperative has a larger number of members, the complexity and difficulty of coordinating activities and their management increases. In short, the growth trend of cooperatives in search of greater market power and competitiveness is not without negative consequences as well.

With these reflections in mind, the aim of this work is to examine the social capital of agrifood cooperatives in greater depth, analysing both their social networks and the impact of the size of these organisations on these networks.

Therefore, several contributions are made. First, this article contributes towards opening and "*shedding light on the black box of cooperatives*" (Guzmán et al., 2020) as it analyses the cooperatives' social capital from the perspective of Strategic Management. Studies of social capital at an organisational level have received less attention, and even less for the case of cooperatives (Westlund & Adam, 2010; Wu & Leung, 2005; Zhang & Fung, 2006). Second, this article analyses the cooperatives' social capital in detail, considering its elements and origin by distinguishing between internal and external social networks (for example, Lamers, 2012; Liang et al., 2015; Ruben & Heras, 2012; Yu & Nilsson, 2017). And third, another important contribution of this research is to link the size of cooperatives with their social networks, a relation that is becoming increasingly relevant in the study of cooperatives, as these two key issues are considered.

2. Literature review

2.1. Cooperatives' social capital: their internal and external social networks

For Feng et al. (2016), social ties among individuals or groups of people constitute social capital. Liang et al. (2015) define social capital as the networks that facilitate interactions among individuals. It includes shared knowledge, trust and culture and other stable inter-agent relationships (Valentinov, 2003)[1]. Thus, social capital is a valuable asset based on interpersonal relationships and whose main benefit is the information it provides (Adler & Kwon, 2002; Coleman, 1990).

Following Nahapiet and Ghoshal (1998), social capital comprises three dimensions: structural, cognitive and relational. Thus, the social ties among a cooperative's members can be regarded as the structural dimension of social capital (Deng & Hendrikse, 2018). The cognitive dimension includes the vision, purpose, codes and goals shared by the cooperative's members, and the main element of the relational dimension is trust (Nahapiet & Ghoshal, 1998). These dimensions are closely interconnected and it is difficult to evaluate their effects on the cooperatives' performance separately. Therefore, this article suggests only one dimension in which the structural dimension, an important dimension for the creation and development of the other two, predominates (Tsai & Ghoshal, 1998). However, trust is also considered as the main component of the relational dimension. What seems necessary to delimit, given the strategic approach of this work, is the origin of social capital.

The existing literature categorises social capital depending on its origin as internal social capital and external social capital (Adler & Kwon, 2002; Deng, 2015; Leana & Pil, 2006). Internal social capital describes the value of social relations among the organisation's members (Coleman, 1990; Putnam, 1993). On the other hand, external social capital describes the ties between the organisation and other external agents (Burt, 1992). This distinction between internal and external social capital can also be applied to cooperatives, as some authors consider them a network of internal and external relations (for example, Lamers, 2012; Liang et al., 2015; Ruben & Heras, 2012; Yu & Nilsson, 2017). Therefore, the cooperatives' social capital would consist of the relations enjoyed by the cooperative, both among its members and with the environment (Yu & Nilsson, 2017).

The external social capital or the cooperatives' external relations are defined by the ties and contacts their members establish with external agents to those organisations, such as customers, suppliers, people from other business organisations, public administrations, or any other social group. Through these contacts, there is an exchange of information about the market, future plans, and ideas that allow the most efficient achievement of the parties' goals.

In the case of agrifood cooperatives, the external social networks gain significant relevance due to their need to adopt market-oriented strategies as a response to increasing competitive pressures (Deng & Hendrikse, 2018). In this sense, the alignment between the activities and investments by the different agents of the agrifood chain (producers, wholesalers or retailers) will be crucial. This involves a consequent exchange of complex information not only about supply and demand, but also about the quality requirements of customers and final consumers (Bijman et al., 2011). Thus, market trends demand from agrifood cooperatives the development of external social networks with their suppliers and customers to facilitate the coordination of their activities, and which are essential to satisfying their customers' needs.

In this sense, related to channel relationships between industry and distribution (Anderson & Narus, 1990)[2], power is critical in understanding those buyer–supplier relationships (Gaski, 1984). Specifically in agrifood chains, power is usually skewed in favour of large retail buyers, that is, the distributor firms (Glavee-Geo et al*.,* 2021; Hingley, 2005). Thus, agri food industries and cooperatives have found themselves subjected to the conditions imposed by the large hypermarket and supermarket chains (the distributor firms). For example, they are subject to the large distribution's system of postponed payments, or the continuous pressure to reduce the prices of the agrifood products they supply. In addition, these large distribution chains are also present in the home markets through their own procurement centres, which aggravates hostility.

There are some alternatives to solve such conflict among the members of agrifood supply chains: the growth of the industry and the cooperatives, and the development of balanced and equal relationships and links among suppliers (industry and cooperatives) and buyers (distributor firms), that is, external social capital. Growth would allow cooperatives to break the imbalance in power and in the negotiation conditions between the parties. Then, they would work in a more balanced way with the rest of the agrifood chain members. In this sense, it must be borne in mind that these are perishable products, with a high stock turnover and whose distribution means travelling great distances. Therefore, great efforts in coordination must be achieved to obtain innovative products that comply with the quality and food safety standards required by society. Only full collaboration and coordination between the farmer and the rest of the agrifood chain can generate the final product wished by the customer, as Peterson et al. (2001) explain.

On the other hand, the cooperatives' internal social capital and internal networks are the existing contacts and ties among the members of the cooperatives, that is, the interactions among the cooperatives' members, among their members and managers or among the employees and managers. These ties comprise, for example, family, friendship, professional, market and contractual relations. The quality of these interpersonal relationships determines the internal coordination and the resource allocation in cooperatives (Valentinov, 2004). The better the relationships between members, the more flexible and smooth the internal coordination and distribution of resources in cooperatives (Valentinov, 2004) and the less free riding (Nilsson et al., 2012). Thus, these internal social relations also facilitate the flow of information among the members, which is crucial in cooperatives (Piñeiro et al., 2021). On the other hand, the loss or reduction of ties among the members, would be reflected in less involvement for mutual benefits, less collaboration and less trust in their leaders (Nilsson et al., 2012). Ruben and Heras (2012) therefore found that the relationship among the members is a relevant explanatory factor for the effectiveness and productivity of collective action. Thus, as a last consequence of the above, social ties have a positive impact on the members' production activities, total utility and economic payments (Deng & Hendrikse, 2018) and even in their reputation (Nilsson et al., 2012).

In line with the above, agriculture cooperatives cannot be maintained without enough social capital (Valentinov, 2003). Agrifood cooperatives are precisely stable partnerships between members, “allowing them to join together to act in ways that each member on its own could not” (Mozas-Moral et al., 2021). From this definition of cooperatives based on their origin, agrifood cooperatives are currently an instrument of rural development (Piñeiro et al., 2021) and strategic elements to achieve sustainable economic development (Bretos & Marcuello, 2017) through the achievement of the objectives of their members. However, the management of agrifood cooperatives as organisations could not be an easy task because sometimes their members have different objectives even contradictory (Hendrikse, 1998), present a lack of homogeneity and play different roles simultaneously within the cooperative (Mazzarol et al, 2011)[3].

2.2. Social capital and size of cooperatives

Size is a way to gain competitive advantage in agrifood cooperatives (Piñeiro et al., 2021). Thus, the growth of cooperatives is a way to improve their competitiveness and also a way of adapting to market situations (Deng et al, 2021; Feng et al., 2016). Their growth, sometimes with vertical or horizontal integration, creates bigger cooperatives with very large and heterogeneous social bases (Cook & Burress, 2009), especially in the case of agribusiness (Höller & Kühl, 2018)[4]. This reduces the trust and the face-to-face interactions, creates less involvement and more difficulties to solve collective actions and also weakens democratic governance (Nilsson et al., 2012). Besides, it can cause the cohesiveness of members to disappear, the distance between members and management to increase and communication problems to emerge (Nilsson et al, 2009; Österberg & Nilsson, 2009). Consequently, there is a reduction in the commitment of the members to the organisation and their willingness to participate in it (Bijman & Hendrikse, 2002) and a tendency to cause opportunistic behaviour (Xu et al., 2018).

As a result, as cooperatives grow and become more complex, the interactions among their members stop serving as a mechanism to develop and maintain the shared beliefs and values (Deng & Hendrikse, 2014). In short, the cooperatives' growth trend, in search of a greater competitiveness, makes it necessary for the impact of this growth on their social capital to be analysed (Deng, 2015).

Feng et al. (2016), in a study of agrifood cooperatives from Sweden, suggest that members in smaller cooperatives are more involved in the cooperative's management, trust their managers more, are more satisfied and are also more loyal. Liang et al. (2015) state that the social capital of smaller groups is denser because their members have closer spatial and emotional contacts. This reflection is similar to that formulated by Valentinov (2004) for whom maintaining social capital as the main resource of cooperatives is a difficult task, due to the rise in the number of members, and consequent increase in heterogeneity and in the complexity of the objectives and activities. As the cooperative's members become unknown to each other, it is more difficult for them to interact (Deng & Hendrikse, 2018). In fact, the paradigm of social capital helps to explain why some of the largest and traditionally most complex agrifood cooperatives have failed recently (Nilsson et al., 2012). Thus, the presence of interpersonal and interorganisational ties in cooperatives would be negatively linked with their size (Feng et al., 2016).

It is, therefore, the task of the leaders of these organisations, especially those growing, to manage these internal and external networks in an integrated way within their strategic plan, providing the cooperatives with a minimum efficient size that allows them to achieve economies of scale and to negotiate with large distributors in a balanced way.

3. Methodology

3.1 Data collection [5]

This work took place in the Canary Islands (Spain) where, according to the Ministry of Employment and Social Services, of the 202 existing cooperatives in the region in 2016, 64 specialised in agrifood activities (31.68%). The 64 agrifood cooperatives had 1,664 employees and represented 1.96% of all agrifood cooperatives in Spain. In contrast to Andalucía, the region with the most cooperatives in Spain (712 cooperatives, 21.8% of the total), the Canary Islands is one of the Spanish regions with the fewest agrifood cooperatives.

The collection of data on the Canary Islands agrifood cooperatives has been a difficult process. One difficulty was the absence of an up-to-date census of agrifood cooperatives in the Canaries. For this reason, as a starting point a census on agrifood cooperatives in the Canary Islands with the contact information of these cooperatives was designed from the one drawn up by the Cátedra de Economía Social y Cooperativa CajaSiete of Universidad de La Laguna. Then, a questionnaire was designed *ad hoc* by the research team to obtain the information needed for the aim of the study[6]. This questionnaire was answered by the manager of each agrifood cooperative.

In order to obtain a higher response rate and to make the process of obtaining information more efficient, in September 2017, the research team hired the services of a company specialising in survey processes called "Servicios Estadísticos". The researchers provided the company a file with the census and the contact information of all 64 agrifood cooperatives in the Canary Islands according to the Ministry of Employment and Social Services. The company made an initial phone call to explain to the managers the objective of the project, the types of questions and to ask them to respond to the questionnaire designed by the researchers. At this initial contact, an appointment was made to carry out the survey at a time that best suited the cooperative's management, or if they preferred, it was sent by email reminding them to return it as soon as possible.

After two reminders by phone and email in order to gain the maximum number of participants (620 calls made and 73 emails sent in total), the data collection process finished at the end of November 2017, with a final sample of 50 organisations of the 64 that existed at the beginning of 2017. Of the 50 questionnaires, 17 were completed by fishermen's associations and the rest by agrifood cooperatives, of which 2 were second-order and the rest were first-order cooperatives [7].

3.2. The questionnaire

Based on the literature review, the research team designed a questionnaire to be used in the survey process and to obtain the information needed to analyse both their social networks and the impact of the size of these organisations on these networks.

The questionnaire is structured in three parts:

1. Part one: descriptive information about the cooperatives. The managers should answer some questions about the descriptive characteristics of the cooperatives. These questions are those about the age of the cooperative (measured as years from its set up until 2017), number of members, number of employees, activities they carry out, products they offer and markets they serve. The managers must choose age, number of members and employees that describe their cooperatives from the ranges included in the questions. On the other hand, they must select the products, markets and activities of the cooperative from those presented in the questionnaire.
2. Part two: internal social networks. This part has a question about internal social networks. This question has four items (Table 1) adapted from Peng et al. (2016), Ostgaard and Birley (1996), and Österberg and Nilsson (2009). Regarding these items, the managers had to indicate how frequently they maintained different types of contacts among members/managers (horizontal contacts: among members, and vertical: between members and managers) to exchange ideas, information, plans, objectives..., the degree of kinship or friendship and the degree of trust among members. The Likert scale used goes from 1 (shows no tie/contact or very low trust) to 5 (shows very frequent ties/contacts or very high trust).

Table 1. Internal Social Networks Scale

COOPERATIVE'S INTERNAL SOCIAL NETWORKS (among members/managers)
1. Are there any kinship or friendship ties among the members in your cooperative? (horizontal ties)
2. Contacts among the members in your cooperative are…. (horizontal ties)
3. Contacts between the members in your cooperative and the cooperative's managerial team are…. (vertical ties)
4. Trust among members…

3 Part three: external social networks. The question about external social networks was designed with four items (Table 2) adapted, primarily, from Vallet-Bellmunt (2010), and Sporleder and Peterson (2003). Regarding these items, the surveyed managers had to indicate how frequently they maintained contacts with their customers and other external agents to the cooperative (other co-operatives external to yours or any other agrifood, professional or trade association, city councils, public administrations…) to exchange ideas, information, objectives, plans... and the degree of trust between the cooperative and its main customers. The Likert scale used goes from 1 (shows no contact with main customers, or very low trust in them) to 5 (shows very frequent contacts with main customers, or high trust in them).

Table 2. External Social Networks Scale

COOPERATIVE'S EXTERNAL SOCIAL NETWORKS (with external agents to the cooperative)
1. Your cooperative shares ideas and information with its main customers (distributors, large distribution…)
2. Your cooperative sets objectives, establishes plans and makes decisions jointly with its main customers (distributors, large distribution…)
3. Trust between the cooperative and its main customers (distributors, large distribution…) is usually….
4. Your cooperative interacts with other agents of the environment such as other co-operatives external to yours or any other agrifood, professional or trade association, city councils, public administrations…

Once the survey process was completed, company staff transferred all the responses to an Excel file, which was sent to the research team. The researchers then applied statistical processing using IBM SPSS Statistics version 25.

3.3. The sample

From a descriptive point of view (Table 3), the sample used in this study is characterised by the fact that the most numerous group of cooperatives has been active for between 31 and 45 years (40%) and the next largest group is over 46 years old (26%). Thus 66% of the cooperatives of the sample are at least 31 years old. On the contrary, the smallest group is made up of cooperatives that have been created in the last 15 years. This could mean that fewer and fewer cooperatives are created or that it is more difficult for them to remain active.

Table 3. Descriptive Characteristics of the Cooperative

		TOTAL (N=50) No.	TOTAL (N=50) %
AGE	0-15 years old	6	12%
	16-30 years old	11	22%
	31-45 years old	20	40%
	Over 45 years old	13	26%
	TOTAL	50	100%
SIZE (Number of employees)	0-9 employees	28	56%
	10-49 employees	16	32%
	Over 49 employees	6	12%
	TOTAL	50	100%
SIZE (Number of members)	1 to 31 members	16	32%
	32 to 151 members	16	32%
	Over 151 members	18	36%
	TOTAL	50	100%

Regarding the size of the firms in the sample, two variables have been used for the analysis: the number of employees and the number of members[8]. If we take the number of employees into account, the cooperatives are characterised by being mainly small firms, as 56% are microenterprises (0 to 9 employees), and 32% of them have between 10 and 49 employees (small enterprises). If we use the number of members to measure their size, the most numerous group of cooperatives has over 151 members. However, it is necessary to clarify that only 6 cooperatives of the total have over 700 members and the largest has 2,953 members [9].

To sum up, the sample of cooperatives considered in this study is characterised mainly by comprising microenterprises based on the number of employees, and for being between 31 and 45 years old.

Table 4. Products and Markets of the Cooperatives of the Sample

		TOTAL (N=50) No.	TOTAL (N=50) %
PRODUCTS	Bananas	12	24%
	Fish	5	10%
	Tomatoes	4	8 %
	Potatoes	3	6%
	Wine	2	4%
	Cheese	2	4%
	Others	8	16 %
	A combination of the above	14	28%
	TOTAL	**50**	**100%**
MARKETS	Local market	11	22 %
	Island market	5	10%
	Regional market	6	12 %
	National market	9	18%
	European Union market	1	2%

		TOTAL (N=50)	
		No.	%
	Island + national markets	3	6 %
	Local + national markets	2	4%
	Other combinations of the above	3	6%
	TOTAL	50	100%

As an image of the agrifood population in the Canary Islands, the cooperatives, all producer agrifood cooperatives, that only sell bananas or tomatoes predominate widely among the cooperatives from the sample (Table 4): 24% of the cooperatives only sell bananas, 10% sell fish and 8% sell tomatoes. In addition to these cooperatives, there is also a percentage of cooperatives to be highlighted (28%) that sell several of the products presented such as bananas and potatoes, bananas and tomatoes, bananas, tomatoes and wine or tomatoes and wine, to name a few. Due to the variety of products they sell, the markets in which they are commercialised are also very different and varied with the local market predominating (22%) followed by the national market (18%).

If we relate the size of the cooperatives to the products they offer, we can see that banana cooperatives are the largest. They represent 56% of the cooperatives with between 10-49 employees and half of those with more than 50 employees. On the other hand, tomato, potato and wine cooperatives have the highest percentage of cooperatives (7.1% each) that are micro-enterprises (up to 9 employees).

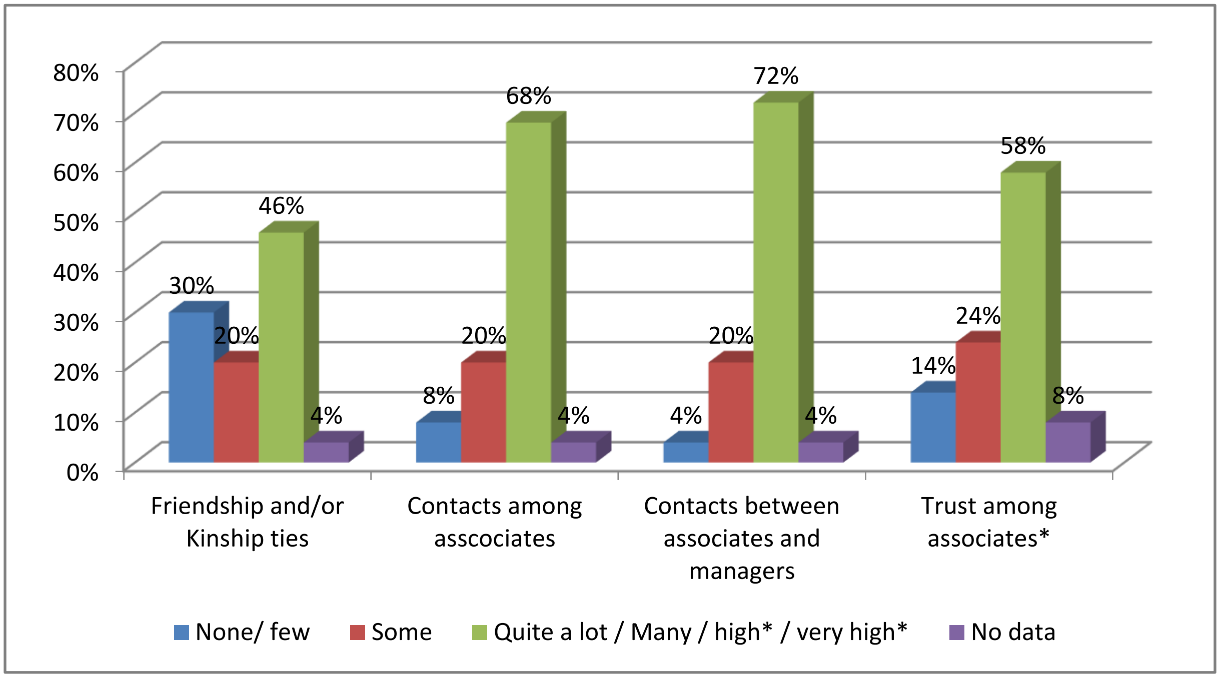
4. Results

4.1. Internal and external social networks of the cooperatives

In this first section of results, we present a general description of the internal and external social networks of the agri-food cooperatives analysed.

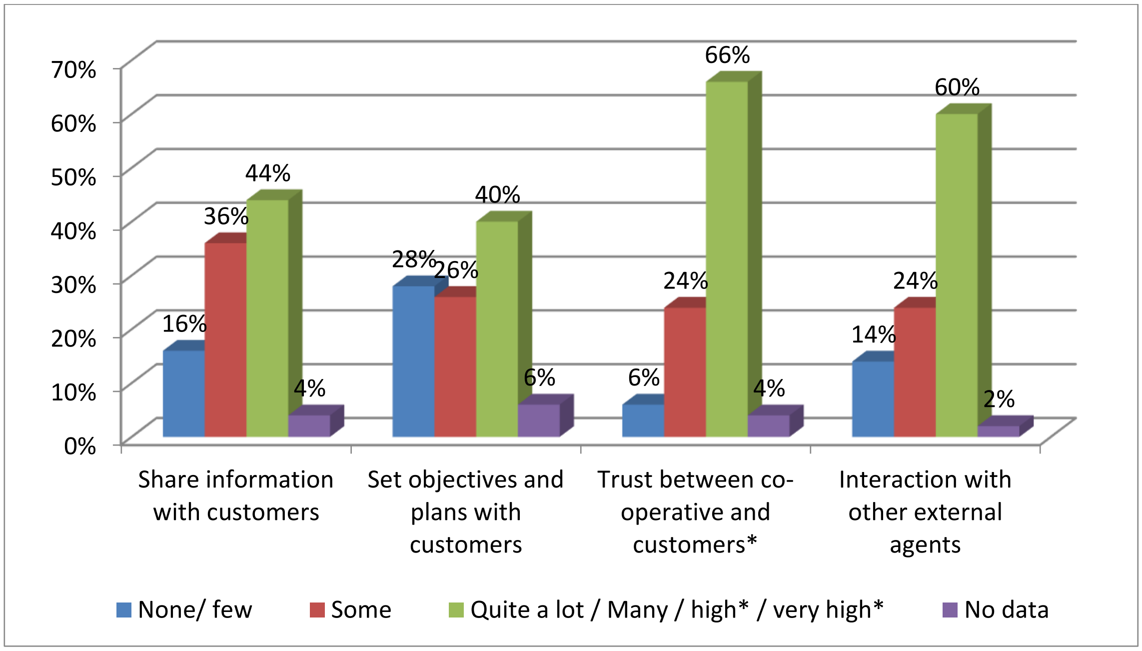
<u>The internal social networks</u> show the ties or contacts that take place among the cooperatives' members (horizontal ties) and between these and the different managerial teams (vertical ties). Thus, in most of the cooperatives from the sample (Figure 1), the members interact frequently or very frequently with other members (68%) and even more with the entity's managers (72%). Moreover, in 46% of the cases studied, there are many friendship and kinship ties among the members. It can also be highlighted that trust among members is high or very high in most cases (58%). To sum up, a great majority of the cooperatives establish many contacts among the members (horizontal ties), and even more between members and managers (vertical ties).

Figure 1. Analysis of Internal Social Networks



The external social networks show the ties established by the cooperative with external agents like its customers (distributors or large distribution), among others (Figure 2). In this study we find that 44% of the cooperatives are very prone to sharing ideas and information with their customers, and 40% would set objectives, establish plans and make decisions with them. However, the great majority of these entities (66%) have a high or very high trust in their customers, either distributors or the large distribution. In addition, a significant percentage of cooperatives (60%) establish frequent interactions with other agents from their environment like other cooperatives or any other agrifood, professional or trade association. In conclusion, the great majority of the cooperatives interact much more with other agents from their environment (60%) than with their customers (44% share information with them), despite the great trust between the majority of the cooperatives and the latter.

Figure 2. Analysis of External Social Networks



4.2. Size of cooperatives and their internal social networks

Regarding internal social networks, the results obtained for each one of the items are:

- Kinship or friendship ties are different depending on the number of employees in the cooperative (Table 5). In 64% of the smallest cooperatives (0-9 employees) there are many kinship and friendship ties, few or none in 60% of the small cooperatives (10-49 employees), and some ties in 50% of the medium size cooperatives (50 employees and over). These differences are statistically significant. According to the number of members in the cooperatives, there are no significant differences, with many kinship and friendship ties predominating in all cases.

Table 5. Internal Social Network (Kinship or Friendship Ties)

	Size (No. employees)						Size (No. members)					
	0-9		10-49		Over 49		1 to 31		32 to 151		Over 151	
	No.	%	No.	%	No.	%	No.	%	No	%	No.	%
None / Few ties	5	18%	9	60%	1	17%	5	31%	6	38%	4	25%
Some ties	5	18%	2	13%	3	50%	3	19%	3	19%	4	25%
Several/ Many ties	17	64%	4	27%	2	33%	8	50%	7	43%	8	50%
TOTAL	27	100%	15	100%	6	100%	16	100%	16	100%	16	100%
Pearson's Chi-square 11.656[a] df 4 .020 asymptotic significance (2-sided)							Pearson's Chi-square .687 df 4 .953 asymptotic significance (2-sided)					

- Contacts among members (horizontal ties): the frequency with which members of the cooperatives had contact with other members of the same cooperative does not differ significantly according to their size (Table 6), these contacts being frequent or very frequent in all cases.

Table 6. Internal Social Network (Contact Members)

	Size (no. employees)						Size (no. members)					
	0-9		10-49		Over 49		1 to 31		32 to 151		Over 151	
	No	%	No	%	No	%	No	%	No	%	No	%
Non-existent/ few	1	4%	3	20%	0	-	2	13%	0	-	2	13%
Some contact	6	22%	3	20%	1	17%	2	13%	4	25%	4	25%
Frequent/ very frequent	20	74%	9	60%	5	83%	12	74%	12	75%	10	62%
TOTAL	**27**	**100%**	**15**	**100%**	**6**	**100%**	**16**	**100%**	**16**	**100%**	**16**	**100%**
Pearson's Chi-square 4.145 df 4 .387 asymptotic significance (2-sided)							Pearson's Chi-square 3.035 df 4 .552 asymptotic significance (2-sided)					

- Interaction of the cooperatives' members with managers (vertical ties): the regularity with which the members of a cooperative establish some type of contact with the managerial team does not change according to their size (Table 7), being always frequent or very frequent.

Table 7. Internal Social Network (Contact Members-Managers)

	Size (no. employees)						Size (no. members)					
	0-9		10-49		Over 49		1 to 31		32 to 151		Over 151	
	No	%	No	%	No	%	No	%	No	%	No	%
Non-existent/ few	1	4%	1	7%	0	-	1	6%	0	-	1	6%
Some contact	5	19%	3	20%	2	33%	4	25%	4	25%	2	11%
Frequent/ very frequent	21	77%	11	73%	4	77%	11	69%	12	75%	13	81%
TOTAL	**27**	**100%**	**15**	**100%**	**6**	**100%**	**16**	**100%**	**16**	**100%**	**16**	**100%**
Pearson's Chi-square 1.102 df 4 .894 asymptotic significance (2-sided)							Pearson's Chi-square 1.967 df 4 .742 asymptotic significance (2-sided)					

- Trust among the cooperatives' members: in all sizes of cooperatives (by number of employees and by number of members), the cooperatives with high or very high trust among their members predominate. Hence, no significant differences are observed. Therefore, trust among workers does not depend on the number of employees hired or on the number of members that make up the cooperative (Table 8).

Table 8. Internal Social Network (Trust)

	Size (No. employees)						Size (No. members)					
	0-9		10-49		Over 49		1 to 31		32 to 151		Over 151	
	No	%	No	%	No	%	No	%	No	%	No	%
Very low/low	4	15%	3	20%	0	-	2	12%	2	12%	3	19%
Some	7	26%	4	27%	1	17%	4	25%	2	12%	6	38%
High/very high	16	59%	8	53%	5	83%	10	63%	12	76%	7	43%

	Size (No. employees)						Size (No. members)					
	0-9		10-49		Over 49		1 to 31		32 to 151		Over 151	
	No	%	No	%	No	%	No	%	No	%	No	%
TOTAL	27	100%	15	100%	6	100%	16	100%	16	100%	16	100%
Pearson's Chi-square 2.022 df 4 .732 asymptotic significance (2-sided)							Pearson's Chi-square 3.596 df 4 .463 asymptotic significance (2-sided)					

To sum up, the cooperatives' internal social networks only differ significantly in the existence of kinship and friendship ties when their size based on the number of employees is considered. The presence of more kinship and friendship ties in the cooperatives with 9 or fewer employees stands out.

4.3. Size of cooperatives and their external social networks

The analysis of the elements of the agrifood cooperatives' external social networks based on their size, both in number of employees and number of members, gives the following results:

- Sharing information with their main customers: although the high percentage of smaller cooperatives (based on the number of members) that exchange information frequently or very frequently with their customers stands out (72%), there are no significant differences among the cooperatives when sharing ideas and information with their main customers (Table 9).

Table 9. External Social Network (Sharing Ideas and Information with Customers)

	Size (no. employees)						Size (no. members)					
	0-9		10-49		Over 49		1 to 31		32 to 151		Over 151	
	No	%	No	%	No	%	No	%	No	%	No	%
Never/Rarely	6	23%	2	12%	0	-	3	21%	2	12%	3	17%
Occasionally	9	35%	6	38%	3	50%	1	7%	9	56%	8	44%
Frequently/ very frequently	11	42%	8	50%	3	50%	10	72%	5	32%	7	39%
TOTAL	26	100%	16	100%	6	100%	14	100%	16	100%	18	100%
Pearson's Chi-square 2.269 df 4 .686 asymptotic significance (2-sided)							Pearson's Chi-square 8.462 df 4 .076 asymptotic significance (2-sided)					

- Setting objectives, establishing future plans and making decisions with their main customers: although the high percentage of larger cooperatives (based on the number of employees) that set objectives, plans... frequently or very frequently with their customers stands out (83%), there are no significant differences with the other cooperatives when setting objectives, plans... with their main customers (Table 10).

Table 10. External Social Network (Setting Objectives, Establishing Plans and Making Decisions with Customers)

	Size (no. employees)						Size (no. members)					
	0-9		10-49		Over 49		1 to 31		32 to 151		Over 151	
	No.	%	No	%	No	%	No	%	No	%	No	%
Never/Rarely	10	40%	4	25%	0	-	5	38%	5	31%	4	22%
Occasionally	6	24%	6	37%	1	17%	2	15%	5	31%	6	33%
Frequently/ very frequently	9	36%	6	37%	5	83%	6	46%	6	38%	8	45%
TOTAL	25	100%	16	100%	6	100%	13	100%	16	100%	18	100%
Pearson's Chi-square 6.422 df 4 .170 asymptotic significance (2-sided)							Pearson's Chi-square 1.829 df 4 .767 asymptotic significance (2-sided)					

- The existing trust between cooperatives and their main customers is not significantly different based on the size of the cooperatives considered (Table 11), being high or very high in all cases.

Table 11. External Social Network (Trust in Customers)

	Size (no. employees)						Size (no. members)					
	0-9		10-49		Over 49		1 to 31		32 to 151		Over 151	
	No	%	No	%	No	%	No	%	No	%	No	%
Very low/low	2	8%	1	6%	0	-	2	14%	1	6%	0	-
Some	8	31%	4	25%	0	-	2	14%	3	19%	7	39%
High/very high	16	61%	11	69%	6	100%	10	72%	12	75%	11	61%
TOTAL	**26**	**100%**	**16**	**100%**	**6**	**100%**	**14**	**100%**	**16**	**100%**	**18**	**100%**
Pearson's Chi-square 3.357 df 4 .500 asymptotic significance (2-sided)							Pearson's Chi-square 5.111 df 4 .276 asymptotic significance (2-sided)					

- The cooperative's relations with agents from the environment, like other cooperatives or any other agrifood association do not depend on their size (Table 12), although the high percentage of larger cooperatives (based on the number of employees) that relate frequently or very frequently with external agents stands out (83%).

Table 12. External Social Network (Interaction with Other External Agents)

	Size (no. employees)						Size (no. members)					
	0-9		10-49		Over 49		1 to 31		32 to 151		Over 151	
	No	%	No	%	No	%	No	%	No	%	No	%
Never/rarely	2	7%	5	31%	0	-	1	6%	3	19%	3	17%
Occasionally	7	26%	4	25%	1	17%	7	47%	2	12%	3	17%
Frequently/very frequently	18	67%	7	44%	5	83%	7	47%	11	69%	12	66%
TOTAL	27	100%	16	100%	6	100%	15	100%	16	100%	18	100%
Pearson's Chi-square 6.557 df 4 .161 asymptotic significance (2-sided)							Pearson's Chi-square 6.060 df 4 .195 asymptotic significance (2-sided)					

In summary, there are no statistically significant differences in the external social networks established by the cooperatives with other agents from the environment, like their customers, according to their size.

5. Conclusions, implications and future research

5.1. Conclusions

There is a great consensus that social capital is highly relevant in the cooperative context (Feng et al, 2016; Xu et al, 2018). It is a key dimension for competing in the markets. For this reason, it is necessary for cooperatives to reflect on their internal and external social networks and analyse them to, thus, incorporate them into their strategic plan, which is essential for their survival.

Thus, regarding the cooperatives' internal social networks, there is a social context of great interaction. Frequent or very frequent contacts are observed among the members (horizontal ties) and, even more, between members and managers (vertical ties) of most cooperatives. At this point, it would be interesting to remember that, according to Peng et al. (2016), horizontal communication among farmers is linked to process innovation, whereas vertical communication between farmers and managerial teams is linked to product innovation. The frequency of contacts may be due to the existence of a high or very high trust among the members in most of the cooperatives analysed.

These results bring to light the powerful social environment of these cooperatives and the innovative potential that exists or could exist in these cooperatives.

Regarding the external social networks, a great interaction is observed between these cooperatives and their external agents like, for instance, any other agrifood association, professional and trade associations, city councils, or public administrations. However, although cooperatives show great trust in their customers, this does not turn into an equivalent exchange of ideas and information with them, or a joint design of plans and decision making. One of the possible reasons for this outcome is that the cooperatives are small compared to their customers (distributors or large distribution). Further research will be required to explore whether this means that price and quality standards are being set by their external agents with little or much less input from the cooperatives together with the possible commercial impact these arrangements are having on the membership over time. The degree to which professional managers are mediating these exchanges in the larger cooperatives and whether this is having any noticeable advantage or disadvantage also requires further investigation.

In a second stage, this work studies the cooperatives' social networks according to their size. Related to social networks or ties established inside the cooperative (internal social networks), it is concluded that the only statistically noticeable difference regarding their size is the existence of more kinship and friendship ties in the smallest cooperatives based on the number of employees, which seems understandable. The smallest cooperatives are often linked to small towns or agricultural areas where all the members know each other and many of them are friends or relatives.

In this sense, social networks based on affective contacts like those of kinship and friendship, called strong ties by Granovetter (1973, 1983) , provide cohesion to the group. However, these ties sometimes provide redundant information to people (Hansen, 1999) or information that is already shared. This circumstance will not help when considering innovation as a strategy. On the contrary, the ties of a more professional and impersonal nature, which Granovetter (1973, 1983) calls weak ties, provide new, non-redundant and innovative information because the participants have fewer ideas in common. Thus, although forms like cooperatives have the unique capacity to carry out social innovations, due to their collective nature and their democratic processes (Vézina et al., 2017), these innovations cannot be developed or achieved with just any social base.

Regarding external social networks, the interactions of the cooperatives with their customers, to share information or set common plans and objectives, or the trust between customers and cooperatives do not depend on their size. The reason again may be that these cooperatives, whether having 9 or over 50 employees, are still very small when compared to their customers, mainly large distributors. However, cooperatives understand the importance of interacting a lot with their customers due to the necessary market orientation they should have to be competitive.

In short, agrifood cooperatives are characterised by a social context of great interaction, both between their members and managerial teams and with the exterior. Cooperatives and their members thus seem to have understood that the links they establish are one of the most valuable resources for facilitating both the achievement of their own objectives and those of the co-operative as an organisation. The economic and commercial impact of these relationships was not a focus for this study but is seen as an important next stage in our research.

5.2. Practical implications

Social capital is defined as the basis for survival and success of cooperatives (Deng et al., 2020). Thus, the cooperatives' managers should, firstly, be aware that they have networks and social ties that make their cooperatives different from other types of governance. This difference from the rest of organisations must be used, in accordance with their strategy, to be more competitive as it the positive impact of social capital on the cooperatives' performance (Liang et al., 2015, 2018) and on the ease of obtaining financing, like bank loans (Yu & Nilsson, 2017), has been confirmed. Moreover, social capital facilitates innovation and the exchange of information, reduces information asymmetry and, with that, favours transactions (Yu & Nilsson, 2017), thus limiting opportunism (Lian et al., 2015). Therefore, managers must make an effort to take advantage of its existence and, even more, to favour its development, being complementary to the formal governance. With that, managers must promote the development of both (Liang & Deng, 2018), that is, favour and complement the formal and informal, interpersonal and interorganisational relationships and ties.

The maintenance and strengthening of the social networks and interactions of their members is not an easy and quick task to achieve in cooperatives. It requires a sustained investment of time and effort (Ostrom, 1994). Firstly, it requires managers to be fully aware of and committed to cooperative values and to base their management on them (Awotwe et al., 2020). It is particularly important to insist on the idea that, given market circumstances, members will achieve their objectives more efficiently through the cooperative than individually. The development of networks and linkages, both internal and external, should be included as a social objective of the cooperative and be part of the organisation's strategic plan. This is the best way to demonstrate externally and internally their importance and the commitment to their development and improvement.

This objective could be achieved by organising meetings between the members of the cooperative beyond those that are legally obligatory. For example, members, employees and management could strengthen their relations by attending workshops organised on topics of interest to all involved. Experts could be invited to talk about the latest market trends, cultivation techniques, pests, new online administrative procedures, quality improvement, legislation or the rising fuel prices and transport. The main external agents with whom the cooperative maintains relations could also be invited to participate in these meetings. For example, it would be interesting to exchange impressions with cooperatives' main clients to know directly their point of view of the market situation. With a high level of internal social capital, they will reduce free riding behaviours and encourage cooperation among members (Deng et al., 2020).

One of the main problems of agrifood cooperatives in Spain is their size (Meliá-Marti et al., 2021). Thus, the efforts to protect social capital must be intensified when the cooperative is planning to develop a growth strategy. It is in these circumstances that the social capital of cooperatives is most damaged by the increasing heterogeneity of members' attitudes and objectives (Grashuis & Su, 2019). Therefore, in addition to considering the economic and financial aspects of, for example, a vertical integration strategy or a merger, the social capital implications for the viability of the project must also be taken into account.

Another way of strengthening the ties and the social relations, both internal and external, could be to put efforts into keeping the membership stable (Deng, 2015). The best way to maintain or even increase membership is to ensure that members are satisfied with their participation in the cooperative. This enhances the cooperative's reputation in the sector and its attractiveness. This can be done by conducting member satisfaction surveys or simply by establishing informal contact with members to find out their opinion on how the cooperative is doing. In any case, an atmosphere of closeness and familiarity should be created, inviting participation and exchanges of information. This atmosphere is facilitated if cooperative objectives and values are common and shared.

In addition to establishing and strengthening such ties, managers also should focus on managing the information that flows through the diverse interorganisational and interpersonal relations in the cooperatives in an integrated way with their strategy. For example, the regular meetings or workshops organised according to their objectives are a way to convey valuable information to both members and employees, and to external agents in this way. Besides, the managers could periodically send a "newsletter" with the main news or decisions related to the cooperative, to the sector or even with a summary or conclusions of the meetings organised.

On the other hand, social capital is also a consequence of the institutional conditions (Yu & Nilsson, 2017). Furthermore, it should be borne in mind that agricultural cooperatives are a valuable instrument for job creation and development in rural areas. Thus, the development of their social capital, as their key resource, must also be encouraged and promoted by institutions and public administrations. For example, they could arrange training conferences and sectoral meetings, dialogue and discussion forums, annual acknowledgements and prizes, to name a few. All these policies and public actions must be focused on the training of managers, whose role in the creation and development of a social base that is integrated and coherent with the strategy of each cooperative is vital.

Anyway, although social capital is more difficult to build than economic capital (Valentinov, 2003) and its increases with use (Liang et al., 2015), the benefits of all efforts to strengthen the social capital of cooperatives will be realised in the long run in improved cooperative performance.

5.3. Future research lines

This work significantly contributes to the literature on social capital and also on the management of agrifood cooperatives as it analyses the agrifood cooperatives' internal and external social networks from an empirical point of view. Moreover, it links them with their size. Despite this added value, this research has some limitations. From a methodological point of view, this work uses a sample of cooperatives from a specific geographical scope (Canary Islands), with a relatively limited dimension, and dedicated to one activity only (agrifood). This type of limited sample is usual in works about this matter (for example, Cechin et al., 2013; Peng et al., 2016). Yet, among the future research lines to be developed from these results, it is suggested first to widen the study both organisationally and geographically.

Additionally, it is necessary to include in the analysis of the cooperatives' social networks the measurement of their performance. Thus, it could be learned whether the development of a greater social network, internal and/or external, with the consequent greater amount of information flowing through it, turns into better performance. Furthermore, what type of network, internal or external, or the combination of both, is more profitable for the cooperative in terms of economy, satisfaction of the associates, or external image could be determined.

Another future development possibility is in the traits of the ties established by the cooperatives, the nature of the information flowing through them and the relation between these traits and the strategic behaviour of the cooperatives. Thus, it would be interesting to establish a relation between strong/weak (Granovetter, 2005) or internal/external ties, explicit/tacit information (Nonaka & Konno 1998) and prospective/defensive strategy (Miles & Snow, 1978). And thus, as shown by the scarcity of existing literature on the subject (García-Pérez et al., 2016; Yanes-Estévez et al., 2011), it would be interesting to be able to respond to questions like: *Are the cooperatives based on "weak", external relations, that exchange tacit and new information, that develop more prospective and innovative strategies, the ones that obtain good results?* and *Are the cooperatives based on "strong, internal relations, that exchange explicit and redundant information, that develop more defensive and conservative strategies, the ones that obtain good results as well?*

To conclude, not only is this work relevant by pioneering the analysis of the agrifood cooperatives' internal and external social networks with a strategic approach, but also for the researching potential and the possible future lines to be developed from these preliminary results. To have a strategic approach linking these external and internal social networks implies an element of common goals and common vision for these agrifood cooperatives' future as an industry. The development of this research line stresses the need for cooperatives to have strategic, proactive and coherent approaches. Thus, they must incorporate their social base in their approaches, sharing prominence with the cooperative's size, as essential pillars to their success, to be able to compete in the market with the rest of capitalist organisations.

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Notes

[1] See Valentinov (2003) to delve into the concept of social capital, its distinctive features and relevance. He also highlighted the characteristics of social-capital-based organisations and its importance for agricultural organisations and especially for agrifood cooperatives.

[2] The large distributor sector is made up of large supermarket and hypermarket chains. The reader can learn more about power and conflicts in channels of distribution in Gaski (1984). Hingley (2005) explains the power in the agrifood business-to-business vertical supply chain context and Glavee-Geo et al. (2021) present the power imbalance in agrifood supplier-buyer relationships.

[3] Members of cooperatives could act simultaneously as suppliers of products to the cooperative (for example, bananas, tomatoes, wine, meat, milk, oranges…), as clients of the services offered by the cooperative (for example, technical advice), as buyers of raw materials offered by the cooperative (for example, fertilisers, other materials, tools) and as part of the management team. All these different roles imply multiple relationships and objectives in the context of the internal social capital of cooperatives.

[4] Höller and Kühl (2018) present a review of heterogeneity of members in cooperatives, its dimensions and impact on performance.

[5] This work was supported by Fundación Canaria Cajamar (Project A16120338/ Cooperativas Agroalimentarias).

[6] The questionnaire is explained in the following sub section.

[7] First-order and second-order agrifood cooperatives, plus fishermen's associations are considered as units of analysis in this project. The term *cooperative* will be used generically.

[8] The cooperatives are classified according to their number of employees based on the European Union Recommendation of 6 May 2005 (DOCE 20.05.2003) into micro-enterprises (0-9 employees), small enterprises (10-49 employees) and medium enterprises (50-250 employees). As there is no established criterion to classify them considering the number of members, we decided to use the groups based on the quantiles.

[9] Regarding the size of the cooperatives according to the number of members, the top 10 Spanish first-order agrifood cooperatives can be taken as reference. Their members vary between the 570 members of Vicasol and the 15,904 members of Covap. Moreover, the average number of members of Spanish agrifood cooperatives is 374 (OSCAE, 2015).

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What Does Brand Management Mean for Wine Cooperatives?

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Abstract: Branding and brand management are becoming increasingly important. Similar to cooperatives in the agricultural sector in the European Union, the number of German wine cooperatives is steadily decreasing. One option for wine cooperatives to fulfil the purpose of promoting member businesses is to implement a differentiation strategy successfully. Due to the technical possibilities in viticulture and cellar management, wine producers can no longer differentiate themselves from competitors through wine quality alone. Accordingly, companies must use other forms of differentiation. The brand is one of the strongest forms of differentiation from competitors. Compared to the brands of other wine producers, the brands of (German) wine cooperatives are only weakly represented in food retail. This suggests wine cooperatives have special challenges in brand management. In particular, the internal structures in cooperatives often hinder long-term investments, which are necessary for the establishment of a brand. This paper aims to show which cooperative-specific characteristics might pose a challenge to cooperatives in terms of brand management. To this end, results from two exploratory studies are combined, since they complement each other, to provide the necessary explanatory content (surveys conducted in 2013 and 2019). The discussion and conclusion section indicates whether cooperative values can be used as a distinguishing feature following the differentiation strategy.

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Keywords: Agricultural cooperatives, brand management, cooperative values, Germany, qualitative study, wine industry.

Introduction

Branding and brands are becoming increasingly important. Consumers are exposed to brands on a daily basis. Branding refers to the process of creating a relationship and building an emotional connection between the customer and the company's product (Karnes, 2021). Brands are one of the strongest forms of differentiation from competitors. Brands are images in the consumers' minds that assume an identification and differentiation function and shape consumer choice behavior (Esch, 2018, p. 21). Thus, in the decision process during purchase, brands are intended to provide orientation and communicate specific values. For companies, brands offer the opportunity to differentiate themselves from competitors and thus gain pricing leeway. In other words, this helps the producers to

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move towards monopolistic competition. Therefore, brand management is becoming more critical for firms (Bastos & Levy, 2012; Beverland, 2004; Esch, 2018, pp. 1–23).

However, agribusiness firms have often been slow to develop brands, preferring instead to seek government protection, improve efficiency, or reduce buyer power through collective supply and marketing arrangements (Beverland, 2007). This has been achieved by forming enterprise forms such as cooperatives or producer associations. Many cooperatives have been late to recognise the need to invest in marketing (Beverland, 2005).

In general, a cooperative is defined as an "autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically-controlled enterprise" (International Co-operative Alliance, 2021). Besides the social dimension of cooperatives, there is also a strong business-driven aspect which highlights the importance of ensuring economic support for member businesses.

In this paper, we take the German wine industry as an example of an agribusiness, as it provides competitive market structures and wine cooperatives[1] play an important role. In Germany, grape production is still dominated by small grape growers. Around 36,900 grape growers are members of wine cooperatives (Deutscher Raiffeisenverband e.V., personal communication, June 9, 2020). The number of wine cooperatives in Germany decreased from about 264 in 2000 to 160 in 2018 (Richter & Hanf, 2021a). The decreasing tendency in the number of cooperatives is similar in the agricultural sector in the European Union (Ajates, 2020). The area under vines cultivated has decreased from more than one third of the German vineyard area (about 37,000 hectares in 1990/1991) to approximately a quarter (25,200 hectares in 2018) (Richter & Hanf, 2021b). The total German vineyard area, however, has remained constant during recent years at approximately 103,000 hectares (Deutsches Weininstitut, 2020; OIV, 2020). Accordingly, grapes from areas lost by cooperatives due to members leaving are now being processed by other market participants. The developments described above show that wine cooperatives seem to struggle with successfully developing strong brands that would generate greater revenue and higher (grape money) pay-outs for the members (grape producers).

According to their bylaws, wine cooperatives are self-help organisations for grape producers. The business principles of wine cooperatives can be defined “by the identity of users and owners, the democratic principle of voting, and the lack of entry barriers” (Hanf & Schweickert, 2007). Furthermore, the legally manifested business objective can be seen as another characteristic (Hanf & Schweickert, 2007). According to German cooperative law, the main objective is to improve the economic situation of their member businesses (GenG §1).

The high intensity of competition and low average prices (Deutsches Weininstitut, 2019) in the German wine market increase producers' efforts to differentiate themselves from competitors in order to gain greater pricing options or to increase sales volume. For most wine producers, it is difficult to differentiate by product quality characteristics such as the taste or flawless wine quality, as the technical possibilities and know-how in viticulture and cellar management ensure that consistent, flawless wine quality can also be produced in large quantities. Accordingly, companies are trying to use other forms of differentiation to set themselves apart from their competitors, for example, by using a unique site (origin of the grapes) or developing a brand.

In the German still wine market (as of 2019), private labels of food retailers (Aldi 29.9%, Lidl 15.3%, and Edeka 4.9%), producer brands of the large wineries (e.g., Blanchet 0.6%, Rotkäppchen Qualitätswein 0.5%), and international wine brands (e.g., Grand Sud 0.9%, Gallo 0.7%) have larger market shares than other producers (Euromonitor, 2020). In the sparkling wine market, German brands of large sparkling wineries (e.g., Rotkäppchen 27.4%, Freixenet 5.4%, Söhnlein 5.1%, Mumm 4.7%, Henkell 3.7%) as well as foreign champagne brands (e.g., Moët & Chandon 13.4%) claim significant market shares (Euromonitor, 2020) Brands of smaller German wine producers and wine cooperatives do not have significant market shares (Euromonitor, 2020). This is astonishing, as wine cooperatives also produce large quantities and, depending on their size, also distribute nationwide via food retailers.

It is assumed that, in addition to general challenges to brand management, there are cooperative-specific challenges that make successful brand management by cooperative management even more difficult. For example, brand management requires long-term investments. In cooperatives, many members are involved in the decision-making process. Due to member heterogeneity (Höhler & Kühl, 2018) and cooperative-specific problems such as the horizon problem (see Cook, 1995), it might be challenging to take such long-term decisions.

This paper aims to identify cooperative-specific challenges to brand management and to investigate them by using an exploratory approach.

Section 2 gives an overview of the importance of brand management in the German wine industry (2.1) and cooperative-specific challenges in brand management (2.2). Section 3 details the design of the empirical study (3.1) and provides the results from two exploratory surveys from 2013 and 2019 which are combined with each other, as they complement each other in providing the necessary explanatory content. In the last section, the results are brought together and discussed. Particular interest is drawn to the discussion of cooperative values and the potential use in brand management for this enterprise form.

Importance of brand management and cooperative-specific challenges

Importance of brand management in the German wine industry

German wine production (depending on crop fluctuations based on, for example, frost or hail events) and the total amount of wine consumed in Germany have remained relatively stable for many years. In 2018 10.3 mhl were produced, in 2019 8.2 mhl and in 2020 8.4 mhl (OIV, 2020). 20.0 mhl were consumed in 2018 and 19.8 mhl in 2019 and 2020 (OIV, 2020). Germany is the world's second largest wine importer in terms of volume with 14.1 mhl in 2020 (variation of – 5.0% compared to 2019) (OIV, 2020). The imported quantity has always been between 14 and 16 mhl during the last ten years (OeMv, 2021). Thus, growth in the German wine market is only possible by displacing other suppliers (Dreßler, 2018). Especially in saturated markets with a high intensity of competition, firms are forced to pursue a clear competitive strategy in order to survive in the market in the long term. In general, firms can pursue the strategy of cost leadership, cost focus, differentiation, or differentiation focus (Porter, 2004). Cost leadership as a generic strategy can only be chosen by a few players in the German wine industry (Dressler, 2013).

Cost leadership is not feasible for cooperatives (with the exception of secondary cooperatives) in view of the current market situation and the given structures, as cooperatives have size disadvantages compared to wineries, for example. In addition, cooperatives are usually not able to react as quickly to changes in the market as wineries, which can buy wine flexibly on the market and thus react quickly in the event of a new grape variety trend, for example. Regional cost leadership is certainly possible for some small to medium-sized cooperatives (Richter & Hanf, 2020). In general, cooperatives strive to optimise processes and costs in the various areas of processing, marketing, and distribution in order to remain competitive (Gerke, 2020). For example, mergers occur, often of cooperatives in the same region that have also worked closely together in the past (Gerke, 2020). Cooperatives as well as other wine producers also try to reduce their costs through cooperating on distribution. Two well-known examples in the wine industry are Weinland Baden GmbH, a sales cooperation of six Baden cooperatives for the national market, and WeinAllianz GmbH, which is an association of 14 member companies from different wine-growing regions and of different types (cooperatives and wine estates) with the aim of reducing costs through a joint sales force. Another example is the cooperation between two wine cooperatives from the Ahr (DAGERNOVA Weinmanufaktur Ahr Winzer eG and the Winzergenossenschaft Mayschoß-Altenahr e.G.) and the REWE West Group, which exclusively distributes the wine of the "Ahr²" brand (Weinwirtschaft, 2019).

Alternatively, producers can choose the differentiation strategy. Here, a company tries to fulfill certain attributes based on the buying criteria of the target group in order to meet the needs of this target group (Porter, 2004). Thus, a higher price can be charged for the product. Differentiation can be based on the product itself (e.g., specific product quality attributes, brand ...), delivery system, service, marketing approach, or other factors (Porter, 2004).

Product quality in general consists of a bundle of different quality attributes. These can be divided into search, experience and credence attributes (Böcker & Hanf, 2000; Darby & Karni, 1973; Nelson, 1970). In Western markets with high quality demands and an overall high-quality level, there is often more than one firm which is able to fulfil the respective credence attribute. Thus, it will be difficult or even impossible to differentiate from competitors with attributes such as vegan or organic properties and achieve a competitive advantage.

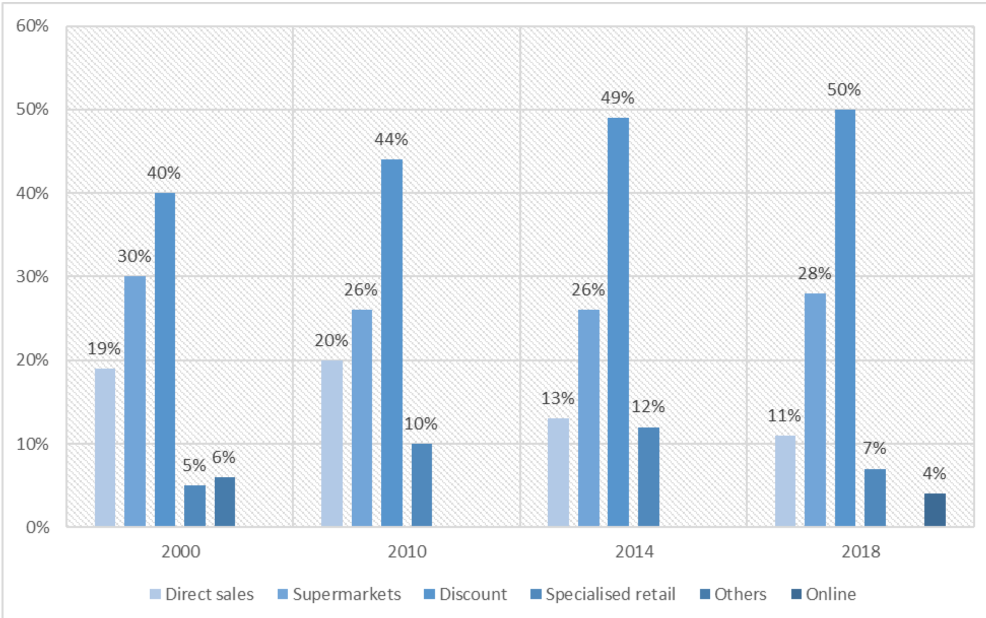
In the branding and retailing literature, there are authors using the term “points of parity” (Anderson et al., 2006; Keller & Brexendorf, 2016; Keller et al., 2002; Rintamäki et al., 2007), which correspond to some kind of “minimum requirements” that have to be fulfilled to be perceived by the consumer. In general, associations that consumers perceive, can be divided into “points of difference” and “points of parity”. Whereas “points of difference” represent attributes or benefits that consumers associate with a specific brand in a positive way, and which they believe they cannot find to the same extent in competitive brands, “points of parity” correspond to associations that are not necessarily unique to the specific brand but can also be found in competitive brands (Keller & Brexendorf, 2016). It is further mentioned that a frame of reference (e.g., other brands in the same category) has to be chosen in order to determine which points fall into which category. Once the frame of reference has been chosen, they suggest practitioners go through the points of parity that must be fulfilled in order to ensure consumers perceive the product as a “legitimate and credible player” within that frame of reference (Keller & Brexendorf, 2016).In this context, it becomes clear that wine producers can no longer differentiate by product quality characteristics such as flawless wine quality or taste. The technical possibilities in viticulture and cellar management make it possible to produce consistent and flawless wine quality even in large quantities.

In the wine industry, unique sites and terroir are often seen as a way to differentiate. On 27 January 2021, the 10th amendment to the wine law came into force. The amended law provides the framework for a stronger focus on the origin of German wines. The new regulations are binding as of the 2026 vintage. The pertinent change in the wine law is: The closer the origin, the higher the quality claim. Many cooperatives have previously linked large vineyard areas with a brand character. Therefore, grape producers with larger vineyards or cooperatives view the narrowing to wines from specific sites critically (Süddeutsche Zeitung, 2019). The change shows that neither a flawless wine quality nor sites can be used by cooperatives for differentiation. Thus, successful differentiation can only be achieved through the establishment of brands. Brands are gaining importance in the wine industry (Beverland, 2004; Euromonitor, 2020).

Existing brand concepts in the wine industry are tailored to different contexts, drinking occasions, life situations, and moods to appeal to the respective target groups. In general, brand concepts are divided into retail and producer brands (Ortner & Hanf, 2020). Both are used in the German wine market.

The importance of the different distribution channels for wine in Germany has changed tremendously over the last 20 years (Richter et al., 2021). The food retailer (discounters and supermarkets) has gained importance over this period (Deutsches Weininstitut, 2016; DWI, 2019; Hanf & Schweickert, 2003). Whereas the share of wines sold via supermarkets remained about the same, discounters gained in importance, rising from 40% to 50% of total sales in the same period of time (Richter et al., 2021). The direct marketing sales channel has lost importance in favour of the discounter sales channel. The share of wines sold via direct sales declined from 19% in 2000 to approximately 11% in 2018 (Richter et al., 2021) (see Figure 1). Private label wines of Aldi and Lidl account for 29.9 % and 15.3 %, respectively, in terms of company share of German wine sales by volume (Euromonitor, 2020).

Figure 1: Sales channels for wine in Germany in 2000, 2010, 2014 and 2018



German cooperatives market their wines mainly via discounters and supermarkets (see Hanf & Schweickert, 2014) and through speciality retail chains or via export. The on-trade channel and direct marketing are often important for cooperatives, especially for smaller cooperatives.

The German still wine market is mainly dominated by private labels of food retailers (Aldi, Lidl, and Edeka), producer brands of the large wineries, and international wine brands (Euromonitor, 2020). In the sparkling wine market, German brands of large sparkling wine cellars, as well as foreign champagne brands, claim market shares for themselves (Euromonitor, 2020) An examination of brand shares in total sales in the German wine market shows that producer brands of German wine producers (except for brands of large wineries) do not have significant market shares (Euromonitor, 2020).

An examination of the sales of selected branded wines in German food retail in 2017 shows a similar weighting of the players behind the respective brands (Engelhard, 2018). In addition to the domestic and foreign brands of large wineries, German cooperative brands are also listed (e.g., wines of secondary cooperatives from Baden and Württemberg or brands of German cooperatives such as Moselland eG or Deutsches Weinor eG) (Engelhard, 2018). In the ranking of the top 20 wine brands in German food retail (from 200 sqm excluding Aldi; based on data from the IRI retail panel), brands from international producers are also included alongside brands from German wine and sparkling wine producers (Engelhard, 2018). Wines from German cooperatives are ranked 9th (Rebsortenweine WZG; 4.18 million bottles), 17th (Moselland Akzente; 2.89 million bottles), 18th (Süss & Fruchtig WZG; 2.60 million bottles), and 19th (Deutsches Weintor Exklusiv Trocken; 2.55 million bottles) (Engelhard, 2018). With regard to the cultivation of about a quarter of the total German vineyard area (Deutscher Raiffeisenverband e.V., personal communication, June 9, 2020), it becomes clear that the importance of wine cooperatives in the German wine market is not reflected in terms of brand shares in food retail.

Exclusive brands and private labels are increasingly used in food retail (Engelhard, 2018; Ortner & Hanf, 2020). In the case of an exclusive brand, a producer owns the right to the brand, but produces it exclusively for certain retailers and is only allowed to distribute it via these retailers. Retailers increasingly rely on private labels to avoid price comparisons with competitors (Engelhard, 2018). The wine quality of wines from a private label must be comparable to the wine quality of wines from producer brands in order to be accepted by customers. The following examples show that wine estates have been increasingly entering cooperation with food retailers, developing brands and successfully placing them on the market for several years. These producers benefit from their good reputation as high-end producers. Due to the need to ensure specific quantities and qualities, wine estates are increasingly working with wine cooperatives directly or with other grape suppliers, some of which are leaving the cooperatives. This can lead to competition in terms of acreage for individual cooperatives.

One example of an exclusive brand is Aldi's "Fritz Keller" line. Aldi set up an agreement with the winemaker Fritz Keller from the Franz Keller/Schwarzer Adler wine estate in Baden, who works together with partners such as cooperatives to produce wine that is marketed exclusively through Aldi (Frankfurter Allgemeine Zeitung, 2010). Another example of an exclusive brand is the "Van Volxem & Friends" Lidl project (launched in April 2020) (Wrann, 2020). Here, a renowned winery offered discount wines in collaboration with Lidl. The features of the wines differed significantly from the rest of the wine estate's wines, which are sold through speciality retailers and restaurants. Other wine estates, such as winemakers Friedrich Wilhelm Becker and Andreas Spreitzer, were already working with Lidl (Wrann, 2020). The direct cooperation of food retail with wine producers is also visible in the example of the Robert Weil wine estate. In 2017, the Robert Weil wine estate signed an exclusive contract with Edeka for Germany-wide distribution of the Robert Weil Junior brand (Edeka, 2020; Weinwirtschaft, 2017). The Leitz winery, which has been working with the discounter Aldi Süd since 2017, has grown significantly in recent years, expanding its vineyard area from 2.5 to 110 hectares (Bock, 2019; Rucht, 2019).

Changes in the sales channels for wine as a product are increasing the importance of branded products (Ortner & Hanf, 2020). For example, there has been an increase in independent retailers (Edeka-Verbund, 2019; Rewe Group, 2019). Independent retailers are entrepreneurs who independently manage stores as cooperative members of the Rewe Group and Edeka, which both are retail cooperatives with their own stores and stores led directly by cooperative members (so-called independent retailers). Independent retailers are interested in brand concepts. By customising the assortment and prices, these retailers can respond much more closely to the needs and wishes of their customers at their respective locations and thus increase sales. In terms of the overall concept, such retailers have a similar concept to the concept of speciality retail, as tasting options and advice are often offered in addition to high-quality furnishings and in-store concepts (Bitsch et al., 2020). Since these locations receive their products via direct deliveries and can sell larger quantities, this represents an attractive sales channel for wine estates.

All in all, brands are gaining importance in the German wine market. Wine estates, in particular, have been working increasingly with food retailers for several years and must therefore ensure certain quantities and qualities. Private labels also continue to be an important part of the assortment of specialist retailers and food retailers. Wine cooperatives often provide wine for the retailer’s private labels. However, the importance of wine cooperatives in the German wine market is not reflected in terms of brand shares in food retail.

Cooperative-specific challenges in brand management

The general challenges for brand management are manifold. These include countering the interchangeability of the brand, the penetration of private labels, digitisation and the resulting increase in transparency, and the duration required for successful implementation (Burmann et al., 2018, p. 4).

In addition to the general ones, there are cooperative-specific challenges in brand governance that arise from the distribution of property rights, the number of holders of property rights, the horizon problem, the free-rider problem, and the heterogeneity of members (Proschwitz & Hanf, 2015).

Cooperatives can be distinguished from other forms of enterprises by their governance. This can create different challenges that have implications for brand management. These include problems arising from the distribution of property rights (Dilger, 2005; Fulton, 1995). In this context, it is important to distinguish between the *allocation of property rights* and the *number of holders of property rights*.

In particular, problems arise in the case of cooperatives due to *the allocation of property rights*, since substantial investments must initially be made over several years (Fulton, 1995). Why should the members of a wine cooperative be committed to increasing the value of the firm through strategic investments if they do not benefit from these investments (Frick, 2004)? In wine cooperatives, cooperative shares do not earn interest, i.e., upon exiting the cooperative, members cannot sell their shares because there is no market for them but can only return them at par value. Insufficient specification of property rights consequently leads to a focus by grape producers on a short-term pay-out price for the grapes delivered to the wine cooperative, as well as to insufficient incentive design for strategic investments, so that these are not supported by the cooperative shareholders (Dilger, 2005).

In addition to the allocation of property rights, the *number of holders of property rights* also plays a role. The larger the number of control rights holders, the more "diluted" are the property rights themselves (Frick, 2004; Picot, 1984). In an owner-operated wine estate, there is only one person (or a few people) who is in charge and would benefit from an increase in enterprise value. A cooperative, however, has many voting members who are also shareholders. The structure of property rights of wine cooperative members can therefore be said to be highly diluted (Fulton, 1995).

The horizon problem arises from the non-tradability of cooperative shares and leads to an interest in short-term goals (Cook, 1995). The horizon problem occurs when a member's residual claim on net income from an asset is shorter than the productive life of that asset (Cook, 1995). The horizon problem is mainly caused by existing age differences among members (Capitello & Agnoli, 2009; Hanf & Schweickert, 2014). For branding, a long-term approach is needed. Investments often show results only years after they were made. Transferred to the wine cooperative setting, this means that problems in brand management can occur if the grape producers (members of the cooperative) do not have successors, as long-term investments (such as in brand building) are more likely to no longer be made here. There is a high likelihood that older members, in particular, will no longer participate in the success of investment decisions during their remaining membership period (Dilger, 2005). This may lead to a strong member focus on maximising short-term pay-out prices for the grapes delivered to the wine cooperative. In particular, cooperatives with a high proportion of members in the final phase of membership can therefore hardly be expected to provide an impetus for strategic investments (Schramm & Taube, 2004). Especially in German wine cooperatives, members often have a high average age (often 50+ or 60+ years)[2].

In this context, the free-rider problem may arise in cooperatives (Cook, 1995). The free-rider problem refers to the situation in which a person receives the benefit of a good but does not pay for it. Since the Cooperative Act requires that all members be treated equally regardless of the length of their membership in the cooperative, in the context of branding it can be assumed that, for example, newly joining members will benefit from an investment in branding even if they have not contributed financially to the investment. Accordingly, new members receive the same pay-out price for their grapes as long-time members. The problem here is that long-time members have given up returns in the course of brand investment, and so they should be granted a higher pay-out price (Frick, 2004). Since this is not possible in cooperatives, this also leads to an orientation towards maximising pay-out prices in the short term, as it is the only way to recoup the investments made. The pro-rata pay-out of any corporate profits generated to members, a basic provision in the Cooperatives Act, is made at the end of each fiscal year (Pennerstorfer & Weiss, 2013). Accordingly, the free-rider problem causes an orientation towards short-term success, especially in cooperatives, and inhibits efforts to pursue long-term investment strategies for brand building. When short-term success is the focus of management or member interest, branding quickly degenerates into "tagging" and the brand's impact fizzles out (Burmann et al., 2005).

In agribusiness cooperatives, member heterogeneity is present in many cases and is often associated with negative effects on cooperative performance (Höhler & Kühl, 2018). Member heterogeneity can be divided into three different dimensions (Höhler & Kühl, 2018): (1) heterogeneity in member economies (e.g., size, distance), (2) member-specific heterogeneity (in terms of sociodemographic data, but also differences in time membership, risk tolerance, contract with the cooperative, degree of active participation and co-creation in the cooperative, and underlying motivation to become/be a cooperative member), and (3) product-specific heterogeneity (e.g., differences in product type or delivered product quality). The various dimensions of heterogeneity are thought to have implications for members' preferences and interests, which may negatively affect cooperative performance due to their influence in the overall organisation of the cooperative and distribution of income and disposition rights (Höhler & Kühl, 2018).

In wine cooperatives in particular, there are additional differences in the individual member economies, depending on whether viticulture is practised as a main or part-time occupation. There are a large number of part-time winegrowers in German wine cooperatives, especially in certain wine-growing regions such as Baden and Württemberg (Hanf & Schweickert, 2014). Depending on the form of gainful employment, different goals are pursued with viticulture. Part-time grape producers usually have other sources of income besides viticulture. Therefore, it can be assumed that part-time grape producers are not willing to change the grape varieties grown or existing production processes or to support cost-intensive investments that serve the long-term brand building. The interest in higher short-term pay-out prices prevails among part-time grape producers (Hanf & Schweickert, 2007). The fact that these problems, which are specific to cooperatives, also exist in Germany was shown, among others, by Proschwitz and Hanf (2015) and Richter and Hanf (2021b).

Empirical study

Design of the empirical study

An explorative approach was chosen to examine the challenges to brand management specific to cooperatives empirically. In both exploratory surveys, the method used was expert interviews, which according to Mayer (2012) is a particular form of the guided interview. For this paper, the results of two studies were combined, both of which took place in Germany. In the first study from 2013 (April-June), managing directors and board chairmen of nine wine cooperatives of different sizes and from different wine-growing regions were interviewed. The focus was set on wine cooperatives with their own vinification facilities, that process the grapes of their members, produce wine and market the wine. The decisive factor for the choice of these interview partners was their management function, as these individuals are the ones responsible for strategic decisions taken in the cooperative. The main topics included in the interview guideline for this survey were the concept of the brand, brand management and investment issues.

In the follow-up study from 2019 (July-September), 15 interviews were conducted with managing directors and board chairmen of wine cooperatives from various German wine-growing regions. These interviews focused on the competitive environment of German wine cooperatives, brand management, decision-making structures in cooperatives, and challenges related to investments.

Both exploratory surveys were based on semi-structured interviews that were conducted via phone. The interview guideline for the survey of 2013 differed to the one from 2019. The participants were informed prior to the interview that the data would only be used anonymously. This was intended to help allow the interview partners to answer the questions as openly and unconstrainedly as possible. The interviews were recorded and transcribed.

For the evaluation of the interviews, a qualitative content analysis according to Mayring (2010) was conducted. The analysis was based on inductive category formation. In the following section, the statements of the interview partners are indicated accordingly. I1-I9 corresponds to the interview partners from 2013. P01-P15 corresponds to the interview partners from 2019.

Results

Competitive environment for wine cooperatives in the German wine market and need for brand management

An intensity of competition and high price pressure on the German wine market was highlighted by 12 out of 15 managing directors (survey 2019). For example, person P07 said "Overall, of course, many producers from all over the world are pushing into the German market, which of course does not make it easy, i.e., the competition is very tough, and the pressure on the price, of course, too." Person P01 stated, "The wine market is slightly stagnant and very competitive." It was also mentioned by other interview partners that the high quantity of wine imports (14 to 16 mhl wine each year) contributes to the high competition in the German wine market. These statements illustrate the competitive intensity which emphasises the need for brand management as a tool for product differentiation.

Brand understanding among wine cooperatives

The term brand was presented differently by the interview partners. Basically, brands are understood in the sense that they serve as an orientation tool for consumers and brand loyalty plays a role in the purchase decision (P09). Here, "the image and the charisma of the brand" play an important role (P02). As the results from 2019 show, brands are divided into regional and national brands. Cooperatives often use so-called "brands of origin" (P01). Such brands are associated with a high distribution reach, liquidity, high communication pressure and advertising effort (P01). According to P01 there are brands of origin as well as concept brands rather than brands that lead to an emotional connection between the product and the consumer or to the establishment of consumer loyalty. Examples of concept brands are brands of large wineries or wine estates that can market their products throughout Germany via food retailers (as described earlier in Section 2.1). Concept brands are introduced to the market through a certain reach, which leads to consumers recognising the product when they see it on the shelf. Brands of competitors can provide orientation for brand development (P07). Here, however, one has to weigh up which trend one wants to "go with". One respondent also mentioned the use of different brand concepts to market the wines in different distribution channels (P07). One interview partner stated that the cooperative has a separate homepage for each brand to ensure a clear separation between the individual brands (P14).

These results complement the results from 2013: Here, the recognisability of the brand (I5) and the necessary production volumes for branded products (I2) were mentioned as well. The term brand was also occasionally associated with emotions (I4) and mentioned as an orientation tool for consumers that offers reliability and creates trust (I6). The presented dimensions of brand understanding show that there are no uniform, but rather individual considerations that partly overlap.

Challenges of brand management in wine cooperatives

Based on the literature it could be derived that a tendency towards ***high average age*** and ***ambiguity in succession*** can influence brand management. More than two-thirds of the 2019 interviewees confirmed that the average age of cooperative members tends to be high, with members being 50+ or 60+ years old on average (e.g., P13). In addition, generational succession is a challenge for many cooperatives (P02, P06, P10, P11, P12). The reason given was that doing other jobs is often more attractive to the younger generation than working in the vineyard (P10, P11). According to person P11, succession depends, among other things, on the form of employment. In the case of full-time grape producers, there is sometimes succession, but in the case of part-time producers there is not so much stability, because other jobs are more attractive. It is the task of cooperative members to make their own profession attractive for young people (P02). The results from the 2019 survey show that the high average age, as well as the unregulated succession, contribute to the horizon problem, as the older members will probably no longer be able to share in the success of the investment decisions. Through these issues, the time dimension necessary for brand management becomes visible.

The results from 2013 and 2019 were consistent with regard to ***decision-making***. Depending on the size of the investment and/or the importance of the decision for the strategic direction of the cooperative, the decision is made in different committees of the wine cooperative. However, the distribution of competencies between management, board of directors, supervisory board and general assembly differs in wine cooperatives. In some cases, the executive board/managing director has a strong responsibility for brand development and management, and the executive board and/or supervisory board are only involved in budget issues (I5, I6). Furthermore, there are also wine cooperatives where the supervisory board is also more involved in the decision-making processes (I3, I7, I8). The general assembly has a say in decisions above certain investment levels (these are defined in the statutes) or in fundamental decisions (e.g., new construction, demolition or sale of buildings). The results of both surveys show that the individual budget limits differ from cooperative to cooperative, often depending on their size. In general, it can be said that operational branding decisions are made by the executive board or managing director, in some cases in consultation with the board. However, budget limits are set for the most part, which determine the extent to which the individual bodies are integrated into the decision-making process.

Decisions to invest in intangible goods are handled differently in the wine cooperatives depending on the individual bodies' budget limits and decision-making competencies. In general, respondents from 2013 and 2019 stated that tangible investments are often easier to implement than investments in intangible goods (I2, I7, I8, I9, P04, P06-P13, P15). Members (grape producers) often find it easier to relate to investments in tangible assets (for example, if equipment for the cooperative wine cellar is needed such as tanks, a new bottling line etc.). However, it became clear in the 2019 results that there are differences among individual members in their attitudes towards intangible investments depending on other occupational activities, the size of the member economy and the understanding of the importance of marketing-related aspects (P13). It is essential to make members understand "that investments will always pay off in the long run" (P05). Members' understanding of investments in intangibles facilitates investment decisions and processes. In summary, members' attitudes and understanding of tangible investments tend to favour tangible investments.

The ***continuity of brand management*** was examined in the complementary study in 2013. It is dependent on the decision-making processes already described in a wine cooperative. The results from the 2013 survey show that the consistency of the brand presence can be threatened by a change of office in the management and board (I4, I8). This is particularly due to the fact that different office holders also bring different ideas with them and want to implement them. A change of office also includes a change of board if the board is significantly involved in brand management (I4). The board should therefore last longer than three years (I3). In order to ensure continuity, a rotating election of board members is sometimes applied, i.e., only a part of the board is newly elected at upcoming elections (I7). Thus, in cooperatives, the continuity of brand management can be influenced by the board and its terms of office, whereby it should be mentioned that re-election is possible in principle. Since the boards are staffed with members, wrong decisions regarding brand management can also occur if the basic understanding of brand policy is missing (I7, I9). To avoid this problem, it is also possible to outsource the processes of brand building and brand management as far as possible (e.g., a marketing agency) (I5).

In conclusion, the understanding of brands among the respondents has not developed much at the different survey times. The following challenges in brand management could be identified: a tendency towards a high average age of the members and the often unregulated succession, the graduated decision-making under the participation of different committees, the tendency towards investments in kind, and the threat to the continuity of brand management. These challenges can lead to the absence or delay of long-term investments, especially in intangible assets.

Discussion and conclusion

Brands are an important orientation aid for wine consumers and play an important role in the marketing of wine as a tool for differentiation. However, the position and presence of the brands of German wine cooperatives in the German wine market (see Section 2.1) has shown that hardly any German wine cooperative brands exist. A small number of the cooperatives implement brand management successfully. The majority of cooperatives have difficulties in brand management. Successful brand management is a challenge for them as it requires market orientation and target group-specific brand development, a sufficient budget for investment in brand management, a long-term time horizon, and continuity. Based on theory, five problem areas specific to cooperatives were identified: the distribution of property rights, the number of holders of property rights, the horizon problem, the free-rider problem, and member heterogeneity.

The problem areas are reflected in the results of the empirical studies conducted in 2013 and 2019. Here, it became clear that cooperatives face branding challenges that are particularly caused and/or amplified by the principles and structures of cooperatives. Thus, the following challenges were identified: tendency of high average age and unregulated succession (horizon problem), graduated decision-making with the participation of different bodies (property rights, heterogeneity of members), tendency to invest in kind (property rights, heterogeneity of members) and threat to the continuity of brand management (property rights).

It is therefore necessary for cooperatives to identify opportunities to regulate succession and to convince the younger generation to work as grape producers as a main or part-time business and to participate in the committees (board of directors, supervisory board). Overall, work must be done to increase cooperative members' brand awareness and their understanding of the need to invest in intangible assets. Information, training and education are key principles that can help to increase brand awareness and brand understanding. This can also be fostered through discussion sessions at member meetings or young winemaker projects. The problems specific to cooperatives cannot be completely prevented, but they can be limited by certain measures. The clear allocation of decision-making authority and the avoidance of changes in managing directors or board members (e.g., continuity through rotating election of the board), which can cause major disturbances in brand management, can contribute to successful brand management.

Cooperatives that have difficulties in branding can also form alliances with buyers (retailers) to establish premium retail brands. Existing examples (e.g., "Ahr^2" wine as mentioned earlier) of premium private labels show that collaborations between wine producers (including wine cooperatives) and retailers offer another way to distribute wine exclusively. Here, cooperatives have the clear advantage over other producers that they can produce homogeneous wines in different quantities for cooperation with downstream companies.

In addition to the possibilities mentioned so far, cooperatives can also associate cooperative values more strongly with the brands of their products and product worlds to appeal to consumers on an emotional level. Breuning and Doluschitz (2019) have shown that social values such as democracy, solidarity, transparency or sustainability can be found in cooperatives (Breuning & Doluschitz, 2019; Zukunftsinstitut, 2020). These values can also be found in German wine cooperatives. In principle, these societal values can be well combined with the cooperative idea and cooperative principles. There is potential for cooperatives to differentiate themselves through these societal values that match cooperative values (Breuning & Doluschitz, 2019). To achieve this, however, these values must be revitalised at the internal and external level of the cooperatives. In concrete terms, this means strengthening member loyalty and internal communication between members, management and committees. Furthermore, the values can be used externally for the stable positioning of the cooperative as a community enterprise and in external communication to achieve competitive advantages in the market (Ringle, 2013). To use this in the context of brand management, the corresponding values through which the members also feel represented in the cooperative can be collected and prioritised. Subsequently, these shared values can be brought to the fore and integrated into the brand identity. Due to a large number of members, cooperatives can use their members as so-called value ambassadors ("brand ambassadors"). This offers an opportunity to externalise the social values found in the wine cooperatives and bind consumers more emotionally to the cooperative.

The importance of wine cooperatives in the German wine market is not reflected in terms of brand shares in food retail. This study contributes to the existing literature as it investigates the challenges of brand management in wine cooperatives, allowing it to derive implications for wine cooperatives. Such implications include fostering the brand awareness and understanding among members but also using societal values that match with the cooperative values in the context of emotional marketing and branding to establish an emotional connection to consumers.

The qualitative research approach can be understood as a limitation of the study. Since only limited knowledge on the topic under investigation is available so far, an explorative approach was deliberately chosen and accordingly, two qualitative, non-representative studies were conducted in 2013 and 2019, the results of which complement each other. To cover a broad spectrum of perspectives, managing directors and executive boards of wine cooperatives of different sizes and regions were selected. In the context of further research, a quantitative approach can be used to verify the results elaborated. A cross-sectoral paper that examines the branding challenges of cooperatives in other sectors and compares them with the results of this paper can show to what extent the elaborated results are transferable to other sectors.

Our study focused on wine cooperatives (producer cooperatives). However, it would also be interesting to take a closer look at retail cooperatives, such as the UK Wine Society in the United Kingdom or the REWE or Edeka group in Germany. This would help to understand whether retail cooperatives also face branding challenges.

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Notes

[1] Wine cooperatives consist of members (grape producers) and different committees (general assembly, board, supervisory board, management). In Germany, there are wine cooperatives with and without their own vinification facilities. This means that some only have the function of bunding the grapes, whereas others bundle and process grapes into wine. Grape processing cooperatives often market the wine on their own via different distribution channels.

[2] This was revealed in many conversations held between the authors and the management of wine cooperatives in different German wine growing regions.

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The Search for Opportunities: Integrating Sustainability and a Circular Economy Within The Co-operators Group Limited's Core Insurance Products and Services

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Abstract: This research explores opportunities for The Co-operators Group Limited (CGL), leveraging its co-operative identity, to accelerate its achievement of the United Nations Sustainable Development Goals (UN SDGs) by integrating sustainable development and a circular economy within its business strategies. Humanity faces an unsustainable situation. Globalization and financialization of the world economy under the mainstream capitalist paradigm has brought the depletion of planetary resources, climate change, social inequality, and economic inequity. The circular economy (CE) is a cradle-to-cradle approach for designing out waste and re-using products which when advanced through a co-operative business model would achieve a regenerative, distributed economy within planetary boundaries. The European Union (EU) has been advancing the CE for over 6 years and the business case for circular insurance has been proven by Folksam Mutual Insurance in Sweden. Thus, there is a remarkable opportunity for CGL to develop and implement circular insurance within Canada using its ability to collaborate, partner, and network. It would be the first of its kind in Canada and would show the co-operative as an outstanding business model for advancing sustainable development.

Karen Flamand is Associate Vice President within the National Insurance Claims Operations of Co-operators Group Limited, which is owned by 46 Canadian co-operatives. After graduating from the Masters Program at Saint Mary's and with completion of her capstone paper on the circular economy and co-operatives, Karen is now co-leading a project within Co-operators to integrate sustainability and circular economy strategies into core insurance products and claims management services. She is also a member of the advisory councils for two projects involving the circular economy in food and construction with the City of Guelph.

Keywords: co-operative, circular economy, sustainable development, regenerative economy, UN SDGs, insurance

Introduction

The Co-operators Group Limited (CGL) is owned by 45 Canadian co-operatives whose members represent millions of people in Canada. Through a holding company, The Co-operators Financial Services Limited, CGL provides financial services and insurance to Canadians and their communities through 15 subsidiary companies. CGL has been living its vision to be 'a catalyst for a sustainable society' by advancing its sustainability strategy. It has made substantial gains in advocacy, education, impact investing, programs with like-minded organizations, and partnerships with sustainability leaders, while becoming carbon neutral within its own operations (CGL, 2020; CGL, 2021a). However, its current sustainability strategy is not enough to drive the change needed to avoid catastrophic global warming that places humanity's health and survival at extreme risk. CGL and its members must integrate more assertive and compelling sustainability strategies within its core insurance products and services. This research project will provide insights on how CGL can elevate its sustainability strategy by advancing a circular economy (CE) within its insurance products and claims management, and thereby influence its members, its supply chain, governments, competitors, and partner organizations. Thus, the primary research question is as follows:

> *How can CGL, leveraging its co-operative identity, accelerate sustainable development and achievement of the United Nations Sustainable Development Goals (UN SDGs) by integrating sustainability and a circular economy design throughout its core insurance products and claims management services?*

In 2015 the UN adopted 17 SDGs in its 2030 Agenda to achieve worldwide sustainable development in economic, social, and environmental spheres. CGL endorsed all 17 SDGs and selected nine it could integrate into its 2030

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enterprise goals and strategy (CGL, 2021b). Since a CE is centred on delivering net global sustainability, this exploration is significant to the nine SDGs, shown in Figure 1. Since CGL represents many Canadian co-operatives, it is also significant as a unique opportunity to illustrate the co-operative identity as a natural fit for a CE. Finally, this research is new to the insurance industry in Canada and could show the ability of insurance products and claims management to advance sustainability and a CE.

Figure 1: CGL's Nine Prioritized UN SDGs (CGL, 2021b)

Literature Review

The Burning Platform

The world is facing significant social and environmental challenges. The COVID-19 pandemic is one example of the enormity of these challenges to society and the planet and, in response, the United Nations states:

> *Once the health crisis is over, we cannot have business-as-usual practices that increase emissions and other environmental externalities like pressure on wildlife and biodiversity. A mutually beneficial symbiotic relation between humans and their surrounding ecosystems is the answer to more resilient economies and societies. Securing the global environmental commons requires living within planetary boundaries and conserving and sustainably managing globally shared resources and ecosystems. (2020, p. 4)*

Since the Industrial Revolution, humanity has entered the Anthropocene, the unofficial geological epoch in which humans are the primary agents of damaging change on a planetary scale (Braje & Erlandson, 2014; Chin et al., 2020; Fullerton, 2014). The global economy, human population explosion, clearance of land surfaces, overfishing and pollution of the oceans, unlimited extraction of planetary resources, and boundless greenhouse (GHG) emissions all contribute to significant, detrimental impacts to the Earth and its natural ecosystems (Braje & Erlandson, 2014; European Commission [EC], 2015; United Nations Environment Programme [UNEP], 2021; Victor, 2014).

Financialization and globalization of the economy have led to insatiable consumption supported by a cradle-to-grave, or take-make-waste linear economy, with enormous environmental impacts, social injustice, and economic inequity (Korhonen et al., 2017; Novkovic, 2018; Raworth, 2017; Rees, 2014). According to the UN, over 1.3 billion people live in multi-dimensional poverty, and two-thirds of these people live in middle-income countries (United Nations Development Programme [UNDP], 2019, p. 2). Worldwide, over 3 billion people live below acceptable social and economic standards, with a low quality of life signalled by a lack of medical care, a living wage, shelter, education, sanitation, personal rights and freedoms, and life expectancy (Raworth, 2017; UNDP, 2019). To significantly alter the course, humanity must reduce GHG emissions to 45% of 2010 levels by 2030, with the imperative to be net zero by

2050 (IPCC, 2018a, p. 12) and prevent an increase of over 1.5°C in the Earth's average temperature. Otherwise, humanity's survival is jeopardized by lack of food security and water supply, reduction in livelihoods and jobs, increased morbidity and mortality from diseases, and severe economic disparity due to extreme weather events (IPCC, 2018a, pp. 7–10). Humanity faces an unsustainable situation, and capitalism will not solve it.

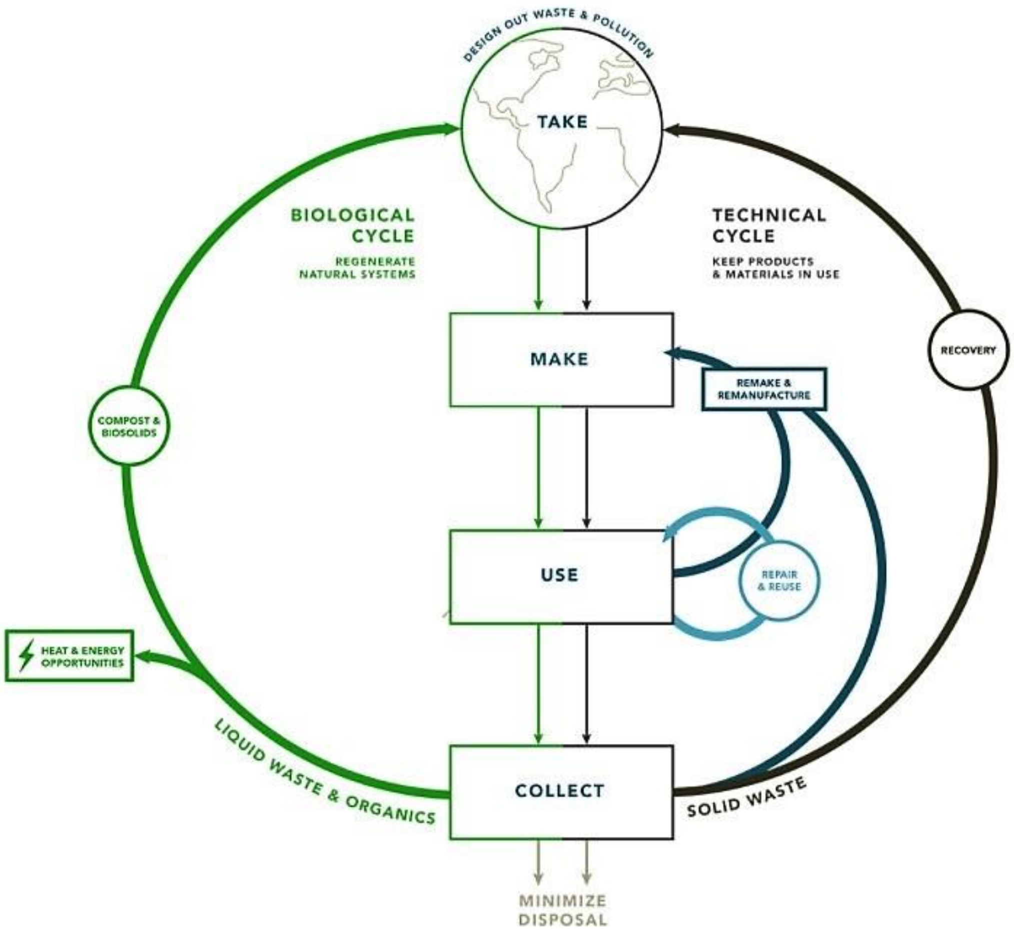
The Circular Economy

Research by the Ellen MacArthur Foundation (EMF), a thought leader in circularity, asserts that a CE would progress the UN SDGs across the entire economic system by creating an economy that is regenerative by design (EMF, 2019a). The CE focuses on product effectiveness through a cradle-to-cradle approach which significantly reduces use of resources and diminishes waste disposal, bringing the economic and environmental sub-systems within the planetary boundaries (Arup, 2016; Korhonen et al., 2017; Novkovic, 2018; EMF, 2019a; Raworth, 2017; UNEP, 2021). The three foundational principles of the CE are shown in Figure 2.

Figure 2: The Three Foundational Principles of the Circular Economy (EMF, n.d.)

The CE considers the life cycle of products and materials from designing long-lasting products with less resources, to extending the life of products in use and then returning them to the value chain through regeneration. There is no end of life, but rather, value is placed on reuse, remanufacturing, and refurbishment first, while raw material utilization, combustion for energy, and landfill disposal are considered only later. The CE changes the economy from a linear to a cyclical system of resource use, production, and consumption. Figure 3 shows the CE, with the left-side representing the circularity of biological materials – such as food and agriculture – and the right-side representing the circularity of manufactured materials – such as computers, appliances, and building materials.

Figure 3: The Circular Economy (National Zero Waste Council, 2021)



In a recent report, EMF shows that the global economy is not on track to achieve the reduction in GHG emissions targeted for 2030 (2019). The world must adopt comprehensive sustainable development to alter its course. A CE can fill this need because it decouples economic growth from resource consumption to deliver sustainable development with a balance between the social, economic, and environmental spheres (ACR, 2019; Adams et al., 2017; Arup, 2016; EC, 2015; EMF, 2019a; Ghisellini et al., 2016). A CE is predicted to significantly reduce the use of resources, decrease the amount of waste, shrink humanity's carbon footprint, and provide $2.6 trillion dollars in Europe alone that benefits people, communities, and businesses (Adams et al., 2017; EC, 2015; EMF, 2019a). In a world focused on sustainable development with CE systems, humanity can achieve the UN SDGs, implying that resource use today will not impact the ability of future generations to live and meet their needs (EMF, 2019a; Raworth 2017; Rees, 2014).

Sustainable Development, the Circular Economy, and the Co-operative Identity

Co-operative Collaboration and Networking

The top barriers to advancing sustainability and a CE are identified in the literature as follows:

- fragmented supply chains and a lack of designing out waste in products;
- a lack of secondary markets to increase the value of products at end of life;
- a scarcity of reverse logistics to return products to the value chain; and

- absence of a systems approach that enables circularity (Adams et al., 2017; Arup, 2016; Hart et al., 2019; Korhonen et al., 2017; Raworth, 2017).

All stakeholders – businesses, academics, consultants, insurance experts, sustainability experts, governments, and consumers – recognize that collaboration, partnerships, and networking across the economy are key to overcoming these barriers. Achieving sustainability and a CE will require businesses and processes to operate singly and together as whole systems for trade and regeneration (Ghisellini et al., 2017; Hart et al., 2019; Korhonen et al., 2017). For example, imagine designing homes in which the components are built with sustainable materials which can be disassembled for re-use later to avoid landfills. Significant collaboration is needed among municipalities, suppliers, developers, and builders to construct homes in this manner, and a systems approach is required to allow disassembly and move components to secondary markets for re-use. A CE requires unprecedented levels of collaboration and exchange platforms across communities, sectors, businesses, organizations, and governments (Adams et al., 2017; EMF, 2020; EC, 2015; Korhonen et al., 2017; Novkovic, 2018).

The co-operative principle of co-operation amongst co-operatives provides the means to build cross-sector interaction at a large scale (Bollier, 2015; Novkovic, 2018; Rees, 2014). The co-operative identity, values, and principles are set out on the International Cooperative Alliance's (ICA) website. Successful co-operative networks and federations in Spain and Italy show that such networking is achievable (Bollier, 2015; Menzani & Zamagni, 2010; Novkovic, 2018). It allows for integrated pools of capital, adaptive systems, decentralized flexibility, and innovative learning organizations which are needed in the fast-changing marketplaces where co-operatives compete (Novkovic & Holm, 2012). Inter-cooperation is the natural systems approach needed for creating a CE and the catalyst for generating wealth and equity, where wealth is welfare, jobs, equality, training, and education (Korhonen et al., 2018; Novkovic, 2018; Rees, 2014). CGL's ownership structure is an example of co-operatives coming together to meet their needs, as described by one member co-operative: "The greatest value in being a member. . . is the forum to gain first-hand knowledge and have access to a network of like-minded individuals and organizations" (CGL, 2020, p. 33). CGL has many examples of cooperating with private and public stakeholders to advocate for sustainable and resilient communities, such as its engagement with Partners for Action and its development of comprehensive flood insurance coverage in Canada (CGL, 2020)

Co-creation of Value and the Co-operative Identity

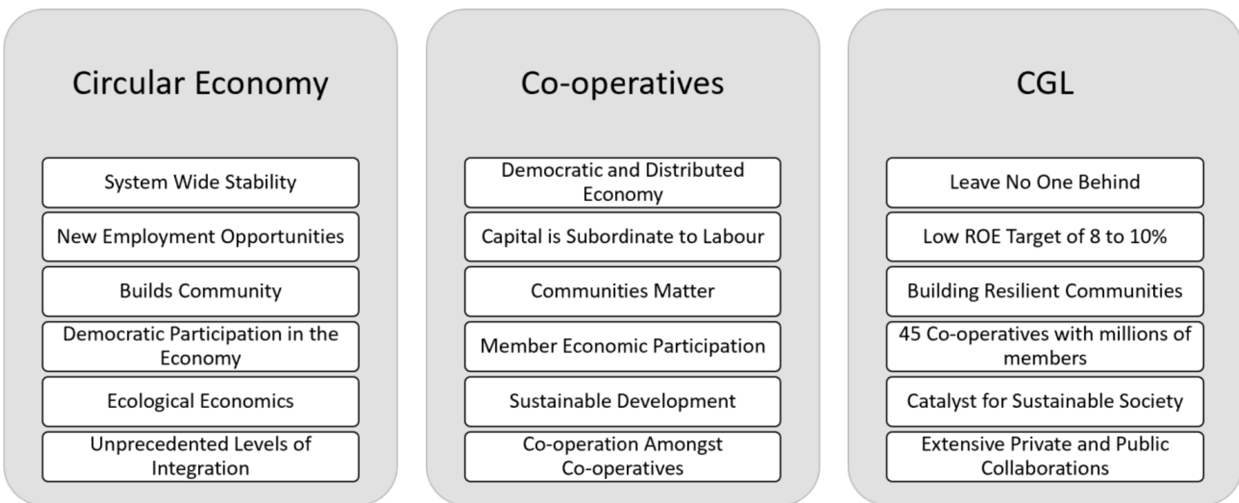
To achieve the UN SDGs, the types of business models used to achieve sustainable development and a CE are foundational to success. A CE alone does not guarantee a sustainable outcome, because to achieve net global sustainability, economic growth and consumption must have physical limits (Korhonen et al., 2017; Raworth, 2017). There are concerns, termed the 'circular economy rebound', that the efficiency of a CE will produce more goods, thereby increasing consumption and lowering its benefits significantly (Ghisellini et al., 2014, p. 24; Korhonen et al., 2017, p. 43). De-commodifying people, communities, resources, and ecosystems and re-orienting the world's understanding of co-creating value are critical aspects of delivering sustainable development (Bollier, 2015; Ghisellini et al., 2016; Novkovic, 2018; Raworth, 2017; Rees, 2015). Within a sustainable world, the economy is a sub-system with finite boundaries, working within society and the environment whereas the current paradigm makes humanity and the planet subservient to the economy (Bollier, 2015; Fullerton, 2014; Raworth, 2017). For all these reasons, a CE must also deliver system-wide stability, provide new employment opportunities, build a greater sense of community and co-operation, allow democratic participation in the economy, and advance ecological economics (EMF, 2020; Ghisellini et al., 2016; Korhonen et al., 2017; Novkovic, 2018; Raworth 2017).

With a unique set of values and principles that focus on democracy, economic participation, and human dignity, the co-operative model inherently advances the de-commodification of life and resources (Bollier, 2015; Novkovic, 2018; Rees, 2014). Co-operatives are formed for economic, social, and environmental reasons and deliver a human space where communities and values matter, because capital is subordinate to labour and its democratized ownership does not require rapid growth or huge profit (Bollier, 2015; Fullerton, 2014; Novkovic, 2018). The UN recognized the advantages of the co-operative model to global sustainability by stating: "As global attention focuses on the challenge of sustainable development, co-operatives can and must play a key role as creative enterprises expanding into new and innovative areas" (Ryder, 2013, as cited in Dale et al., 2013, p. 1). The co-operative identity is thought to be a natural fit for "providing people with know-how, inputs, finance, and markets at fair prices with low environmental impacts" (Dale et al., 2013, p. 1). Due to its co-operative identity, CGL has conservative return on equity (ROE) targets of 8–10% compared to shareholder competitors with ROE of 18% or more (CGL, 2020). Members of CGL receive loyalty payments each year, and the majority of CGL's profits are used to collaborate on social initiatives, build sustainable and resilient communities, support new co-operatives, and advance the core business (CGL, 2020; CGL, 2021a). For example, unlike competitors, CGL has undertaken democratizing access to financial markets for low-income families by providing personalized advice no matter how little a family has to invest. A second example is CGL's collaboration with the Canadian Farm Builders Association, PrevTech, and provincial governments to develop and introduce an electrical monitoring system to farmers to notify them of potential faults that can be proactively addressed to avoid fires and associated losses (CGL, 2021a). CGL is committed to its co-operative identity and creating shared value as CEO Rob Wesseling explains:

> *Co-operation is our competitive advantage. For the complex challenges we face today, we are poised to develop co-operative solutions. . . . We can embrace our values and identity to co-operate with clients, members, and communities. Through collaborative action, we can build a more sustainable, resilient world. (CGL, 2021a, p. 9)*

Thus, the natural convergence of the CE, co-operatives, and CGL, shown in Figure 4, creates an opportunity for the co-operative movement and CGL to transform the future.

Figure 4: The Natural Convergence of Circular Economy, Co-operatives, and CGL



Government Leadership, Policy, and Incentives

Worldwide, China, the United Kingdom, and the EU have promoted the CE principles through government leadership and legislation. The EU leads global efforts on creating CEs and has been the most successful to date with its comprehensive CE Action Plan introduced in 2015 (EMF, 2020; Ginga et al., 2015; Korhonen et al., 2018). The action plan makes sustainable products the standard; focuses on the more resource heavy economic sectors; addresses reduction of waste; and develops circularity for people, communities, and countries. Many directives have followed such as a goal for the built environment to divert 70% of construction debris and waste (CDW) by 2020. The most successful countries in diverting waste are the Netherlands at 98%, Denmark and Estonia at 93%, Germany and Ireland at 85%, and Belgium and Sweden at 70% (EC, 2016).

Local, regional, and national governments play a critical role in achieving sustainable development and a CE. A consistent, multi-faceted government approach can enable and drive business innovation (Canadian Council of Ministers of the Environment [CCME], 2019; Hart et al., 2019). Government leadership that sets foundational sustainability principles, goals, and targets would accelerate the CE transition (CCME, 2019; EC, 2015; Government of Ontario, 2017). Legislation such as requiring diversion of waste to the value chain or placing responsibility on producers to design for reuse and remanufacturing could influence individual, community, and business behaviours. Incentives such as carbon credits, tax credits, and tax reduction can drive innovation and creative solutions (Adams et al., 2017; CCME, 2019; EC, 2015; Hart et al., 2019).

Within Canada, the federal government does not have a comprehensive CE initiative, although there is a climate action plan to be net-zero by 2050. This plan was rolled out in 2016, but the $15 billion federal investment did not come until December 2020 (Wherry, 2020). The success of the climate action plan will depend on provincial and municipal government support, which is mixed across the country. The federal government has committed to developing a federal GHG offset system to encourage reduction of domestic emissions (Government of Canada [GC], 2021). There is only one province with a formal CE action plan, Ontario, which was communicated in 2017 and is still in its infancy. Within Ontario, the City of Guelph initiated a strategy in 2019 to become Canada's first circular food economy by 2023 (City of Guelph, n.d.). The Ellen MacArthur Foundation cites this initiative as poised to deliver millions in economic, health, and environmental benefits (EMF, 2019b). The National Zero Waste Council (NZWC) is an initiative by Metro Vancouver that brings together private and public organizations to advance the CE and reduce waste in Canada (NZWC, 2021). This year NZWC initiated a project for 15 cities across Canada to gain CE knowledge through a peer-to-peer exchange called the Circular Cities Initiative (Canadian Circular Cities, n.d.). It is apparent, when compared to Europe and the UK, that Canada requires more leadership, policy, and incentives from all levels of government to encourage sustainable development and the CE transition.

Sustainability in the Property and Casualty Insurance Industry

The Ellen MacArthur Foundation maintains that five key areas – steel, cement, aluminum, plastics, and food – could reduce the current annual global GHG emissions by 25% through circularity. This is the equivalent of all types of transportation operating globally today without producing carbon emissions (EMF, 2020). The construction industry and the built environment, which is the infrastructure built to support human activity, consumes more than 3 billion tonnes of raw materials annually, uses 40% of all energy, is responsible for 35–40% of GHG emissions worldwide, and is the largest contributor to waste globally (ACR, 2019; Adams et al., 2017; Arup, 2016; Ginga et al., 2020; NZWC, 2021). Within Canada, 3.4 million tonnes of CDW are sent to the landfill annually, which is a total of 1.8 million tonnes of embodied carbon (NZWC, 2021, p. 10), and only 15% of CDW is diverted (GC, 2018, p. 12).

Climate change is a serious issue for the global insurance industry. Natural disasters have increased 400% in the last decade compared to the 1970s, and2017 and 2018 were the most expensive years on record, impacting the industry's growth and profitability (ClimateWise, 2019). Insurance coverage for weather events is becoming less available or less affordable, which has a significant impact on the financial stability of families, communities, and the economy. The insurance industry is recognized as critical in achieving sustainable development, because it is one of the largest global industries, with $6 trillion premiums and $4.3 trillion paid through claims into the economy (UNEP, 2021, p. 2). In Canada, Property and Casualty (P&C) insurers have $54.1 billion in premium volume and pay $39.1 billion in claims annually (Insurance Bureau of Canada [IBC], 2019, pp. 7-10). The P&C insurance industry can influence sustainable development through impact investing, risk mitigation, loss prevention, underwriting, products, and claims services (ClimateWise, 2010; EMF, 2020; UNEP, 2021). Today, impact investing is the most advanced strategy (ShareAction, 2019; UNEP, 2021). This is also true for CGL, where over 20.8% or $2.45 billion of its assets go to impact investments, which produce 235 million MWh of renewable energy annually (CGL, 2021f, p. 60). CGL participates in United Nations Environmental Programme (UNEP) working groups, which have developed the Principles of Responsible Investment, the Principles of Sustainable Insurance, and the Climate-related Financial Disclosures. The Principles of Sustainable Insurance were developed to provide a framework for insurers to contribute to environmental, social, and economic sustainability.

There remain compelling opportunities for the P&C insurance industry and for CGL to build on this previous work to advance sustainable development within their core insurance products and services by:

- incorporating the environmental, social, and governance (ESG) sustainable insurance factors developed by the UNEP working committee into underwriting risk management and decisions;

- acting on product opportunities such as incorporating coverage for sustainable, resilient repairs and replacements within the main policy wordings;
- developing affordable, parametric insurance products for clients, communities, and businesses living in geographical areas with severe weather events;
- delivering climate risk mitigation services to customers, including notifications and advice on reducing or avoiding damage from weather events;
- implementing sustainable claims management, where a sustainable claim is defined as being economically affordable for the insurer and customer with no negative impact on the environment, now or in the future;
- and leveraging their claims volume to significantly reduce landfill waste, create reverse logistics, and develop a substantial secondary economy (ClimateWise, 2010; ShareAction, 2019; UNEP, 2021).

The literature indicates these opportunities have been more extensively advanced in Europe and the UK, than in North America, including incorporating ESG factors into claims management. For example, ShareAction (2019) has developed a guide that includes leading practices of these insurers in sustainable claims management. ClimateWise. (2010) developed a model of 'Sustainable Claims Management Guidelines' in co-operation with insurers in the UK. Sustainable Claims Management is believed to reduce repair time, decrease material and energy usage, increase customer satisfaction, reduce waste disposal to landfills, and transition specific waste into revenue streams (ClimateWise, 2010; ShareAction, 2019; UNEP, 2021).

Conclusions from the Literature Review

With its co-operative identity and its commitment to the UN SDGs, CGL's values converge with CE aims to bring balance to social, economic, and environmental domains. Insurers in Europe and the UK have successfully integrated sustainability and a CE into their core insurance products and claims management. While CGL has had solid successes with integrating sustainability into its impact investing, it has not had the same success at incorporating sustainability and circularity into its core insurance strategy at scale. The literature review demonstrates that CGL has a significant opportunity to advance circularity within its core insurance products and claims management services.

Methodology and Conceptual Framework

Since the focus of this research project is to investigate opportunities for CGL to advance sustainability and the CE, the research methodology had an exploratory purpose. A combination of evaluation and survey research was used with qualitative and quantitative primary and secondary data. Based on the conclusions from the literature review, 60-minute semi-structured interviews were undertaken with co-operative or mutual insurers outside of North America (Appendix B) that were identified through the International Cooperative and Mutual Insurance Federation (ICMIF) as having successful sustainability or CE business strategies within their core insurance products and services. The non-competitive environment of ICMIF, of which CGL is a member, allows mutual and co-operative insurers to connect, collaborate, and share information. These conversations provided strategies for application in Canada, which narrowed the focus to circularity within building construction debris and waste, property insurance products, and claims management. To investigate these aspects in Canada – in terms of the key enablers coded from the literature review and ICMIF member conversations – interviews and focus groups were conducted with Canadian businesses, municipalities, and councils (Appendix B). Conversations were focused on the key barriers and enablers for a CE in Canada:

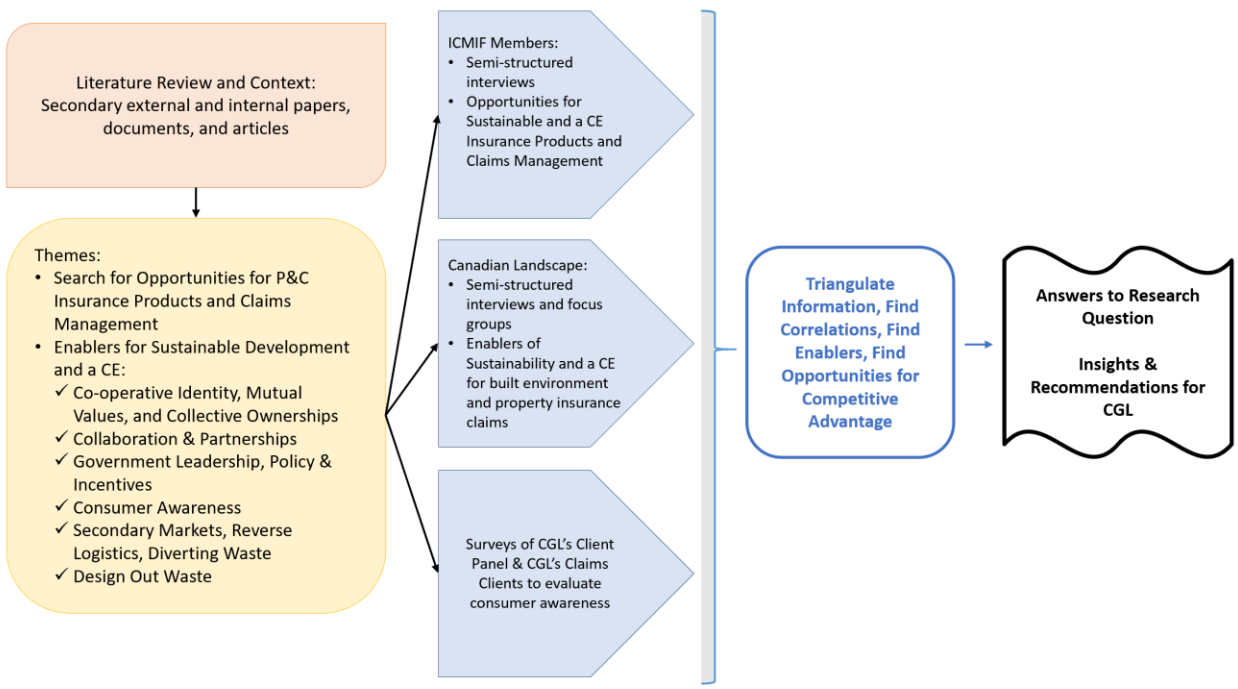
- collective ownership, mutual values, and the co-operative identity
- collaboration and partnerships
- developing infrastructure and secondary markets
- designing out waste
- government policy and incentives
- consumer awareness and interest

The semi-structured interview guide used for all the interviews and focus groups is shown in Appendix C. All participants were asked to rate the enablers as 'not important to success', 'important to success' or 'critical to success'.

To directly investigate consumer awareness and interest in sustainability and a CE, identical electronic surveys (Appendix D) were undertaken through CGL's client panel, administered by the marketing department, and through CGL's claims survey, administered by the national claims department. Both surveys achieved response rates above normal. CGL's client panel is comprised of 464 clients who have signed up for one year, providing CGL with an online forum to survey interest in new products and services. The client panel survey had a response rate of 57% with 264 surveys returned between February 6 and 19, 2021. The claims survey was sent between March 1 and 15, 2021 to the last 2,609 CGL clients with a home property claim and a response rate of 36.8% returned 960 surveys.

All the information was triangulated and analysed to answer the research question and provide CGL with insights and recommendations. The author's work experience is entirely within the insurance claims world, and she has an in-depth understanding of CGL's insurance products and claims management. The triangulation of information safeguarded against personal bias and brought credibility to the insights and recommendations. The conceptual framework is shown in Figure 5.

Figure 5: Conceptual Framework



The Search for Opportunities

As established in the literature review, insurance companies outside of North America are more advanced in integrating sustainability and a CE into their core insurance products and services. The four mutual or co-operative insurance companies interviewed shared interesting and dynamic sustainability and circularity strategies. The top strategies are shared below.

Helping Customers Mitigate Loss from Weather Events

All four insurance companies have mobile apps that notify customers of impending weather and provide advice on reducing or avoiding loss. The most advanced mobile app was developed by VH, the largest crop insurer in Germany, through collaboration with its members and weather science experts. VH provided the following information in their interview. More frequent and severe storms are impacting crop insurance affordability and there is no government subsidy as seen in other parts of Europe or Canada. To provide more detailed, localized weather information to its members, VH strategically placed 600 weather stations to complement the existing government stations. Members receive localized notifications and information to inform decisions about planting, maintenance, and harvest. The system provides hourly, 7-day, and 14-day forecasts for a member's localized area, using 12 different weather modelling algorithms in the background. For example, a member can make an informed choice to harvest Section B of their land first over Section A if the mobile app shows Section B has a significant chance of exposure to a storm while Section A does not. The next step in development is refining insurance product offerings for their members based on localized weather data, helping members buy affordable insurance to safeguard their farming operations long term.

Unipol, located in Italy, explained in their interview that while it has a weather app for storm notifications to clients, their more intriguing sustainability strategy, the Derris project, was a private and public collaboration to reduce climate risk and mitigate damage. Unipol partnered with select municipalities, climate and science experts, trade associations, customers, and businesses to mitigate risks and reduce damages caused by seven types of weather events. Working together, a free on-line modelling tool was implemented for residents, municipalities, and businesses to understand, assess, and mitigate damage related to these weather events. Transferring the climate risk knowledge from Unipol to all stakeholders was a significant outcome of the project, and pivotal to building trust for future collaborations. The Derris project was the starting point for many other collaborations, such as the ADA project now underway to build resiliency and sustainability in the dairy, wine, and fruit and vegetable agricultural industry

Leaving No One Behind with Parametric Insurance

Two insurance companies, Unipol and Tajy, have developed parametric insurance products that provide coverage for loss of business or farming income from weather events. In their respective interviews, they indicated that the design of their products is based on pre-determined dollar limits tied to different levels of storm or drought severity. When the weather event reaches a pre-set level, the income loss, based on the pre-determined dollar limit, is automatically paid directly to the customer's bank account. There is no claims process. For Tajy, located in Paraguay, this product enables farmers in conflict areas to sustain their family business after a drought event, keeping them safe and out of danger. Unipol developed their parametric product to provide business income coverage to hotels located on coastal flood areas in Italy.

Parametric products could be researched further to provide business income coverage for pandemic events which are currently excluded from coverage in Canada, resulting in an unmet need for businesses. This would align with CGL's stated commitment to leave no one behind through meeting the unmet needs of Canadians.

Building Sustainable Communities by Leveraging Vehicle Big Data

Unipol was the first insurer in Italy to install monitoring devices in customer vehicles. They reported in their interview that using the devices promotes positive social and environmental impact by providing financial incentives for customers to use their vehicles less, calculating and informing customers on their GHG emissions based on vehicle use, and providing information on how often their vehicle is parked to drive use of public transportation. In the unfortunate circumstance of a vehicle accident, the monitoring device will notify authorities depending on the intensity of the accident. Further, for accidents where both vehicles are equipped with Unipol monitoring devices, instant claims settlement is offered. Unipol and municipalities collaborate to use big data collected in vehicles for public good – to research eco-friendly and safe mobility such as evaluating accident frequency by location for safe road design, assessing travel patterns to improve public transportations routes, and determining the best locations for installation of electric charging stations. Unipol leverages its significant auto insurance size to provide meaningful insights to municipalities and assist in building sustainable communities.

Insuring Sustainable Development Through Risk Selection

The UNEP Principles of Sustainable Insurance (UNEP-PSI) working group developed the ESG factors to offer guidance for assessing climate change, ecosystem degradation, pollution, animal welfare and testing, child labour, controversial weapons, and bribery and corruption in P&C insurance risk selection and underwriting (UNEP, 2009; UNEP, 2012). During their interview, Unipol shared their ESG experience. In 2020, they integrated the ESG factors into their insurance risk selection and underwriting processes, procedures, and reporting. This enables accurate assessment of risk exposure against the ESG criteria and outlines responsibilities and actions. In underwriting operations, when a risk is flagged for review, meaning the risk does not meet ESG factors, the process dictates review by the sustainability team and the ESG taskforce to decide whether to provide insurance coverage. Throughout 2021, Unipol is designing benefits and rewards for businesses who have positive ESG factors This is an interesting strategy since it could help businesses transform to lead sustainable development. CGL is a member of the UNEP-PSI working group and is researching the incorporation of ESG factors into its risk selection and underwriting frameworks.

Advancing Sustainable Development with Circular Insurance and Claims Management

Folksam described its approach in their interview as follows. Sustainability has been deeply integrated into Folksam's insurance product and claims strategy since 2002. Folksam, located in Sweden, has achieved circularity in their core insurance products and claims services, with 1.3 million customers insured under an environmentally friendly labelled auto and home insurance product. The 'Good Environment Choice' label, introduced ten years ago, is certified by the National Conservation Society based on meeting specific criteria. Within Sweden, sustainable building products cost 10% more than regular products, but the increased cost has been offset by changes in Folksam's claims handling, allowing them to offer sustainable repairs and replacements as part of their main policy wording without an increase in policy price. These claims management practices have reduced cost, saved energy, decreased waste, and created secondary industries and jobs within Sweden. Folksam was the first insurance company in Sweden to offer these environmentally friendly products and services which has provided a competitive advantage for many years. Now, approximately 20% of their competitors have similar products and services, including Länsförsäkringar, their main mutual insurance competitor and a member of ICMIF. Nevertheless, a European sustainability survey named Folksam the most sustainable insurance brand in 2020.

Claims are adjusted in a manner that showcases a high standard of consideration for the environment, and the story of circular claims settlement is shared as a way for customers to meaningfully reduce their environmental impact. Vendors, repair facilities, and general contractors have service agreements that bind them to sustainable choices and environmental requirements, with regular reviews to ensure the eco-labelling criteria are met. For property claims, contractors are provided with a detailed list of the sustainable products to be used for repairs or rebuilding and have requirements for diverting CDW. Drying in place for water claims is standard, which reduces waste, repair costs, and cycle time. Folksam partners with Godsinlösen Nordic AS, a circular goods management company, to reuse and recycle contents – anything from glasses to furniture to carpets to mobile phones. For example, over 47,000 – or 80% – of damaged mobile phones are repaired annually through this partnership rather than replaced. If a mobile phone is replaced, healthy parts from the broken phone are used to repair other phones. Since 2015, Folksam circular phone strategy has reduced GHG emissions annually by 3,000 tonnes. For auto claims, used parts are consistently chosen for repairs rather than new parts, with these parts certified and warranted by Folksam. During vehicle repairs, customers use electric rental vehicles. For prevention of injuries, Folksam uses the accident information to generate their annual vehicle safety rankings and 'Sweden's safest vehicle' to guide consumers towards safe vehicles.

Initially, consumer awareness was a challenge as customers questioned the sustainable claims practices. Folksam's claims team was trained and educated on how to explain circular claims practices. Building customer awareness is key, such as sharing the fact that 60% of the cobalt used to make mobile phones comes from the Congo where children, women, and men endure human rights abuses to mine it. Over time customer awareness has increased and acceptance grown, because customers have understood the positive impact their choices make on the world.

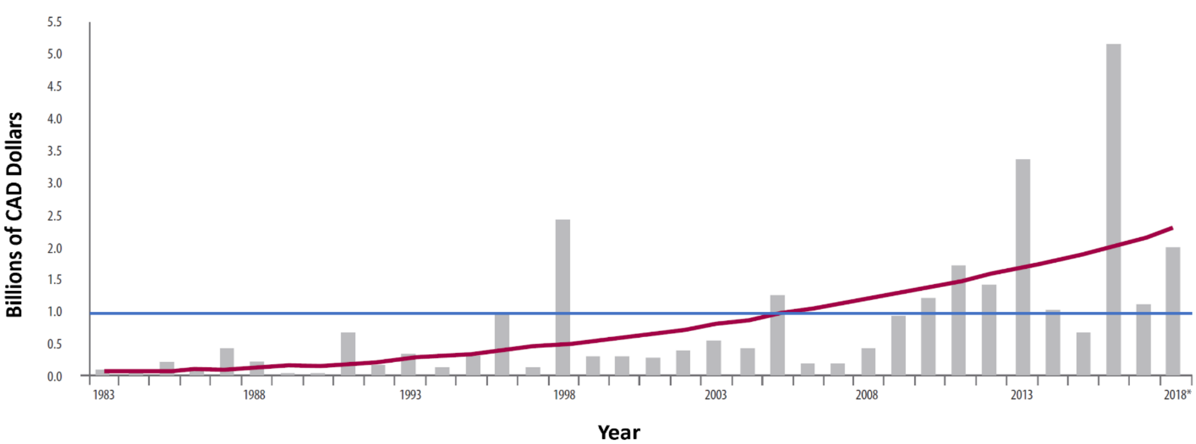
Conclusions from the Exploration of Opportunities

All four companies cited their mutual or co-operative values as the main driver for advancing the sustainability and circular strategies which have provided a competitive advantage in their marketplace. Collaboration and partnering is cited as the top enabler for success, which the companies believe is a natural fit with their mutual or co-operative values. All expressed a need, indeed an imperative, to build a sustainable world, particularly in the wake of COVID-19. Folksam expressed: "What our society finds acceptable is changing because of the damage being done to our environment and our financial systems. Never more than now is change needed." All four companies believe their core purpose is to co-create value with their customers, members, and communities to provide positive social, economic, and environmental outcomes. In their view, every mutual or co-operative insurer that aims to uphold their values should be on a similar path. Soon organizations will not have a choice, as climate change and the resulting damages are addressed by governments and become a significant social media issue with increased consumer interest.

Selecting the Opportunity for Further Research

Like other countries worldwide, Canada has experienced an increased number of catastrophic weather events in the last ten years. In fact, the financial impact of storms has surpassed $1 billion annually in eight of the last ten years, compared to twice in the previous ten years (IBC, 2019). This has impacted the affordability and availability of insurance for specific types of weather damage for Canadians. For example, coverage for both flood insurance and hail insurance has increased in cost, while the dollar amount of coverage has decreased. The financial increase in Canadian weather catastrophes is shown in Figure 6.

Figure 6: Losses from Weather Catastrophes in Canada from 1983 to 2018 (IBC, 2019, p. 17)



As a result of the 2016 Fort McMurray Wildfire, the largest insured disaster in Canadian history, CGL re-built over 250 homes and businesses for clients. In June 2020, Canada experienced the largest hailstorm in its history, causing $1.2 billion in damage to homes in Calgary, where CGL replaced over 1000 roofs (CGL, personal communication, February 11, 2021). In addition to storm events, every year over 40,000 clients of CGL suffer damage to their homes, farms, and businesses. Over 98% or 116,534 tonnes of waste from damaged building materials is deposited in the landfill annually by CGL, contributing to GHG emissions and environmental damage (CGL, personal communication, February 18, 2021). CGL uses drying in place and cleaning of soft contents only 25% of the time where it could be applied (CGL, personal communication, March 1, 2021). Folksam has proven these methods reduce cost and waste. The types and weight of damaged building materials CGL deposits in landfills is shown in Table 1. This does not include the 75% of damaged contents which are disposed of annually (contents tonnage weight is difficult to calculate, because the data is not available). These practices for disposal of damaged building and contents are similar across the insurance industry in Canada.

Table 1: CGL's Damaged Building Materials Annually Deposited in Landfills

Type of Building Material	*Annual Average in Tonnes*
Flooring	*2,582*
Concrete	*388*
Wood	*20,912*
Drywall	*7,883*

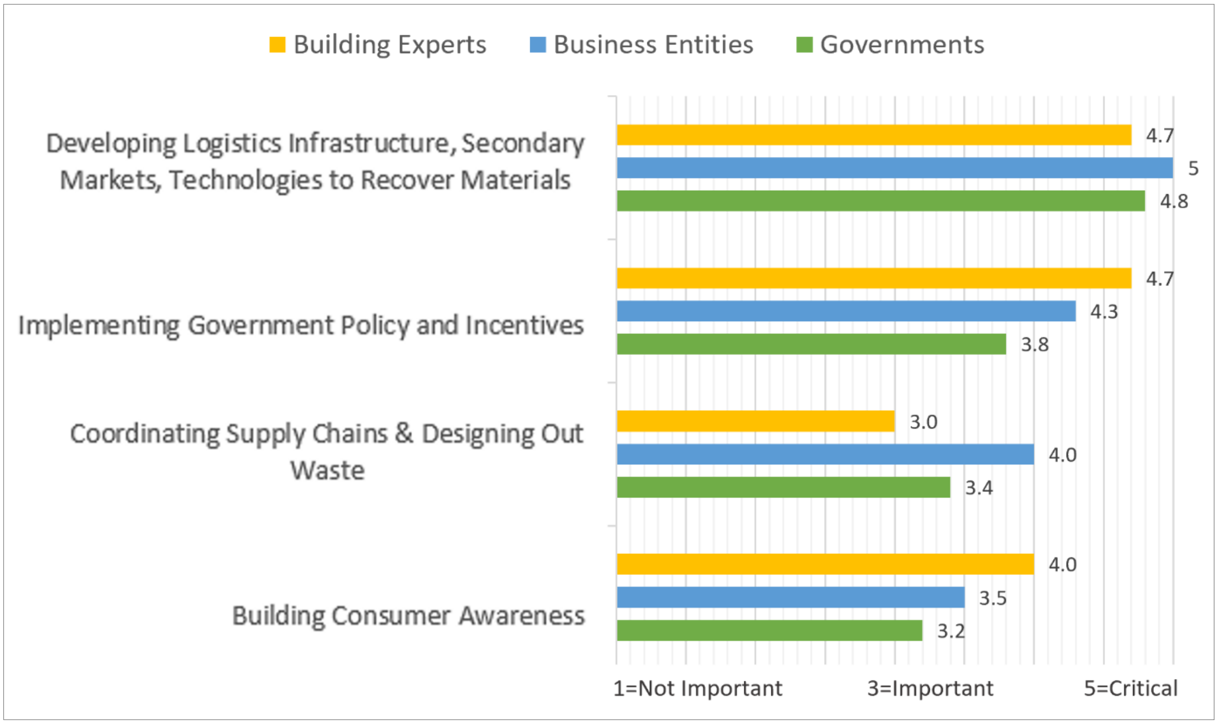
Type of Building Material	*Annual Average in Tonnes*
Fibre Glass	*979*
Metal	*4,360*
Asphalt	*11,269*
Siding	*63,654*

Unfortunately, that is not the end of the story. The situation is compounded by unsustainable, less resilient repairs and replacements in the insurance claim process. Practically, the 116,534 tonnes of waste generate an equivalent amount of unsustainable, less resilient building materials CGL uses to repair or rebuild clients' homes, farms, and businesses. Four of the five elements EMF cites as able to reduce GHG emissions by 25% globally through circularity are used in property insurance claims. In Canada, the coverage for sustainable materials is only available through an endorsement with an additional premium because their cost is 25–30% higher. The prevailing opinion is that to include this coverage in the main wording for insurance claims would cause an increase in premiums that would make any insurer offering it uncompetitive in the market. Instead, offering it through endorsement is the common practice. CGL insures approximately 1.2 million homes, farms, businesses, and offers up to $50,000 coverage in sustainable repairs and replacements through an endorsement costing an extra $40 annually. However, only 13,619 clients have purchased it (CGL, personal communication, March 24, 2021). The current property insurance model is therefore negatively impacting the environment as, simultaneously, CGL works to reduce climate change through other initiatives, such as impact investing. The business model of circular insurance products and claims management is proven in Europe and could be an excellent opportunity for CGL to differentiate itself in Canada through its co-operative identity and accelerate its achievement of the UN Agenda 2030. Thus, the focus of the research has narrowed to gaining an understanding of the barriers to and the enablers of success for CGL to advance circularity in property insurance products and claims management in Canada.

Exploring the Canadian Landscape for Sustainability and a CE

The interviews and focus groups with Canadian organizations provided interesting perspectives on the enablers of sustainability and a CE within Canada and CGL's property insurance and claims management. The information was compared across the following three categories of participants: (a) building experts; (b) business entities; and (c) governments. The results are shown in Figure 7 and commentary follows.

Figure 7: Ranking of the Enablers of Sustainability and a CE



Developing Infrastructure, Markets, and Technology

The most significant enabler for creating a CE in Canada, identified by all three categories of participants, is the development of reverse logistics, secondary markets, and technologies for recovery to divert waste. The low value of materials and products at end of life is driven by the limited availability of markets to which they can be diverted. If markets do exist, the issue is compounded by lack of knowledge about them. For instance, Lafarge, a large concrete manufacturer, has converted its concrete plant in Richmond, BC, to utilize fuel sources other than coal and fossil fuels, such as burning construction waste and debris, to power the plant. The ash is then used as aggregate in the concrete. Lafarge is in the process of converting their Exshaw plant located near Calgary, AB, to do the same (Lafarge, n.d.). Another example is the City of Richmond which has a pilot project underway to use recycled asphalt for repaving their main roads (Hixon, 2020). Business Entity A shared that one of the challenges is the lack of certification for recycled asphalt to ensure the safety of the new road, but a future can be seen in which damaged asphalt shingles are reused to make roads. WINMAR indicated that another example of a secondary market is drywall recycling in local markets in Ontario. Further, in Quebec, the province partners with 50 Construction Debris and Waste (CDW) sorting facilities to divert waste. Such secondary markets are unknown to many business entities. Disaster Kleen-up International (DKI) Canada, a national general contractor, shared in their interview: "There is significant opportunity for CGL to divert waste from landfills in property insurance claims".

The analysis of all the information – the literature review, interviews, and focus groups – shows there is an opportunity for CGL, in partnerships with private and public stakeholders, to communicate, research, develop, and implement secondary markets and reverse logistics, promoting a CE in property claims management. One critical point agreed by all participants is that solutions to expanding reverse logistics and secondary markets would be different across municipalities and regions. This is a perfect fit for building co-operative networks, which thrive with local co-operatives and like-minded businesses that are integrated in varying degrees to provide capital, innovation, education, and systems thinking across the networks. The experience of the insurers interviewed in Europe is that the benefits of these collaborations drive the formation of new businesses and jobs that remain within the local region. With CGL's unique ability to research, capitalize, and collaborate, developing CE enablers in Canada, it is very well-positioned to build resilient businesses and communities, promote the co-operative economy, and gain a competitive advantage.

Implementing Government Policy and Incentives

The groups believe that more government policy and incentives are needed to influence businesses to turn towards sustainability and a CE in Canada. The majority shared that most businesses would not see a clear business case to make the transition, since profit is the main driver of business strategy today. It is interesting that the municipalities rated the need for government intervention lower than the other groups. There was agreement across groups that both incentives and legislation are needed; it was only in the degree of each where opinions differed. The municipalities would rather use incubator labs, innovation forums, and research incentives to drive business change, as regulation does not lead to absolute compliance and requires a high level of policing at a significant cost. There are examples of illegal landfill and dumping sites in every province. The business entities and building experts feel that a strong political and governmental commitment is needed for citizens and businesses to change. All expressed that municipal or provincial government involvement would be better than federal because the availability of infrastructure, markets, and logistics varies across Canada. There was agreement across groups that business collaboration and advocacy could influence governments to provide incentives and enact policy.

Within the EU, government commitment and leadership has been key to successful implementation of a CE through a combination of local and national legislation and incentives. The EU developed the framework with its members and funded research projects on the CE in conjunction with numerous stakeholders, which has driven the development and innovation needed to achieve success. The implementation of government regulations and incentives has varied amongst EU members, but the CE has been more successful in countries where local governments acted, most notably Sweden, Belgium, the Netherlands, France, and Germany (EC, 2020; Ghisellini et al., 2016). Both the experience in the EU and the commentary provided by the participants align well with a co-operative networked business model, where local solutions can be different, and strength is provided by the connection between co-operatives and like-minded organizations. These strategic co-operative networks would be leveraged for advocacy with governmental bodies at all levels across Canada. CGL and its member co-operatives have extensive experience in this regard which could be leveraged to make circular insurance a reality in Canada.

Coordinating Supply Chains and Designing Out Waste

Coordination of the supply chain and designing out waste was considered important by all groups. They agreed that urban planning and building design need significant innovation and change for a sustainable future. Many felt the fragmented nature of the built environment, including silos in the supply chain, significantly increases costs of designing out waste, and there is a lack of incentives and an unclear business case for stakeholders to make the transition. Within Europe and the UK, Extended Producer Responsibility (EPR) makes the producer responsible for the entire life cycle of a product, including the cost of collection and recovery at end of life. Folksam related in their interview that the EU is currently in discussions to make insurance companies surrogates for producers, with the result that EPR would apply to insurance companies within the next year. Within Canada, EPR exists for producers in nine out of ten provinces, but only for a limited selection of products, which is different in every province. The National Zero Waste Council recently published a white paper which asserts that strong collaboration with all stakeholders involved is needed to address the product development and design barrier. For example, the City of Brussels, Belgium collaborated with urban planners, developers, and builders to develop a web platform which provides detailed information and measures for sustainable design in the built environment (NZWC, 2021). For CGL, one of the best ways to address designing out waste is to expand insurance coverage to allow clients to repair or replace products and contents with sustainable and resilient materials. The participants highlighted that as this type of coverage becomes more prevalent in the marketplace, economies of scale would be achieved to overcome the barrier of costs; expertise and knowledge of sustainable and resilient products would be expanded; consumer interest and awareness would be fostered; and partnerships would be built among insurers and building associations, developers, and communities to influence design of the built environment for sustainability and a CE.

Building Consumer Awareness

Consumer awareness was mentioned as important during each conversation but was rated the lowest as an enabler. The shared opinion was that people are increasingly aware of the global problems within the social, economic, and environmental arenas. Two participants shared that most research shows that Millennial and Gen Z generations have more knowledge and are more interested in sustainability than previous ones. The building experts shared that project managers for contractors and insurance company adjusters would need to be fully educated about sustainability if CGL undertook circular claims management. As this group would be responsible for ensuring clients are aware of their sustainable choices on every claim, it makes sense that the building experts rated this enabler higher than the two other groups. Overall, the prevailing belief was that consumer awareness could be fostered through different types of consumer education campaigns and during the claims process.

CGL's Survey Results for Consumer Awareness

CGL's client panel survey represents people who have not had an insurance claim, while its claims survey represents people who have had a home insurance claim. The results are shown in Table 2.

Table 2: Results of CGL's Client Surveys

Question	Client Panel Survey	Claims Survey
Awareness of the term 'circular economy' prior to participating in the survey		
Yes	23%	24%
No	77%	76%
Likelihood of purchasing a home insurance policy that allows replacement with sustainable materials and contents		
Definitely/probably would buy	51%	56%
Might or might not buy	41%	38%
Would not buy	8%	6%
Likelihood of purchasing a home insurance policy that allows replacement with sustainable materials and contents if more expensive than current policy		
Definitely/probably would buy	13%	18%
Might or might not buy	45%	46%
Would not buy	42%	36%
Does a CE align with CGL's brand?		
Completely/somewhat agree	45%	55%
Neither agree nor disagree	50%	41%
Completely/somewhat disagree	5%	4%

The results from CGL's client panel and CGL's claims survey indicate:

- Awareness of the circular economy is limited among CGL's clients, although awareness of sustainability is much higher given the interest in purchasing coverage for sustainable materials and contents.
- The majority of clients have an interest in purchasing home insurance with sustainable repairs and replacements when there is no increase in price. Within both surveys, the age groups between 18 to

54 were more interested in purchasing this insurance coverage. Interest in purchasing this insurance was higher after experiencing a claim.

- The majority of clients do not see the benefit of paying a higher price for the coverage, although more clients with a claim than clients without a claim would consider purchasing for an increased price.
- Clients with a claim regard a CE as aligning with CGL's brand more than clients without a claim, although results are good in both groups. It is difficult to understand what this means, as it could be that clients do not understand CGL's co-operative identity or focus on sustainability unless they have had a claim.

The conclusion is that providing coverage by way of endorsement is unlikely to attract many clients because of the additional price. It is clear that coverage for sustainable building materials and contents must be incorporated into the main policy wording for clients to utilize it. DKI Canada made this important point in their interview: "Including sustainable repairs in the policy coverage would be a competitive advantage for CGL. Then clients have to opt out at time of claim versus having to opt in for the endorsement when they purchase their policy".

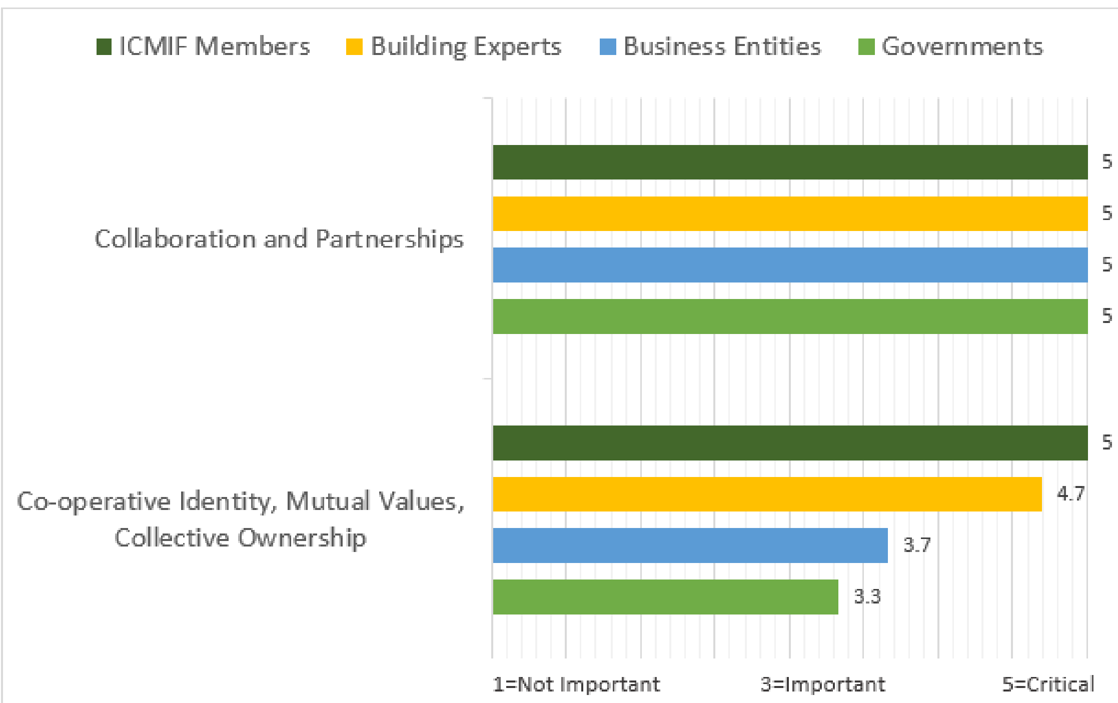
The Keystones for Success: Collaboration, Partnerships, and the Co-operative Identity

All participants, including ICMIF members, were asked to comment on two factors identified in the literature review as critical to success of sustainable development and a CE:

- collaboration and partnerships
- co-operative identity, mutual values, or collective ownership

The results are shown in Figure 8.

Figure 8: Importance of Collaboration, Partnerships, and the Co-operative Identity



All participants viewed collaboration and partnerships as the most critical enabler of sustainable development and circularity. For business and government entities, the co-operative identity was ranked lower, because they have experienced collaborating with other types of organizations. However, these participants recognize that CGL, as a co-operative entity, aligns more effortlessly with a CE. Municipality A believes: "The co-operative model and CGL could more easily enable a systems approach and would do the right thing because they care about democratizing the economic and social aspects of circularity". For ICMIF members and the building experts, collaboration and partnerships is synonymous with the co-operative or mutual identity, since operating in this manner is engrained in the core values and purpose. One building expert, a CGL property building appraiser, shared: "Other insurance companies are not having this conversation, because shareholder value is the main driver of business decisions. CGL is the only insurance company that talks seriously about sustainability".

Recommendations and Conclusions

The world is at a tipping point where the course of recurring environmental damage to the Earth caused by human activity must be altered to avoid a future with irreversible damage to earth and human systems. A Circular Economic system can bring the economy within planetary boundaries and co-operatives are well-positioned to lead a CE and deliver urgent social equality, economic equity, and planetary protection. Further, a CE is a remarkable opportunity for growth of the co-operative movement through developing inter-cooperation, integrating pools of capital, building adaptive systems, and collaborating to co-create shared value. The literature review, interviews, focus groups, and surveys all show that a CE, co-operatives, and CGL are a natural fit.

The business case and competitive advantage of circularity within property insurance products and claims management is proven by Folksam Mutual Insurance in Europe. All research participants believe the business case is strong for CGL to integrate circularity into its insurance products and claims management, because circularity reduces claims costs, waste, and cycle time. This approach must only be a full business strategy because it is a balance between the inclusion of coverage for sustainable repairs and replacements while reducing claims costs and diverting waste through circularity, essentially creating 'circular insurance', without an increase in price. CGL's co-operative identity and experience with collaboration would enable flexibility, innovation, and synergy amongst stakeholders to advance sustainability and circularity within its core insurance products and claims management.

Throughout this research, businesses, organizations, and municipalities have expressed an interest in collaborating with CGL to advance a CE within Canada. For many participants, it was an eye-opening experience to understand the impact insurance claims have on our environment. It is recommended that CGL advance a circular strategy using a co-creation and shared value model by initiating a multi-stakeholder, enterprise project owned by CGL's home product and national claims leaders, with full support from executive management and CGL's board. The key deliverables of this project would be:

- Researching, analysing, and implementing partial or full coverage of sustainable repairs and replacements within the main policy wording. Within this research, serious consideration must be given to also including repairs and replacements with resilient materials and contents that withstand damage from severe storms.
- Developing and implementing guidelines and strategies for property circular claims management, including metrics and measurements of the environmental impacts of the claims process.
- Identifying and partnering with two municipalities and local stakeholders to collaborate, develop, and implement diversion of CDW. Once expertise and knowledge are gained, undertake thoughtful expansion of diversion of CDW to additional locations and geographical areas.
- Partnering with CGL's two national building contractors to advance diversion of CDW on property insurance claims which would include (1) utilizing drying in place as business as usual; (2) certified restoring and cleaning of soft contents, such as clothes, shoes, and linens, with consideration for CGL to provide financial incentives for clients to avoid disposal; (3) building partnerships with like-minded, local businesses to support diversion of waste; and (4) investigating turning waste into a revenue stream.
- Building collaborations and partnerships with CE organizations, particularly with the NZWC, to advocate for circular economy and zero waste research, strategies, and regulations across Canada.
- Engaging and funding innovation and incubator labs with support from private and public stakeholders to research and develop solutions for secondary markets and technology for the recovery of CDW.

Developing circularity would reduce environmental impacts, decrease GHG emissions, and provide a platform for CGL to influence a networked and distributed approach as a business model, with positive social and economic impacts that support people and communities. Circular insurance is a substantial opportunity for CGL to co-create shared value through reciprocity and co-operation amongst multiple stakeholders to accelerate sustainable development and achievement of the UN SDGs. CGL can help secure the social, economic, and environmental commons, and accomplish its co-operative promise of promoting and advancing a sustainable, socially-just, equitable, resilient, and democratic economy and society.

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Appendix A: List of Abbreviations

CGL	The Co-operators Group Limited
CE	Circular Economy
CDW	Construction Debris and Waste
EMF	Ellen MacArthur Foundation
ESG	Environmental, Social, and Governance
EPR	Extended Producer Responsibility
EC	European Commission

EU	European Union
GC	Government of Canada
GO	Government of Ontario
GHG	Greenhouse Gas Emissions
ICMIF	International Co-operative and Mutual Insurance Federation
IPCC	Intergovernmental Panel on Climate Change
NZWC	National Zero Waste Council
PBA	Property Building Appraiser
P&C Insurance	Property and Casualty Insurance
UK	United Kingdom
UN	United Nations
UNDP-MPI	United Nations Development Programme - Multidimensional Poverty Index
UN SDGs	United Nations Sustainable Development Goals
UNEP-PSI	United Nations Environment Programme - Principles of Sustainable Insurance

Appendix B: List of Interviews and Focus Groups

Table B1: External Participants in the Search for Opportunities

Organization	Location	Method
Folksam Mutual Insurance	Sweden	Interview
UnipolSai Mutual Insurance	Italy	Interview
Vereinigte Hagel Mutual Insurance	Germany	Interview
Tajy Co-operative Insurance	Paraguay	Interview

Table B2: External Participants in the Canadian Landscape

Organization	Location	Method	Description
DKI Canada	Across Canada	Interview	National General Contractor
WINMAR Canada	Across Canada	Interview	National General Contractor
Business Entity A	British Columbia	Interview	Secondary Market for CDW and the CE
Business Entity B	British Columbia	Focus Group	Secondary Market for CDW and the CE
Business Entity C	British Columbia	Interview	Secondary Market for CDW and the CE

Organization	Location	Method	Description
Business Entity D	British Columbia	Interview	Secondary Market for CDW and the CE
Business Entity E	Europe & Canada	Focus Group	Secondary Market for CDW and the CE
Municipality A	Ontario	Focus Group	CDW and the CE
Municipality B	British Columbia	Interview	CDW and the CE
Municipality C	Alberta	Interview	CDW and the CE
Government A	Quebec	Interview	CDW and the CE
Government B	Alberta	Interview	CDW and the CE

Table B3: CGL's Internal Participants in the Canadian Landscape

Group	Location	Method	Description
Property Claims Building Appraisers	Across Canada	Focus Group	Property Insurance Claims

Appendix C: Semi-Structured Interview and Focus Group Guide

Introduction and Set the Stage

1. Introductions. Thank the participant.
2. Provide brief overview of research project.
3. Review confidentiality, anonymity, and privacy.

Experience with the Circular Economy

1. Could you share high level information about your company?
2. What is your knowledge or interest in the circular economy/sustainability/UN SDGs?

Circular Economy and Sustainability

1. What circular economy/sustainability strategies have been developed and implemented within your organization?
2. What are the barriers to sustainability and a circular economy?
3. Probe: How would you rate the barrier: highly significant, significant, low significance?
4. What are the key enablers needed for sustainability and a circular economy?
5. Probe: How would you rate the enabler: critical to success, important to success, not important to success?
6. How has the sustainability or circular economy approach provided your company a competitive advantage?

Circular Economy, Sustainability, Mutual or Co-operative Identity, Collective Ownership

1. What difference does a company's co-operative/mutual identity make to advancing the circular economy/sustainability? OR What difference would collective ownership make to advancing the circular economy?
2. What advice would you have for an organization starting this journey?

Conclusion

1. Provide an opportunity for the participant to ask questions.
2. Review next steps and timeframes.
3. Thank the participant for their time.

Appendix D: CGL's Client Panel and Claims Survey

Intro to Circular Economy
In keeping with its co-operative values and principles, The Co-operators would like to contribute to reducing the planet's reliance on natural resources and waste disposal. This requires moving away from the current model of a 'take-make-dispose' (linear) economy towards a circular economy. In a circular economy, products and materials are longer lasting and are designed for disassembly, recycling, refurbishing, remanufacturing, and raw materials utilization at the end of life. It is believed that advancing this circular economy would diminish the dependency on the planet's resources, reduce climate change, carbon emissions, and create new and innovative businesses.
Awareness of Circular Economy
Prior to today, were you aware of the term Circular Economy? Yes No
Purchase Intent Without Price
How likely are you to purchase a home insurance policy that allows clients to replace damaged materials and contents with sustainable options in the event of a claim? Definitely will buy Probably will buy Might or might not buy Probably will not buy Definitely will not buy

Purchase Intent with Price
How likely will you be to purchase sustainable insurance coverage if it was more expensive than your current policy? Definitely will buy Probably will buy Might or might not buy Probably will not buy Definitely will not buy
Fit with The Co-operators' Brand and Values
Please tell us how much you agree or disagree that the Circular Economy is a good fit with The Co-operators brand and its values. Completely agree Somewhat agree Neither agree nor disagree Completely disagree Somewhat disagree
Age
Please select your age group. Under 18 18-24 25-34 35-44 45-54 55-64 65+

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Values-Based Decision Making: The Benefits and Challenges Associated with Driving a Set of Organizational Values

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Abstract: In this paper, a qualitative approach was used to look at how values can influence decision-making within an organization and can contribute to a positive work environment. To achieve this objective, a definition of the term "values" was followed by a discussion of the benefits and challenges of implementing a set of values within an organization, and an examination of how values guide organizational decision-making and influence product and service offerings through a case study of Vancouver City Savings Credit Union (Vancity). The study finds that the presence of values is clear within Vancity, but the ability for organizational values to guide decisions is somewhat open to interpretation, with some room for greater refinement and structure.

Douglas Baldry currently works as an Assistant Branch Manager at the Vancity Savings, Langley Community Branch leading a team of account managers who specialize in mortgage and personal lending. Outside of the branch, Douglas facilitates financial literacy seminars covering topics like budgeting, saving and managing debt.

Keywords: values-based decision making, organizational values, co-operative values, Vancity

Research Question

This research paper is intended to answer the following question: Are Vancity Managers leveraging organizational values to foster an environment of creativity that ultimately serves the members? In answering this question, the paper looks at how and where values are showing up in organizational decisions. This necessarily involves looking at how Vancity defines itself through its core set of values, product and service offerings, marketing and branding, communication, and governance. To accomplish these goals, the researcher draws on information and data from an internal survey, interviews with senior leaders, as well as internal and external publications.

Introduction

Values are a confining set of tenets that highlight and showcase what an individual should expect from an organization. Their implementation, however, is no simple matter. In an article for Harvard Business Review, Patrick M. Lencioni (2002) writes, "an organization considering a values initiative must first come to terms with the fact that, when properly practiced, values inflict pain" (p. 3). By driving a set of values, organizations open themselves to criticism, restrict behaviour and limit "strategic and operational freedoms" (Lencioni, 2002, p.3). Once an organization has decided on the values best associated with their goals and mission, they need to understand that the values that set them apart from the competition may also alienate them from future relationships. However, when implemented and followed, they can positively affect an organization's engagement, commitment, and loyalty from both clients and employees.

Values guide an organization and influence how leaders determine and prioritize what needs to happen to achieve strategic goals. Values are not static; they will change and evolve over time. "People will gradually acclimate their values to changed circumstances, upgrading the importance of values that become attainable and downgrading the importance of those whose pursuit is no longer adaptive" (Schwartz & Bardi, 1997, p. 407). The same holds true for businesses. As leaders of organizations, managers need to embrace and understand both the values of their direct reports and the values set out by the organization, as well as their possible evolution. A failure to keep both sets of values in mind when making decisions will negatively impact engagement, trust, and performance.

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Literature Review

Defining Values

Amah and Ahiauzu, in an article about shared values and organizational effectiveness in the Nigerian Banking system, defined values as "basic convictions that a specific mode of conduct or end-state of existence is personally or socially preferable to an opposite or converse mode of conduct or end-state of existence" (2014, p. 696). Through shared values, groups and organizations are better able to see and work toward achieving their desired common goals. "Values may form important ingredients of a person's self-concept and thus contribute to a person's sense of identity" (Verplanken & Holland 2002, p. 434).

In his paper, *Basic Human Values: An Overview*, Schwartz (2012) listed the ten basic human values as Self-Direction, Stimulation, Hedonism, Achievement, Power, Security, Conformity, Tradition, Benevolence and Universalism. These sum up what he referred to as the "ten core values recognized in cultures around the world" (Schwartz, 2012). Of these, two, benevolence and universalism, stand out because of their concern for the well-being of others (Schwartz 2012, p. 7). Schwartz described these values as enhancing the welfare of those a person is in regular contact with and understanding and appreciating the welfare of others in the community (Schwartz, 2012).

The co-operative values as set out by the ICA (International Cooperative Alliance) also connect very well with Schwartz's values of "benevolence and universalism" or "self-transcendence" (Côté, 2020, p. 8). These values align with the co-operative ideas of working together to achieve a common goal and serve the business well by building loyalty with staff and members, and in the image and message co-ops present when attracting new clients and retaining their existing accounts. "In an organizational context, the congruence of corporate and employee values will have a significant impact on commitment to the organization" (Côté, 2020, p. 5). They further complement the co-operative values of equality, solidarity, honesty, and social responsibility, which help to create what Côté referred to as a "pro-social behaviour". Self-transcendence guides an organization's pro-social behaviour and Côté noted that "recent research suggests that pro-social motivation can motivate employees to take initiative, help others, and persist in meaningful tasks" (Côté, 2020, p. 6). These values strengthen the connection employees feel with their co-operative and reinforce how trust will be built among employees, clients and the organization, "a strategy based on the congruence of values proves to be an effective way to build a competitive organization (Côté, 2020, p. 8).

Posner, in his 2010 article for *The Journal of Business Ethics*, examined the question of congruence between the values of an organization and the people who work for the organization. He argued that if there is no similarity between the two parties, employees will wonder what values they will have to give up to meet business expectations. He noted management needs to always consider values, or they can potentially compromise effectiveness through lack of engagement, employee turnover, stress, and so on. The opposite is also true, he noted, high alignment will lead to positive outcomes for both employee and organization.

Values in Co-operatives

Co-operatives have values built into their business model. In theory, these values guide decision making, and if well implemented, build a foundation and framework for how future decisions will continue to be made. Jerker Nilsson explains the role of co-operative values:

> *If the members, despite their large number and differing interests and diffuse goals, are to be able to agree on how the co-operative is to work, they must all have a similar set of conceptions. If the members have largely the same opinion on how the enterprise is to be run they can more easily agree on how the business is to satisfy their interests. (Nilsson, 1996, p. 636)*

Achieving a common understanding of what members are hoping to gain or get from a business relationship requires members to agree on the necessary contributions needed for the ongoing success of the business. In her paper *Collective Action and the Evolution of Social Norms*, Elinor Ostrom explored to what extent people will contribute to a "collective action". She noted that people are willing to participate if they see reciprocity and others contributing. "Conditional cooperators are individuals who are willing to initiate cooperative action when they estimate others will reciprocate and to repeat these actions as long as a sufficient proportion of the others involved reciprocate"

(Ostrom, 2000, p. 142). This view, as Ostrom pointed out, is more “optimistic” than what she initially stated in her paper, where it was thought that people will contribute less and less, until they are putting nothing into the “game” and expecting to still get something in return (Ostrom, 2000).

When members can all agree on a set of values, it strengthens the “unity” among the members and helps to make the organization more effective. The benefits of this alignment can be seen in better communication, goal-formulation, improved management, and goal precision (Nilsson 1996). In her TEDx talk at Bath University, Esther McMorris (2014) noted that “a good leading organization must be based on solid and common values”. Sharing similar values helps people to gain consensus quickly and achieve common goals. Values need to be connected to objectives and relate to the strategic actions that will help an organization.

Demand for Values

A well-documented example of values-based banking is the Co-operative Bank UK. Originating in the 1870’s,

> *the Co-operative Bank UK arose from the banking needs of the Co-operative Wholesale Society (CWS), set up by the retail society founded by the Rochdale Pioneers. It has evolved from being a department of the CWS acting as a banker to the wholesale and productive arms of the Society and to its retail society members, to become in the early 1970’s a clearing bank serving the public at large with a network of more than 100 branches supported by over 3000 in-store banking points. (Harvey, 1995, p. 1006)*

In the late 1980’s, the Co-operative Bank would begin working on a new strategy that would add structure to their “ethical banking”. This was something the Co-operative Bank was doing already, but in a very ad-hoc way. Starting with a survey sent out to over 30,000 customers, 84% of the respondents “thought the ethical banking policy was a good idea” (Harvey, 1995, p. 1009) and that it needed to be part of future banking decisions. It should be noted that less than 5% of the participants didn’t see a reason for there to be an ethical policy. According to a recent Corporate Knights article published in February 2020, two thirds of Canadians want their banks to offer responsible investment (RI) options, and three quarters feel “RI is the way of the future” (Vasil, 2020, para 4).

Differentiating Values and Ethics

There are many interchangeable terms that can be used to describe how values and ethics fit into an organization. Ethics could be seen as understanding “why” we do what we do, while values are looking at “how” we are going to achieve it. Using the value of innovation as an example, John Deere, an American Corporation popular for producing agricultural machinery, has created technological advances through weather data collection and analysis to help farmers optimize crop production. By helping them know exactly when to start planting, and by using computer guided tractors, they are creating efficiencies that save time and money. However, John Deere has been called out by the right to repair movement as their warranty coverage is jeopardized if a non-licensed technician repairs one of their tractors. “Big Tractor says farmers have no right to access the copyrighted software that controls every facet of today’s equipment, even to repair their own machines. That’s the exclusive domain of authorized dealerships” (Waldman & Mulvany, 2020, para 2). While John Deere’s value of innovation is clear, a lack of transparency about what farmers are giving up could call into question the ethics of their decisions.

Values are tested daily, strictly based on the number of decisions we make. The Ethics Centre (2021) describe themselves as a “not-for-profit organization developing and delivering innovative programs, services and experiences designed to bring ethics to the centre of personal and professional life”. They have noted there are estimates that people will make between 70 to 35,000 decisions each day, with these decisions often being influenced by unconscious thoughts and biases (ethics.org.au, 2021). They have been, however, quick to point out that it is the quality of the decisions being made that is important (ethics.org.au, 2021). Businesses are pushed to decide on what they hope will improve profitability or create efficiencies. Each decision can risk pulling an organization off track if they are not made with the organization's ethical policies in mind. Finance and banking are under constant pressure from risks associated with fraud and anti-money laundering. Unknown or unaddressed connections to each of these can lead to reputational risk and financial loss. For values-based businesses, there is a greater accountability to ensure not only that they are compliant with federal and provincial regulations, but also that financial decisions are ethically aligned with internal policies and done through partnerships with organizations who share similar values and ethics.

A Societal Case for Values - Exploring the Benefits

By having a relatable set of values, organizations can state what potential employees and clients can expect to see and experience when joining or choosing to do business with them. These values can directly relate to people's own values and beliefs and help to build a stronger connection. Values help to bring organizations together to tackle large or global issues. An organization devoted to this task is the Global Alliance for Banking on Values (GABV). It describes itself as having a shared mission to be:

> *a network of banking leaders from around the world committed to advancing positive change in the banking sector. Our collective goal is to change the banking system so that it is more transparent, supports economic, social and environmental sustainability, and is composed of a diverse range of banking institutions serving the real economy (GABV, 2021, para. 1).*

The Alliance hopes to build a values-based financial sector that fosters healthy and productive societies. Through collaboration and the sharing of ideas, the GABV is building a community of support for values-based financial businesses.

There appears to be a consistent connection between the presence of values in organizational decisions and the likelihood that these organizations are attempting to address environmental and social issues. In the latter part of this paper, interviews with several Vancity executives, who use the climate emergency in many of their examples, share how Vancity is making values-based decisions and what actions Vancity is taking to address and call attention to the negative impact of climate change. While this paper is not focused on climate change specifically, there are several situations where examples of values-based decisions are connected directly to ESG (Environmental, Social, and (Corporate) Governance) and other forms of sustainability planning.

Local Impacts

A values-based focus on the local economy can have benefits in terms of financial stability. The International Labour Office issued a report in 2013 called "*Resilience in a downturn: The power of financial cooperatives*". The report looked at the resiliency of financial co-operatives in Europe before and after the economic crisis of 2008 and compared their performance to that of investor-owned banks. The findings noted financial co-operatives fared better and outperformed their competitors due to a lack of toxic mortgages, and an ability to invest profits back into the business, rather than paying it out to investors. It has been noted that even in past downturns and crises, co-operative banks and credit unions have maintained and gained market share against investor-owned banks before and after other market events such as World War 1, the great crash of 1929, and so on (Birchall, 2013). Building a business based on values, while fostering a sense of loyalty and commitment, can help most businesses overcome the financial challenges brought on during economic downturns.

Values-based banks have proven their ability to stand up to economic hardship and financial downturns better than their conventional counterparts. Paulet, Parnaudeau and Relano have pointed out that following the subprime mortgage crisis in 2007/8, several financial institutions in Europe which Paulet et al referred to as "Ethical Banks" had an easier time adapting to the newly implemented regulations as they already had an "attitude of transparency and accountability, which ultimately manifests in other concrete actions" (Paulet et al., 2015, p. 199).

Luca Condosta looked at how Italian banks support their local economies, and noted it was a "voluntary decision" to adopt an approach that supports corporate social responsibility and "contribute to a better society and a cleaner environment, integrating social and environmental concerns in its business operations and in its interactions with its stakeholders" (Condosta, 2012, p. 486). Furthermore, organizations often adopt values that resemble those of individuals they see as ideal clients. By defining themselves this way, people will see the benefit of supporting a business that values what is also important to them.

However, the actions taken by banks can often focus on internal processes and actions that have little impact outside of the organization. Addressing internal issues rather than focusing on the impacts of the deals they are financing, could be seen as a surface level solution to business challenges, and one that ignores the real issues. Paulet et al. (2015) noted that values-based banks often focus on their "local economy" but don't address the issues being caused by their clients, or factor in how the deals being financed are impacting the issues at hand. In GABV's Principle #3, "Long-term relationships with clients and a direct understanding of their economic activities and the risks involved", GABV encourages businesses to "analyze and understand" what clients are doing, and to encourage other businesses to become "values-based" (GABV, n.d.). In doing so, businesses will hopefully see benefit from the positive impacts noted by Paulet et al. above.

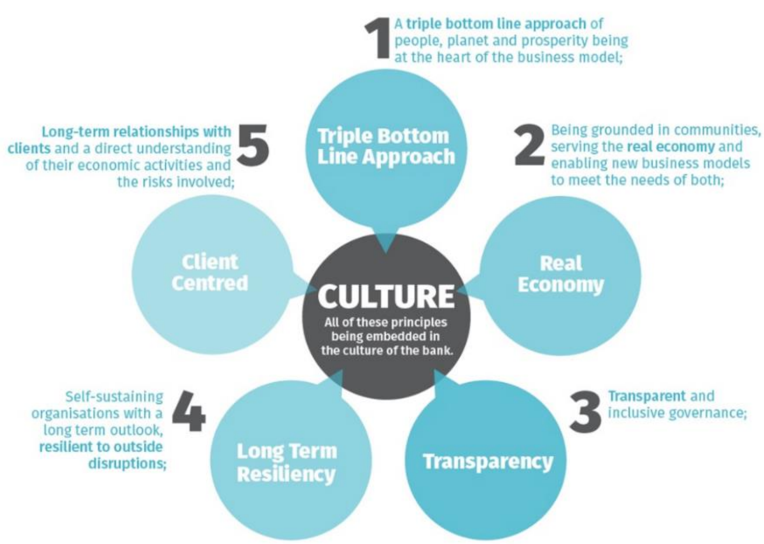
Values-Based Decision Making

People managers are in a position where their role requires them to make decisions about a variety of situations and events that impact themselves, the many people who they are connected to and the markets where they do business. The decisions can vary in scale and size and have different potential impacts depending on the choices made. They make decisions about hiring, negotiations, partnerships, and countless small day-to-day decisions. This paper does not offer an analysis of the neuroscience of decision-making but does consider how people are influenced by their surroundings, and how values can change depending on current needs.

Based on traditional economic theory, decisions are determined to be privately efficient when they maximize net benefits to the decision maker (individual or organization), and socially efficient when they also maximize net benefits to society in general (Carroll & Dickson, 2012). While there is a need for efficient and effective decision making, understanding how decisions are rooted is also key to building a strong organizational culture. "Shared values provide the central source of integration, coordination, and control" (Amah & Ahiauzu, 2014, p. 695).

The Global Alliance for Banking on Values is working to set up common principles that resonate and work effectively across cultures. These principles include: #1 Triple Bottom Line Approach, #2 Real Economy, #3 Transparency, #4 Long Term Resiliency, and #5 Client Centred. The guiding principles, intended for use by values-based banks, promote the objective that "business decisions start by identifying a human need to be met, and then establish how to meet that need in a way that is sustainable from an environmental, social and economic perspective, including sustainable profitability for the bank" (GABV, n.d.). The five principles seen in Figure 1, are centred around creating a culture intended to promote socially acceptable business practices, which are transferable to other values-based banks who can incorporate this approach into their own strategies and goals. Thus, they create best-practices, rooted in the idea of meeting local needs, which are also effective at a much larger, global scale.

Figure 1: Global Alliance for Banking on Values: Principles



These universal principles stand as hypernorms, anchored in values that are locally responsive, and transferable to values-based banks around the world. They echo what Thomas Donaldson and Thomas W. Dunfee (1999) have proposed with their idea of the Integrative Social Contract Theory (ISCT). The ISCT can be described as a foundation of moral/ethical decisions in business. Hartmann has noted that hypernorms "are not always action guiding, but they do something that is important for the morality that most of us share: they raise questions and challenges that help us arrive at legitimate local norms and make good ethical decisions" (2009, p. 707).

Dunfee has explained, "A hypothetical social contract is thereby integrated with real or extant social contracts. The plural 'contracts' is used to emphasize the fact that ISCT envisions multitudinous local community-based social contracts establishing binding ethical norms. These in turn are limited by universal moral principles called hypernorms" (Dunfee, 2006, p. 304). "Hypernorms and priority rules – are designed to provide the normative basis to resolve transcommunal disputes" (Douglas, 2000, p. 103). The hypernorms are not easy to identify in Donaldson and Dunfee's ISCT but are seen as being solutions to disputes or decisions which cannot be solved or agreed to through communal or cultural norms. Such norms at the base of business create commonalities, essentially building a foundation towards the idea of a decision-making framework. "The usefulness of ISCT as a decision aid depends in large part on the ability of users to identify quickly non-controversial hypernorms capable of providing discrete guidance. This admonition applies with equal force to all three types of hypernorms: procedural, structural and substantive" (Dunfee, 2006, p. 305).

In their paper, *The ''I'' in ISCT: Normative and Empirical Facets of Integration*, Glac and Kim (2009) "discuss how ISCT incorporates both legitimacy and obligation in a unified concept by tracing how two different social contract traditions – actual and hypothetical have come together" (p. 694). This "integration" differentiates it from a conventional understanding of a social contract theory, where "society exists because of an implicitly agreed-to set of standards that provide moral and political rules of behavior" (McCombs School of Business, 2018).

Showing up: The Presence of Values

A review of organizational values at several large co-operative and non-co-operative businesses (Appendix A) similar in size to Vancity, found that the common values of innovation, responsibility, integrity were featured alongside those like concern for community, leadership and the co-operative values of self-help, self-responsibility, democracy, equality, equity, and solidarity. The overlap in the values chosen by co-operative or values-based businesses and those of investor-owned firms can sometimes make it difficult to differentiate these businesses when looking at them strictly from a values perspective. Co-operative and other values-based businesses consistently choose values with underlying concern for the community and are committed to preserving the welfare of others. This thinking is supported by Schwarts' values of benevolence and universalism and their desire to look out for the well-being of others. While co-operative businesses are very aware of their financial expectations and goals, the values they choose don't prioritize profitability over the well-being of others.

However, organizations that are opposites from those referenced above, and that have very different ideas about environmental protection and social justice, can often possess very similar values. ExxonMobil's statement of values says, "We are committed to maintaining a safe work environment enriched by diversity and characterized by open communication, trust, and fair treatment" and "Above all other objectives, we are dedicated to running safe and environmentally responsible operations" (ExxonMobil 2018). Similar values are present in co-operative organizations across Canada. The contradiction is that businesses based in the production of fossil fuels, and those directly connected to the negative impacts of climate changes, continue to be removed from investment portfolios and mutual funds as feedback from investors highlights a growing demand for socially responsible investments (SRI).

ESG is the acronym for Environmental, Social, and (Corporate) Governance, the three broad categories, or areas, of interest for what is termed 'socially responsible investors.' They are investors who consider it important to incorporate their values and concerns (such as environmental concerns) into their selection of investments instead of simply considering the potential profitability and/or risk presented by an investment opportunity. (corporatefinanceinstitute.com 2021)

Making Values-Based Decisions - Actions and Reactions

Japanese clothing and homewares retailer, Muji recently made headlines when they announced they would continue to source cotton “from the Xinjiang region–where the U.S. State Department says mostly Muslim Uyghurs are forced to labor in internment camps” (Fujikawa 2021). According to Fujikawa’s *Wall Street Journal* article (2021), Muji has stated they have toured the area, and do not see any issues that can’t be corrected. Similar companies such as H&M and Nike have publicly stated they will no longer be buying cotton from this region of China over concerns about the ongoing investigation into human rights violations. These values-based decisions highlight the early stages of identifying reputational risks organizations assess when choosing where to source their materials and who they partner with, based on their values.

To overcome some of the challenges associated with the implementation of values, Simon Sinek thinks that values should be articulated as actions (Sinek, 2019), a view consistent with the distinction made earlier between values (“how”) and ethics (“why”). He has illustrated by means of an example: a commitment to “always tell the truth” has more power than the value of honesty. “Values have to be actionable; they have to be doable” (Sinek 2019). In addition to being actionable, they must also align with measurable outcomes, and resonate with leaders and decision makers, and employees throughout the organization.

Lencioni has stated that “living by stated corporate values is difficult. After all, it’s much harder to be clear and unapologetic for what you stand for than to cave into politically correct pressures” (2012, p. 13). Values are not easy to choose or implement but having them provides structure and guidance for decision making throughout an organization. By driving a set of values throughout an organization, businesses can expect to attract like-minded clients and workers who understand and agree with an organization's direction. This will simplify decision making, and hopefully foster an environment of mutually agreeable strategies.

Tools to gather data - Methodology

To summarize the discussion thus far, while values can be confining, they can play a major role in personal and organizational decision making. They are foundational in shaping how individuals or groups wish to be seen and provide structure to business decisions. Co-operatives and other businesses who identify as values-based have a tendency to embrace feedback from members and promote transparency as a way of ensuring their business is reflective of their clients’ and employees' views. More and more, this feedback is highlighting a need to support and invest in environmental and social justice issues that are affecting local and global communities. To do so, groups of likeminded people are forming and establishing businesses where profit is not the sole driving force behind decision-making thereby, they hope, building a stronger, more sustainable future.

To explore these ideas more concretely, the author conducted a review of values-based decision making at Vancity, a financial co-operative. Building on the literature review, the case study was initiated by reviewing internal publications, Annual Reports, and information posted on Vancity.com. The information gathered helped to gain an understanding of how values are connected to individuals and businesses, how people view values-based decision making and the benefits of building a framework to activate and enable values-based decisions. This desk review was supplemented by interviews with senior leaders from Vancity’s corporate head office as well as a small survey sent out to the Branch Management of all Vancity branches. The survey and interviews are explored in greater detail below.

This phase of the research was organized into three main categories or themes in parallel with the themes drawn from the literature review (i.e., defining values and ethics, the benefits of values, and the challenge of implementing a set of organizational values).

The positive outcome associated with an intent to make values-based decisions was noted consistently throughout this phase of the research. In addition, there is a growing demand from customers and clients for organizations to turn values-based decisions into strategic plans. The climate emergency is one example that highlights the importance of understanding the impact of one’s decisions, and the need to align decisions with a model or framework that considers ESG factors.

Executive Interview Participants

To gain greater insights into the decision-making approach at Vancity, several executives were interviewed. Each of the three executive interviews was hosted through a video call, organized during branch operating hours. The three interview participants are all in senior leadership positions at Vancity Savings Credit Union: Kelly Mcneill-Sproxton is the VP of Marketing; Shona McGlashan is the VP of Governance; and Jonathan Fowlie is the Chief External Relations Officer. These participants were sought out as ideal interview candidates based on how their roles were connected to organizational values through marketing (branding), internal and external communications and governance. The interview questions were formulated to gain insights into how each viewed organizational values, the presence of values in their individual departments/divisions, and the risks when values are not considered in organizational decision-making. While the interviews will be explored in greater detail below, it was clear that there is a common understanding of the challenges associated with driving a set of values and that the associated hard work was rewarded with greater loyalty, higher engagement, and a sense of pride in taking actions intended to benefit local and global communities.

Survey Collection and Participants

Responses to the survey used in this research were gathered anonymously. The survey link was sent using a Vancity Branch Management Direct Email List address and was not sent to individual recipients. The recipients of the email address are mostly Branch Managers (BM), and Assistant Branch Managers (ABM). Their roles and responsibilities are similar enough that the researcher did not see a need to separate the pools of participants to differentiate the responses. There were several other recipients on the email list who are not working in either a Branch Manager or Assistant Branch Manager role. A review of the additional recipients indicated that their roles and responsibilities were close to those of the BM and ABM, and their work required them to have a sufficient understanding of the BM and ABM roles. Their answers would thus be similar enough in quality, so the decision was made to leave them in the email request for participation in the survey. Of the 189 recipients on the email list, 36 had out of office messages attached to their email, indicating they would not be available to participate in the survey during the one-week survey period. Of the remaining 153 managers, 43 responded by the cut-off time of May 25th, 2021, 5:30 pm.

The survey questions ranged from open ended to Likert sliding scale questions. For the latter, participants were given a question and asked to rate their answer on a scale of one to ten, one representing "not at all, or no presence" and ten "meaning all the time/regular presence". For some questions, participants were asked to rate how often values are visible in decisions with a choice of pre-set answers including "never, sometimes, often and always". Participants could not skip or miss a question. Only one question, "Do Vancity values help member-facing staff attract and retain business?" had the option to answer "unsure". Of the 43 survey respondents, only one chose "Unsure", while 95% answered "Yes" or "Sometimes".

Understanding Vancity

Vancity describes itself as:

> *a values-based financial co-operative serving the needs of its more than 543,000 member-owners and their communities in the Coast Salish and Kwakwaka'wakw territories, with 53 branches in Metro Vancouver, the Fraser Valley, Victoria, Squamish and Alert Bay. With $28.2 billion in assets plus assets under administration, Vancity is Canada's largest community credit union. Vancity uses its assets to help improve the financial well-being of its members while at the same time helping to develop healthy communities that are socially, economically and environmentally sustainable. (Vancity, 2021c)*

Vancity was opened in 1946 by 14 Vancouverites as the only open-bond credit union in Vancouver, serving members who were unable to get their financial needs met at other financial institutions in the area.

Throughout its history, Vancity has been proud to develop and implement many financial tools and products designed to help its members and the members of its communities. In the 1960's Vancity made the then bold decision to begin granting loans to women. This decision was something that no other financial institutions were even considering at that time. "Even if a woman has an income, banks deem it too risky to provide any loans, let alone a mortgage, because she is expected to quit work to have children and an at-home career. Pioneering Vancity manager Don Bentley pushes to recognize all members as equals, regardless of gender" (Vancity, 2021a). Among other leading values-based initiatives, Vancity offered Canada's first socially responsible mutual fund in 1986, became the first Canadian financial institution. to market to the gay and lesbian community through mainstream advertising in 2002, and has been a Canadian leader in environmental, social and financial sustainability reporting.

Values-based decisions at Vancity

There are several sets of values that define Vancity, starting with a set of "core values" which include *Integrity*, *Innovation*, *Responsibility* and *Reconciliation*. The values of Integrity, Innovation and Responsibility are posted proudly in most publicly accessible locations and accompany Vancity's mission statement and purpose. *Integrity* is intended to demonstrate how "Vancity will do what is honest, fair and trustworthy" (Vancity, 2021, n.d.). *Innovation* means that Vancity will "respond to challenges and changing needs with creativity, enthusiasm and determination" (Vancity, 2021, n.d.). *Responsibility* signifies that Vancity is "accountable to our members for the results of the decisions made (Vancity 2021, n.d.). While the set of core values will be discussed throughout the remainder of this paper, *Reconciliation* needs to be explored in greater detail.

In 2015 *Reconciliation* was adopted as a core value by the board of directors, and then CEO Tamara Vrooman. "Reconciliation is about working to build and revitalize relationships among Indigenous and non-Indigenous Canadians. For Vancity, reconciliation is about community wellbeing and social justice and reflects our business model and history" (Vancity, 2021, June 1). This decision was aligned with the publication of the *Truth and Reconciliation Commission of Canada* report issued in 2015.

> *The TRC's mandate was to inform all Canadians about what happened in residential schools. The TRC documented the truth of Survivors, their families, communities and anyone personally affected by the residential school experience. This included First Nations, Inuit and Métis former residential school students, their families, communities, the churches, former school employees, government officials and other Canadians. (trc.ca, n.d.)*

Vancity's commitment to social justice brought reconciliation into the organization's key measurements of creating a diverse and welcoming culture.

Vancity also aligns itself with the co-operative values of self-help, self-responsibility, democracy, equality, equity, and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others" (International Cooperative Alliance, n.d.). These values are often present in decisions such as to make available free financial literacy sessions to any group of individuals or organizations. There is also a strong connection to the GABV, which it joined in 2010 (Vancity, 2021c).

Values Implementation

Vancity believes that a "values-based banking model is grounded in the local economy—because we believe you only truly prosper when you're connected to a vibrant, healthy community" (Vancity, 2021d). This belief aligns with what Condosta (2012) saw as one of the successes of the "ethical banks" in Europe with their decision to keep investments local, and it carries into social contract theory and the idea of hypernorms, capable of addressing issues in vastly different communities. By pushing to create greater structure in their own socially responsible investing and reporting, Vancity is helping other values-based banks define their role and position in promoting and endorsing ESG criteria. By being responsive to local norms, Vancity is helping to address issues present in banking, found around the globe.

Vancity diligently ensures Socially Responsible Investments exclude organizations who participate in unethical or unsafe practices. "If a company is involved in nuclear/weapons manufacture, tobacco, gambling or pornography we believe they are creating negative impacts and detracting from social good" (Foley, 2017). Vancity continues to engage with other banks and businesses to encourage implementing a similar approach, and for years has been developing a host of financial products, built from values-based decisions.

Starting in 1986, Vancity offered its first Ethical Growth Fund. The first "socially-conscious" mutual fund, it offered an investment option for people who shared a concern for environmental sustainability and social justice. Today, Socially Responsible Investments, SRI's, are becoming more and more readily available and are being offered by many investment firms and financial institutions around the world. During the early days of SRI, measurements were almost unavailable; however, over the past several decades, reporting has become more common. NEI Investments publishes documents such as their *Focus List 2021,* a publication about how SRI and ESG is embedded into organizational decisions.

The Unity Term Deposit is another example of a Vancity decision to offer a financial product aligned with organizational values. It was issued in early 2020 as a result of business disruptions caused by the onset of the COVID-19 pandemic. Many businesses were forced to shut down or entirely shift their production to making products that were in high demand at that time. The Unity Term Deposit was launched to quickly raise funds that could then be used to lend back to businesses or individuals in need. The product offering was a success, and the initial product goal of $200 Million was reached in approximately three weeks, indicating both a pressing need and a willingness to support from the membership.

In alignment with the United Nations Sustainable Development Goals, Vancity is also working to address affordable housing and economic growth. "Since 2011, our Pre-Development Loan Fund has provided $23 million in loans for the community housing sector, which has helped deliver 54 affordable housing projects through 29 not-for-profit partners which now operate 3,890 affordable, purpose-built rental homes" (Vancity 2021b, p. 23). Vancity is also working to build a stronger co-operative economy by supporting local co-ops with technical advice and referrals (Vancity 2021b). In 2020, Vancity began a project designed to help transition small, privately-owned businesses to worker-owner co-operatives. This initiative should help business owners looking to retire and support their loyal workers by passing ownership on to them, creating sustainable jobs.

Achieving goals created from values-based decisions is not always an easy task, and the work to complete them can require constant monitoring and persistence. An example of this is when Vancity fell short of its organizational hiring goal of 2.1% self-identified indigenous peoples in 2020. This number was intended to reflect the indigenous population of Canada. While the lower number could be attributed to a great reduction in hiring during the COVID-19 pandemic, (Vancity 2021b, p. 12) it should be noted the organizational target had not been reached in any of the years prior. According to the 2016 Census, the number of indigenous people in Canada has increased by 42.5% since 1996, and as more people self-identify as indigenous, this number is very likely to increase. With Reconciliation being one of Vancity's core values, the decision to continue striving to reach this goal is not about reaching a target, but about maintaining an organizational decision aligned with the Truth and Reconciliation Commission of Canada, and specifically Call to Action #92 in that corporations should "ensure that Aboriginal peoples have equitable access to jobs, training, and education opportunities in the corporate sector" (TRC.ca 2015, p. 10).

Interview Analysis

Three key themes were discovered when coding the senior leader interviews about values-based decision making: 1) Values alignment 2) The presence of values 3) The benefits and challenges of values-based decisions. There were also many similarities in examples the senior leaders used in responding to the questions. The climate emergency was present in most examples including how future decisions would be made to address climate change and the steps that the organization would need to take to achieve their goal of net carbon neutrality by 2040. By prioritizing where values show up in the decision-making process and placing them first, Vancity can ensure organizational decisions continue to be values-based.

Values Alignment

Values-based decisions are seen as a differentiator and Vancity puts values first, before profit, as a way of ensuring decisions made are building a better community for everyone. Decisions are consistently considered based on what is deemed to be right, and best for the membership, before they are considered on a cost benefit basis. As Shona McGlashan pointed out, "the Executive Leadership Team consistently looks at decisions from what is the right level of resources we need to achieve the goal. Not, what would it look like to just do the minimum amount here.

Shona McGlashan also pointed out, “The Board of Directors are not the sole custodians of organizational values, they are shared throughout”. The board of directors, a democratically elected representation of Vancity’s membership, holds an understanding that values should be at the core of all decisions. With this, the board also takes on the accountability and risk oversight to ensure Vancity is not exposed to unnecessary risks. In 2020, the board approved 5 commitments to climate action including to plan for risks of fire and flood, which could have a very negative impact on assets securing Vancity mortgages (Vancity, 2021b).

The Presence of Values - Environmental Sustainability

There is a growing expectation that financial institutions are engaging in behaviours that bring attention to the issues affecting Canadians and everyone around the world. The climate emergency is something that needs to be addressed and factored into all future business decisions. According to discussions with Vancity executives, Vancity needs to do their part in reducing carbon output. “Environmental Sustainability” is part of Vancity’s triple bottom line, and the decisions to invest time and resources into creating a more sustainable planet are not only good for Vancity but are becoming an expectation from most current and future members. Jonathan Fowlie noted that the membership (and Canadians from across the country) have indicated in public opinion research that they expect their financial institution to play a role in this. “Yes, we (Vancity) are leading with impact, we see an opportunity to be ahead of the pack, as a Financial Institution to ensure that every dollar we are lending is having a positive outcome in our communities, and on climate. That absolutely is a decision that is led with values, and the ambition behind that is igniting the change that we want to see in the world”. Fowlie also noted, “the market is moving in a direction where values-based decisions will be the baseline expectation of members, regulators and competitors. So, by virtue of leading the way in that direction, it actually presents us an opportunity to grow our business, because we are getting to where people want us to be.”

Using the example of climate change, social responsibility continues to be a growing concern for all Canadians, and many feel their financial institutions are expected to prioritize growth based on ESG. In a recent *Globe and Mail* article, out of 1000 people surveyed, only 28% felt they were asked if socially responsible investing was important to them, while 75% indicated they wanted their advisor to include SRI into their portfolio mix (Livingston, 2021). Recently, Vancity has seen major inflows to its Sustainable Wealth Management (SWM) division. Jonathan Fowlie pointed out “There is always work to be done and always changes to be made, but when people want a partner in sustainable investing, Vancity is where they want to come. And I think as the world is paying more and more attention to these things, we are at record inflows to SWM over the first quarter, and I am not saying that is BECAUSE of our move to values, but values have not gotten in the way of that growth.” These empirical findings highlight the benefits of driving a set of values in an organization.

The Benefits and Challenges of Values-Based Decisions

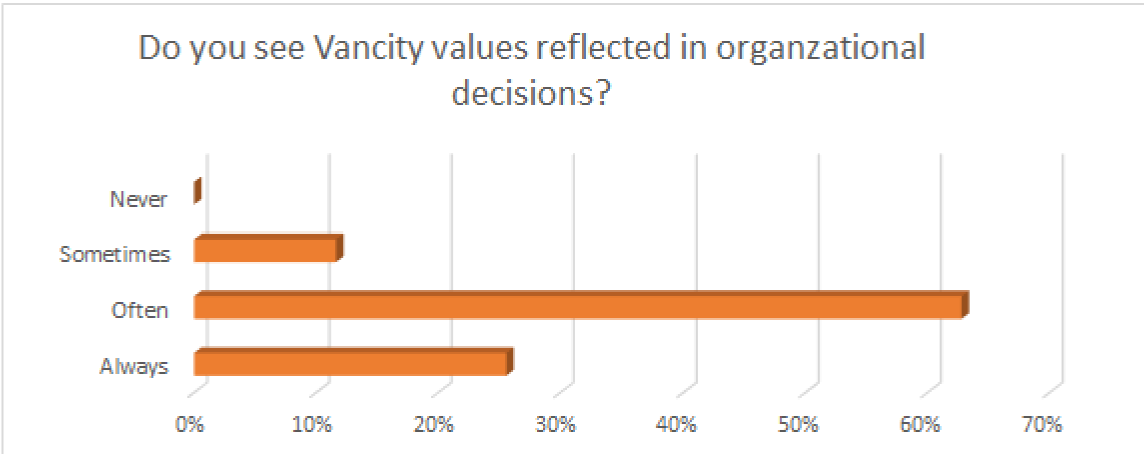
In the interviews, the leaders were asked, “do values slow down decision making?” All three responded similarly that, “no, values don’t slow decisions down”, but some noted that they do make it more difficult to decide. Kelly Mcneill-Sproxton pointed out that for the marketing team, decisions are very visible, so every aspect of how and where Vancity is being seen is important and needs to be considered. As an organization striving for carbon reduction, appearing on electric busses is preferred to gas powered ones. These considerations stretch to where and when TV ads will appear. “Even when we buy TV media, we are always making sure that where our TV ad shows up, it's not on stations or with other programs that run contrary to our values. We have to be careful about these things, because we don't want to be alongside a business or an org that is endeavouring to do exactly what we are trying not to do” (Mcneill-Sproxton 2021).

There was a consensus that there is room for improvement with how Vancity makes values-based decisions, and space for all staff to learn more about why it is important to embed values into decisions made at all levels of the organization. Kelly Mcneill-Sproxton pointed out that this is one of the challenges of being a values-based organization, “we take a stand. We are about something, and not about something else. This might be tough for us; we want to be inclusive. So, if we want to say no, because if it contravenes our values, we struggle with that.”

Survey Results and Analysis

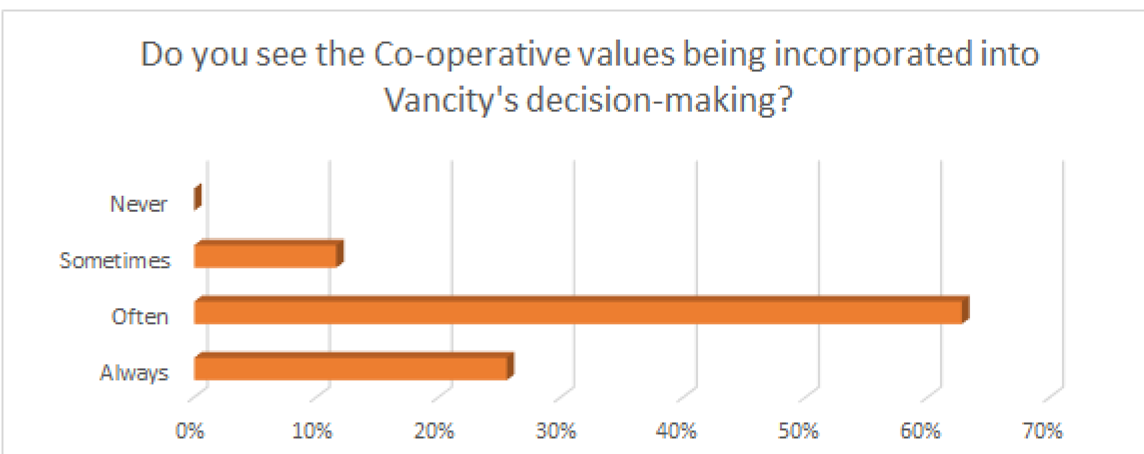
The survey performed for this research paper was intended to gain insights into how managers perceive that values are embedded into organizational decision making. The goal was to also understand if managers felt organizational values helped with the retention of business, and how often managers were consciously aware that they themselves were having conversations with staff and members which included values. The findings supported the thinking that Vancity managers are very aware of Vancity's values. Most respondents (89%) felt that both the Vancity values and the Co-operative values were either "often" or "always" reflected and incorporated into organizational decisions.

Figure 2: Vancity values in decision making



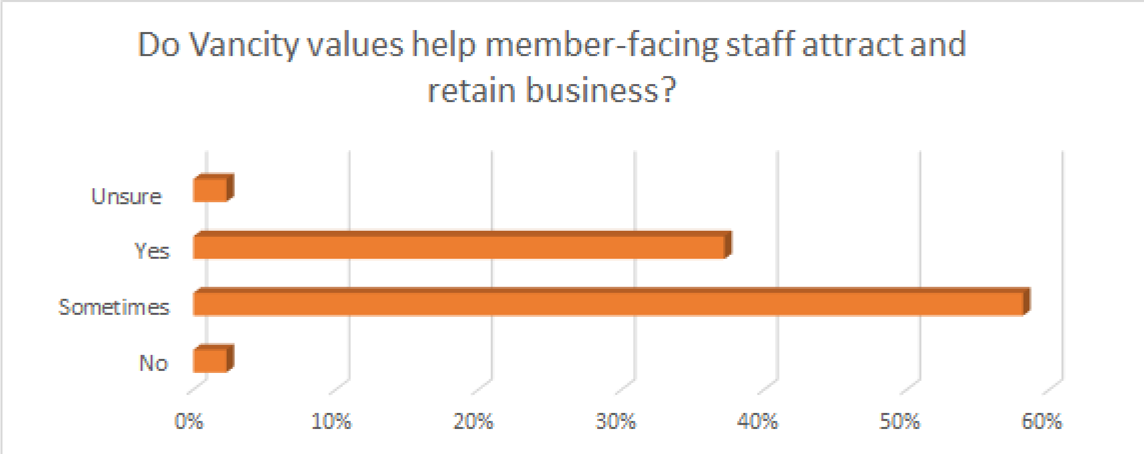
Managers also felt that the Co-operative Values of self-help, self-responsibility, democracy, equality, equity, and solidarity and the Ethical values of honesty, openness, social responsibility and caring for others were present in organizational decisions

Figure 3: Co-operative values at Vancity



Where confidence began to decrease for managers, was in how they saw the membership connect with organizational values, and in the strength of values as a tool to retain business. Despite feeling that values are often present in organizational decisions, 58% of respondents felt that values only "sometimes" help to retain business and almost half (49%) felt Vancity members only "somewhat" connected with organizational values.

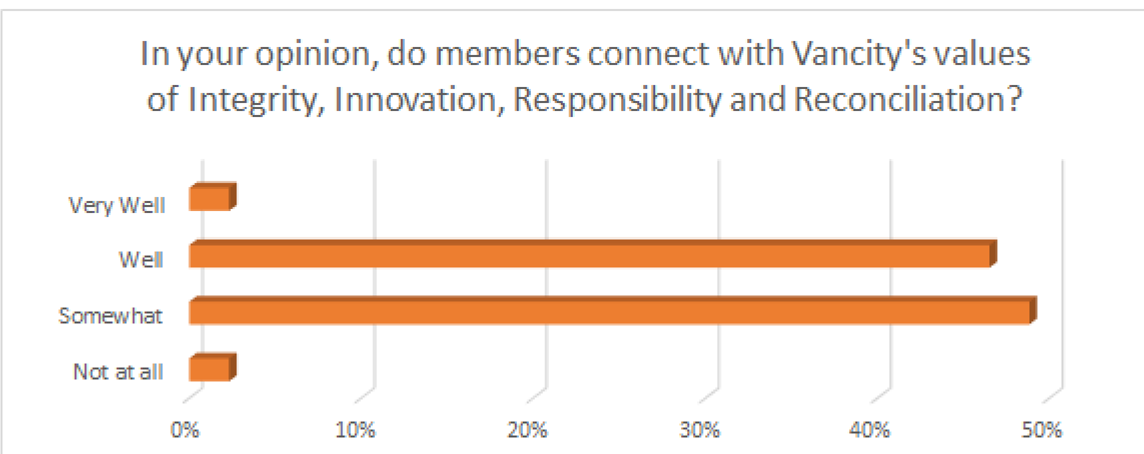
Figure 4: Vancity values and business retention



Analysis of the survey results showed a broad sweep of the benefits of values and how values influence and guide decisions within Vancity. While there seems to be a consistent acknowledgement and acceptance of the presence of values in organizational decision-making, several survey questions would have benefited from some form of follow up that better established how this was defined or explained. Secondary questions or a free format box to gather insights or examples for why the participants' response was chosen should have been added to most of the survey questions.

The question "Do you see Vancity values reflected in organizational decisions" prompted 38 of the 43 respondents to agree that values are "often" or "always" present in organizational decisions. Slightly fewer respondents (35) agreed that the co-operative values were also present in organizational decisions at Vancity. However, several responses to a later question asking participants to share their understanding of Vancity's values, offered little more than a brief list of Vancity's values of Innovation, Integrity, Responsibility and Reconciliation and almost half of respondents surveyed felt Vancity values only "somewhat" connected with members.

Figure 5: Members and Vancity values



Twelve of the 43 verbatims did stand out because of how the participants connected values directly to decision making. Each of these contained a phrase or keyword that could be seen throughout the secondary research and the executive interviews. Sample of these responses:

"These values make me a proud employee of the organization."

"Doing the right thing even when it's a more difficult path"

"being an influencer of innovation and reconciliation"

"use our values to guide our decision making on the large scale and on an individualistic small scale in order to do what's right when that decision can be at odds with what's profitable"

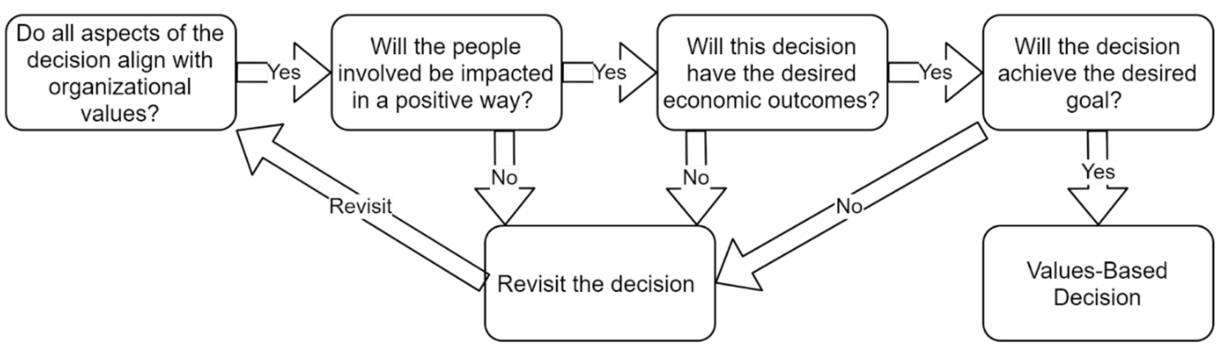
"It's a base framework that is used to make decisions and shape how we do business"

People need to see proof that values will be held up and incorporated into decision making. During the COVID-19 pandemic, Vancity saw that job security and cash flow were major concerns for people. So, mortgage loan payment postponements were offered to help people feel comfortable that during a pandemic, they wouldn't also need to worry about losing their home or destroying their credit. Vancity took this further by eliminating interest on credit cards for members whose employment had been impacted by COVID-19. While the decisions noted above were made very quickly, it is clear organizational values were present in the decision-making process.

One of the challenges Vancity leaders pointed out during discussions, was the lack of an internal framework around decisions, and specifically, how to incorporate values into organizational decision making. While Senior Leaders feel there is room for improvement, the Branch management survey points out that values are being incorporated into decision making either "often" or "always".

Key points of what needs to be considered when making a values-based decision are understanding who will be impacted by the decision, what improvements will be created by the decision, and will the desired outcome be achieved with the decision. Building a model, like the one below, could provide some structure to the decision-making process, but flexibility would be needed with inputs as these would change depending on the complexity of the issue being decided.

Figure 6: Decision making model



Kelly Mcneill-Sproxton pointed out there is a desire to ensure enough room is available in decision making for judgement and discretion to be applied but there is also a desire to have structure and clearly defined policies that leave little or no room between the black and white of decision making. Donaldson and Dunfee (1999) acknowledged that there are many factors that influence decision making. These can range from family and friendships to legal or contractual obligations (Soule, 2002). Soule (2002) also pointed out that:

it is imperative that any systematic approach to solving moral business problems provide a sufficiently broad range of normative content to contend with this complexity. By building a framework that includes common language and a technical approach, Vancity would be able to operationalize values-based decisions if the model is agile, flexible and can evolve with the organization over time. (p. 116)

Conclusion

While there is confidence throughout Vancity that values-based decisions are being made, the lack of a commonly used and defined process leaves the practice for making these decisions open to interpretation. There is a clear understanding of the organizational values and the need to embed them in decision making, but how they are prioritized or influence decisions at different levels of the organization can't be clearly articulated. While senior leaders are incorporating values into decisions, how this filters down remains unclear and varies throughout the organization. There is a need to explore the gap between the level of importance members place on values, and how this is understood by Vancity managers. Gaining insight into the extent of this disconnect could lead to greater success in attracting and retaining new business through the values-based approach.

The intent of this paper was to gain insights into the work that could be done to improve the optics and consistency of values-based decisions at Vancity. When looking at Vancity's work in reconciliation, socially responsible investing and addressing climate change, it is evident values are embedded into decision making. When surveyed, staff readily acknowledged that values are a major factor when joining and staying with Vancity. Each of these actions support the original question: Are Vancity Managers leveraging organizational values to improve employee engagement and foster an environment of creativity? The answer is undoubtedly yes.

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Appendix 1: Values of Financial Institutions

VANCITY
Innovation
Integrity
Responsibility
Reconciliation

DESJARDINS
Money at the Service of Human development
Personal Commitment
Democratic action
Integrity and rigor
Solidarity with the Community
Interco-operation

THE CO-OPERATIVE BANK UK
We were born from the co-operative movement.
We continue with co-operative values.
We believe we have a duty to use our voice and
stand up for causes that matter to you.

MONDRAGON
Co-operation
Participation
Social Responsibility
Innovation

ICA AND SASKCENTRAL
Self-help
Self-responsibility
Democracy
Equality
Equity
Solidarity
Honesty
Openness
Social Responsibility
Caring for others

TD BANK
Deliver Legendary Customer Experiences
Be an Extraordinary Place to Work
Operate With Excellence
Understand Our Business
Take Only Risks We Understand and Can Manage
Enhance Our Brand
Increase Shareholder Value

CAISSE FINANCIAL GROUP
Respect for Individuals
Integrity and Transparency
Innovation
Community Involvement
Proud of our Heritage

EXXON
Work-flexibility
Safety and Security
Recognizing Human Rights
Integrity
Diversity and inclusion

BLUESHORE FINANCIAL
360 degree accountability
Sophisticated experience
Balance
Progressive spirit

Appendix 2: Interview Questions

- Tell me about your thoughts on Vancity's Values, and how you see them being reflected in your decisions?
- Do you think your team (direct reports) see Vancity's values in your decisions? Are Values openly talked about? (during group discussions where decisions are made?)
- How do you ensure your team is making values based or values aligned decisions?
- Do you think values are being incorporated into many (all?) of the decisions made at Vancity? (If not, how come? (If yes, can you give me some examples of values-based decisions?)
- How well do you think Vancity's values are understood and embedded into decisions at all levels of the organization?
- What are some of the challenges we face driving a set of values in an organization's decision-making?
- Do you think values are at times seen as inconvenient and can slow decision making down?
- What are the risks/impacts to Vancity if managers are not making values-based decisions?

Appendix 3: Survey Questions

- Vancity describes itself as a values-based co-operative. What is your understanding of Vancity's values?
- Do you see Vancity values reflected in organizational decisions?
- Do you see the co-operative values being incorporated into Vancity's decision making? (Co-operative values: self-help, self-responsibility, democracy, equality, equity, and solidarity and the Ethical values of honesty, openness, social responsibility and caring for others)
- Aside from alignment with the Co-operative values, Vancity sets out values of innovation, integrity, responsibility and reconciliation. On a scale of 1 to 10, how often do you consider these values when making decisions which affect you, your team or your business unit? (1 being not at all, 10 being all/most of the time)
- In your opinion, do members connect with Vancity's values of Integrity, Innovation, Responsibility and Reconciliation?
- Thinking of question #5, how often do you have conversations with staff or members that are connected to Vancity's values?
- Do Vancity values help member-facing staff attract and retain business?
- Do you agree with the statement: "Vancity's values help to build an environment of engagement, innovation and creativity?" 1 being "I do not agree" and 10 being "I strongly agree"