COORDINATION IN MULTI-STAKEHOLDER COOPERATIVES AS A FORM OF COOPERATIVES WITH HETEROGENEOUS MEMBERS: A CONVENTIONALIST APPROACH

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ABSTRACT:

In this paper, we aspire to investigate the mechanisms of coordination within multi-stakeholder cooperatives as a cooperative form with heterogeneous members. We herein discuss an alternative theoretical framework to the extended standard theory (EST) that is often used to explain coordination in heterogeneous members' settings. Multi-stakeholder co-operatives (MSC) are cooperatives with at least two member groups and are always open to gathering new actors. Their governance is therefore more sophisticated than that of homogeneous member cooperatives. Accordingly, researchers such as Lafleur (2008) inquire: "How is it possible to make decisions that are both democratic and effective despite the diverging interests of the different member categories in multi-stakeholder cooperatives?"1. Hence, when multiple actors are brought together around one project, it is presumed that interests and positions will necessarily collide. In this paper, we emphasize the developments of cooperative economics and highlight the motives behind considering the extended standard theory as the most relevant framework to explain coordination within a nexus of contracts between heterogeneous members (including stakeholders). In this perspective, we argue that legitimated conventions may be more relevant in explaining why multi-stakeholder cooperatives are successful despite the heterogeneity of their members.

Keywords: Multi-stakeholder cooperatives, Members Heterogeneity; Coordination, Extended standard theory, theory of conventions.

[1] Lafleur, M. (2008). Les défis de la gestion interne d'une coopérative de solidarité. L'Action nationale. 98:2.112-138.

INTRODUCTION

Cooperatives represent one of the major components of social economy. They play an important role in a country's socio-economic development as they participate in jobs' creation, the fight against poverty and exclusion and the improvement of the living conditions of rural areas' populations.

The question of coordination within cooperatives organizations involving members with heterogeneous interests, namely multiple stakeholders' participation, was generally investigated under the lens of the "Transaction costs theory" by Hansmann (1996). Cooperative organizations are perceived as a nexus of contracts (Jensen & Meckling 1976) linking diverse groups of stakeholders for whom the strategic center must find a cooperative equilibrium (Aoki, 1984). The study of the complexity of holistic participation in governance practices, particularly in cooperative organizations, seems to have favored the postulates of conflict and opportunism (Alho, 2005; Bijman, 2005).

The literature on multiple stakeholder cooperatives as a form of member heterogeneity presents mixed effects regarding coordination between members. Multi-stakeholdership raises conflict due to the multitude of contrasting interests and causes incoherent strategic focus as members place their own needs and interests above those of the cooperative, resulting in interest conflicts and excessive monitoring that leads the cooperative to failure (Hansmann, 1996; Hendrikse & Bijman, 2002). However, evidence from practice shows that the opposite is true. Multi-stakeholder cooperatives appear to be in expansion around the world mainly throughout Europe and America. For example, in Italy, statistics show that since their initiation in 1991, social cooperatives (the prevailing muti-stakeholder form in Italy) exceed 12000 active cooperatives in different sectors that employ more than 300000 workers, creating a value of about 12 Billion Euros (1% of Italy's GDP) with a survival rate of 89% after five years of activity2. Additionally, though small in amount, empirical evidence exists on multi-stakeholder cooperatives. For instance, Tomas (2004) explains that different stakeholder groups are in fact able to maintain a focus on the overall mission and goals of these organizations; for instance, volunteer members typically contribute their time to these social cooperatives for reasons that are selfless rather than to pursue individual interests. Similarly, investors are commonly donors committed to the social outcomes of these cooperatives and are not focused on financial returns. Such advances stress the need to reconsider the approaches conventionally mobilized in investigating the mechanisms through which coordination is established in cooperatives with heterogeneous members.

To this effect, we attempt to criticize the movement of the Extended Standard Theory and to shed light on the French schools' "Theory of Conventions" as an alternative theoretical reasoning that may help understand what makes multiple stakeholder participation in one common project successful. We place our research in the continuity of scientific works on coordination in cooperatives with heterogeneous members, an area of focus that becomes more and more contingent when undertaken from a multi-stakeholder perspective.

We begin this paper by drawing on the development of the cooperative theory as we outline how research emphasized the relational approach according to which

[2] Euricse (2016), Primo Rapporto sulla Cooperazione Italiana. In: (http://old.sis-statistica.org/files/pdf/2012/ii_1619_c._carini_m._carpita.pdf)

cooperatives are defined as a nexus of contracts between its members, and with other actors, who are heterogeneous and therefore have diverging interests. As we highlight in the following section the research approaches that are conventionally mobilized to study coordination in cooperatives with heterogeneous members, we place forward the concept of multi-stakeholder cooperatives as a form of cooperatives with heterogeneous members. In the following section, we discuss the apparent contrast between theoretical advances that predict the failure of cooperatives with heterogeneous members due to their difficult patterns of coordination and the empirical evidence that shows a clear thrive of multi-stakeholder cooperatives despite the diverging interests of its members. In this same section, we argue that the theoretical framework (The extended standard theory EST) that is conventionally used to approach coordination between heterogeneous members may not be relevant enough in the context of cooperative organizations. Our reflection, then, projects on the French school of thought which analysis rests upon a theoretical framework that may present a more relevant alternative for investigating coordination within cooperatives with heterogeneous members. We point out the Non standard theory or the theory of conventions that rather leverages social and institutional factors as a framework to study coordination.

THE RELATIONAL APPROACH TO THE COOPERATIVE GENESIS:

Since the Rochdale case had pioneered in the 1920s, cooperatives have attracted scholarly attention attempting to understand how these unique entities work. The nature of a cooperative has been investigated over many decades. The development of the cooperative theory finds its origin in agricultural economics' theories and models where several approaches viewed the cooperative differently in markets where Investor-Owned Firms (IFOs) seemed to thrive (Sapiro, 1922; Nourse, 1922).

Initially, cooperatives were viewed as a group of firms without any entrepreneurial core (Trifon, 1961). Then, the cooperative has been identified a "vertical integration" formed of member farmers that form integrated parts of the production process where all processes are controlled by one entrepreneurial unit (Phillips 1953). The firm approach, on the other hand, defined the cooperative as an independent entrepreneurial unit that is capable of making decisions just like any other type of firm (Helmberger & Hoos 1962).

After a draw back in cooperative research in the 1960s, resurgence in the interest in cooperatives took place from the 1980s, particularly in farmer cooperatives. In an attempt to investigate how cooperatives work, researchers explored the unique nature of a cooperative. Furthering the cooperative scope beyond the classical models, authors portrayed the cooperative as a coalition where several participants come together with members and engage in a coalition resulting in a bargaining process. This approach focused mainly on the amount of power in the hands of each participant, in a heterogeneous group where interests differ and where conflict may arise if the individual welfare is not realized and if the cooperative goals on the long run are felt to be unachieved (Kaarlehto, 1955; Ohm, 1956; Trifon, 1961). The discussion was furthered by focusing on the nature of relationships between the different actors dealing with the cooperative (members, staff, stakeholders…). This relational approach has framed the cooperative as a nexus of implicit and explicit contracts that determine and govern coordination between the cooperative and various actors (Shaffer and Staatz, 1985). The identification of the cooperative as a nexus of contracts (Shaffer, 1985) has drawn the scientific community's attention towards the question of member heterogeneity and the mechanisms of participation and coordination.

According to Höhler and Kühl (2017), member heterogeneity is perceived as a disadvantage for cooperatives. Conventionally, cooperatives usually display a high degree of member homogeneity said to be more secure and effective for cooperative organizations, especially in terms of coordination and cooperation (Nilsson, 2001). Member heterogeneity is reflected through geographical, profile and professional factors (Buccola and Subaei 1985, Cook and Burress 2009, Kalogeras et al. 2009). In practice, it appears to be increasing amongst cooperatives (Birchall and Simmons, 2004).

In fact, researchers have been unable to explain the success of cooperatives where members represent heterogeneous groups of members (Alho, 2016; Bijman, 2005). Increasing member heterogeneity has been said to decrease commitment amongst cooperative members (Fulton & Giannakas, 2001) and result in high decision making costs (Hansmann, 1996) while causing incoherent strategic focus (Hendrikse & Bijman, 2002). As Williamson (1975) asserts, trust and goodwill in business and between businessmen are fundamental. Our analysis, thus, can be seen as an extension of market failure inquiries.

COORDINATION IN COOPERATIVES WITH HETEROGENEOUS MEMBERS:

The construct of coordination is explicitly at the core of how Management is defined and identified. Peter Drucker (1946) describes Management as the science of activity coordination including decision making processes and resources optimization for the purpose of achieving the organization's objectives. Similarly, organizational theorists such as Thompson (1967) focus on the problems of coordination between the different actors that are internally involved with the organization or as part of a partnership.

In fact, the question of coordination has been approached quite often using the agency literature (Fama & Jensen 1983) or that of property rights (Grossman & Hart 1986). Research generally focused on coordination within settings with conflicting interests but omitted the investigation of those of joint interests (Alonso, Dessein & Matouschek 2008). According to Emelianoff (1942), coordination intends to achieve a certain harmony amongst the different economic units, thus, economic activities.

The literature undertaking cooperatives with heterogeneous members considers that involving actors with different interests is costly and may lead to failure. As Lindsay and Hems (2004) clarified, decision-making processes are considered difficult and often untenable because of the high costs associated with coordination practices among heterogeneous members. Other studies have shown that funders' (donors) representation in governance structures may result in "interest conflicts and excessive monitoring" (Spear, Cornnforth & Aiken, 2009). Similarly, Graeme Lindsay and Les Hems (2004) write that members of dominant groups may emerge in heterogeneous structures. The analysis of heterogeneous participation is generally backed with the works of Hansmann (1996) who draws on the high costs that involve actors with different interests in decision making. Based on the theory of transaction costs, Hansmann (1996) argues that the participation of various actors in the decision-making process is costly. Different groups of actors are considered to have fundamentally different interests and may be of nature to solve problems and pursue strategic directions to maximize their well-being at the expense of the welfare of the larger group to which they belong. This can be exacerbated by factors such as member groups of unequal size and representation, involved directly or indirectly in decision making processes where some actors may also simply be more involved than others (Leviten-Reid & Fairbairn, 2011). This framework is often used, either directly or implicitly, by social economy experts as an assumption to study coordination processes in heterogeneous members' cooperatives.

MULTI-STAKEHOLDER COOPERATIVE AS A FORM OF COOPERATIVES WITH HETEROGENEOUS MEMBERS

While cooperatives generally focus on the needs of a single type of members, new models have emerged where cooperatives focus on the issues that affect the wider community and are addressed through the involvement of different types of actors (Levi, 2001).

Multi-stakeholder cooperatives are organizations characterized by an increased sensitivity to community needs. They are open to more than one class of members. The multi-stakeholder model was inspired by the Italian cooperative model which emerged from the region of Emilia Romagna in 1991. It was implemented later following the enactment of law 381/91 that organized cooperatives' activity and ensured the inclusion of employees, consumers, donors, and members of the community. In Italy, multi-stakeholder cooperatives are named “Social cooperatives”. These cooperatives exist in two forms: Social cooperatives Type “A” provide services such as home assistance, therapeutic services, nursing homes, kindergartens. Target audiences are the elderly, under-age, and people with disabilities, drug addicts, psychiatric patients and AIDS patients. Type “B” cooperatives, on the other hand, are involved in agriculture, maintenance of green spaces, environmental sanitation services, IT services, bookbinding and typography, Carpentry…etc.

In the United States and Canada, this model was adopted to fight the repercussions of the economic crisis. For example, the case of "Oklahoma Food Cooperative"[3], a cooperative located in the state of Oklahoma in the US, illustrates how the adoption of this model connects local food farmers and consumers who represent the Oklahoma community to create a system of production and local food consumption. Both stakeholder categories participate in the Board of Directors' elections and interact with congruency to the cooperative's purpose or mission: "There is a larger collective need that goes beyond one Particular interest"[4]. To this effect, the triumph of this model in various states in the United States is

[3] www.oklahomafood.coop

[4] Ashley Hernandez, 2011: “Communities Keep Jobs, Build Enterprises with Multi-Stakeholder Cooperatives”, Owners at Work Winter 2011.

illustrated by the emergence of cooperatives who are claiming it.
Effectively, Pezzini (2006) explains that the multi-stakeholder cooperative is the logical translation of the seventh cooperative principle (concern for the community) defined by the "ICA". In more and more countries, multi-stakeholdership is institutionalized in the social enterprise laws and regulations, based on the cooperative model in which there is cooperation between workers, consumers, public authorities, and other stakeholders. Additionally, multi-stakeholder cooperatives are characterized by their unique governance that aims to involve stakeholders by encouraging them to participate in dialogue, decision-making and the implementation of solutions to problems while achieving common goals (Fuchs, Kalfagianni, & Havinga, 2011). A multi-stakeholder cooperative usually has at least two categories of members identified in its regulations such as consumers, workers, investors, volunteers, and even representatives of other organizations.

COORDINATION IN MULTI-STAKEHOLDER COOPERATIVES: A FAILURE IN THEORY VS A SUCCESS IN PRACTICE

The literature on coordination within multi-stakeholder cooperatives suggests that in reality, these entities work according to a different logic than the market based one. Mason & Royce (2008) argue that having funders involved in decision-making led to stronger ties and good communication. Tomas (2004) illustrates that stakeholders within Italian multi-stakeholder cooperatives, namely volunteers and investors, contribute their time to these organizations for altruistic reasons such as trust and good information and not to pursue their individual interests. He asserted that multi-stakeholder processes may re-enforce democracy by increasing effective participation possibilities of persons who are directly affected by decisions and by ensuring that the decisions made reflect and align with the cooperative's main objectives. Furthermore, four case studies on multi-stakeholder cooperatives in Quebec, Canada (Langlois and de Bortoli, 2004; Langlois and Girard, 2005) have shown that these organizations tend to experience minimal conflict among different stakeholder groups and that differences in points of view enriched discussions as representatives were driven by one common goal that is to achieve the cooperative's core project. Leviten-Reid & Fairbairn (2011), on the other hand, admit that the manager's commitment to working closely with the board of directors in multi-stakeholder cooperatives helps translate the organization's commitment to democratic principles.
Such empirical results drive us, therefore, to question the relevance of previous scholarly works on investigating heterogeneous members and the effects of their participation in the cooperative. In the next sections, we attempt to reflect on the following question: If research predicts the failure of multi-stakeholder cooperatives as cooperatives with heterogeneous members, why do these entities continue to emerge in practice?
To better discern the theoretical framework conventionally mobilized to investigate heterogeneous members' participation in cooperatives, we draw our analysis back to the evolution of the economic theory. In the next section, we begin by providing an overview of the evolution of economic approaches. In the following sections, we criticize the relevance of these economic theories in the

context of cooperatives with heterogeneous members, particularly, in multi-stakeholder cooperatives.

EST "EXTENDED STANDARD THEORY" AS A FRAMEWORK FOR INVESTIGATING COORDINATION IN COOPERATIVE ORGANIZATIONS

The economic theory is centered on one main principle that guides the predominant scientific schools of thought in the standard theory, the principle of instrumental rationality. Being referred to as the orthodox economy, it stipulates that 1) the economic agent's goal is to fulfill their personal interest and maximize his utility under certain constrains and 2) that social interactions featuring these individual decisions are governed by the market. In other words, the market or the market logic is the abstract structure that makes actors' positions mutually compatible (Arrow, 1974; Hirshleifer, 1985). The Standard Theory has been then extended to EST "the Extended Standard Theory", a theory that emphasizes the inter-individual form of transaction based on the element of contract. EST compensated the traditional classical economic theory that was based on merchandize exchanges (Favereau, 1989).

The Extended standard theory is nothing but an extension of instrumental rationality and the merchant contract hypothesis towards some more contractual inter-individual arrangements featuring the mechanisms of coordination within the organization (management and the employer-employee relationships). A new approach to the organization as a complex economic phenomenon has then emerged and the interest of scholars has shifted from the Walrasian model and the pure and perfect competition to become more inclined towards understanding individual interactions via the game theory, the mechanisms of coordination, the asymmetry of information, among others (Orléan, 2004). Respectively, three main theories are grounded in the extended standard theory: The theory of property rights, the theory of transaction costs and the agency theory (Favereau, 1993).

- **The theory of property rights:**

Founded upon the centrality of the financial and patrimonial aspects of property, the theory of property rights emphasizes the complexity of equity owners (shareholders) and non-owners (management). It stipulates that the loss of shareholders' control over their shares will forge a decrease in their property rights and thus, the value and efficacy of the whole firm (Jensen & Meckling, 1976). Based upon Williamson's hypothesis of bounded rationality (1965-1985), the theory implies that the more individual utilities are maximized based on their individual interests under non-perfect information streams, the more social utility is. In other words, Mathé and Rivet (1992) explain that the firms' value is optimal only when equity owners are able to guide the latter's strategy using their property rights. The owner/manager relationship has been the subject of the Agency theory (Charreaux, 1987) which provides a closer look upon the behavior of managers as part of the agency contract.

- **The Agency theory**

The Agency theory is defined as a "contract" in which one or more individuals provide a certain service to one or more other individuals in order to achieve a specific task on their behalf (Mathé & Rivet, 1992). The theory views the organization as a collection of contracts and implies a delegation relationship between those who provide the input (Agents, Ex: Management) and those who purchase the output (Principles, Ex: Shareholders) (Jensen and Meckling, 1976). It is founded upon two main hypotheses:

Hypothesis1: All individuals seek to maximize their utility function.

Hypothesis2: All individuals are able to rationally anticipate the impact of their agency relations on the future value of their assets or patrimony.

Also founded upon the concept of Williamson's bounded rationality, the agency theory claims that all individuals will looks for uncertainties and ambiguous elements (asymmetry of information) within the contact to amplify the satisfaction of their interests. It analyses how the mechanisms of each party's compliance with the implicit and explicit contracts are monitored to avoid agency conflicts and how the costs of these monitoring mechanisms, high or low, impact the performance of the organization.

- **The transaction costs theory**

The US Department of Agriculture defines a "transaction" as [… a good or service that is transferred between two stages of a production system or subsector that potentially could be run by separate firms.] In "Farmer cooperative theory: Recent developments", USDA, Agricultural cooperative service (ACS), 1994, Pp. 16.

Building upon the works of Coase (1937), Williamson (1975) explains that a firm can discern the costs generated upon the completion of a certain transaction (information costs, decision costs, contract negotiation, controlling and enforcing), by strategically monitoring the stages of the good or service's production and distribution throughout the market. The transaction cost theory, in fact, seeks to analyze whether it is cost-effective for a firm to integrate different "technologically separable activities" as Williamson (1975) names them and studies the reasons why it should do so. Williamson (1985) specifies that transaction costs are forged because of the element of uncertainty that prevents contactors from anticipating possible occurrences and contingencies that may result in opportunistic behavior. With each business being embodied in explicit and implicit contracts, it is important to draft the contract in a way that protects all parties while minimizing transaction costs.

Authors who were interested in explaining the nature of contracts and economic coordination within cooperatives and their behavior as a "nexus of contracts" examined these entities based on two main theoretical approaches as part of the extended standard theory: The Agency theory and the Transaction costs theory.

In cooperatives, managers are agents who must act on behalf of members and in accordance with the latter's interest, yet, they may not do so. Milgrom and Roberts (1992) argue that better governance practices, management control and management transparency can reduce agency costs. To foster these elements, the authors emphasized the role of incentives or claims (fixed or residual) and the idea of risk aversion at the principal and the agent's level. For example, in the case where the agent is risk neutral, variable remuneration based on equity would represent a great incentive and would motivate the agent to act to the principal's interest. In the opposite case where the agent is risk averse, fixed remuneration would be more effective to guarantee efficiency. In the cooperative context, these

advances may be difficult to consider seeing that the cooperative's control is only in the hand of members, the latter being the only residual claimants, either based on their participation shares or on an equal basis (Vitaliano, 1983). It is the fact that cooperatives function according to the principle of one member-one vote that makes relying on incentives to monitor and control managements difficult. Additionally, Condon and Vitaliano (1983) in their analysis of agency costs within cooperative firms argue that another difficulty is related to the inexistence of a secondary stock market. As a result, the cooperative members are denied an effective management performance indicator to assess managers' effort and compliance based on a possible market price of stocks, thus, cannot offer stock and use its price as an incentive to motivate management performance.
The transaction cost approach to cooperative theory, on the other hand, starts from the postulate that each form of a business organization features explicit and implicit contracts (Shaffer, 1987). Shaffer and Staatz (1985) argue that in a cooperative setting, explicit and implicit contracts are said to influence the performance of the organization more than in an investor-owned firm (IOF). In a farmer cooperative for example, the contract between the cooperative firm and farmer members is more contingent than that within an IOF as the cooperative does not have enough authority to dictate, for example, production decisions on farmer members. In this case, the level of trust is very important which lack may lead to missing economic opportunities due to opportunistic behavior (Shaffer, 1987).

THE DEFICIENCY OF EST "EXTENDED STANDARD THEORY" IN EXPLAINING COORDINATION IN MULTI-STAKEHOLDER COOPERATIVES: EVIDENCE FROM EMPIRICAL INVESTIGATIONS

The emphasis of contracts as a central element of coordination patterns that is governed by a combination of limited rationality and information asymmetry has been criticized and described as insufficient to explain all economic phenomena (Simon, 1991; Orléan; 1994; M. Granovetter, 1995; Swedberg, 1990). According to Granovetter (1995), these hypotheses appear to grant the members of an organization the scope to cheat and sophistically come up with patterns to serve their own interests and to govern their contractual relationships. Favereau (1994), on the other hand, insisted on the inefficiency of the theory's framework to cover all necessary elements of complete agreements and possible unexpected contingencies as most contracts reveal partial and succinct agreements. Further, Kreps (1990), for example argues that the non-cooperative flare that the extended standard theory provided through its founding hypotheses showcasing every collective endeavor as a group of strategic cheaters makes it difficult to perceive the existence of a spontaneous cooperation in any organization. To this we add the analysis of Simon (1991) and Orléan (1994) who claim that the extended standard theory omits other important organizational concepts key to understanding organizational behavior such as institutional modalities of agents' transactions, authority and control, organizational identification and coordination rules.
Multiple stakeholder cooperatives, as cooperatives with heterogeneous members, were mainly analyzed based on the transaction costs approach, more specifically on the variable of decision making costs (Rijpen, 2016). These organizations bring

together a range of stakeholders (at least two classes of members) who get formally involved in decision making to serve a common social and economic goal. Scholars who studied multi-stakeholder cooperatives under the lenses of the extended standard theory approaches have predicted their failure based on the postulate that these entities are formed by a group of individuals who have different interests causing the decision-making processes to be high in costs (Lindsay & Hems, 2004; Münkner, 2004;Tomas, 2004). The fact that the different member categories are brought together to carry out functions ascribed to the board of directors have raised concern amongst the scientific community (Lund, 2010). Yet, in her recent article on cooperatives' governance, Rijpen (2016) argues that the agency model that tackles the relationship between shareholders and management is not applicable in cooperatives.
In fact, empirical evidence continues to attest of the governance efficacy of this form of cooperative organizations as in practice, they seem to know an increasing popularity within several countries, in Europe and North America, even amending legislations on multi-stakeholder cooperatives (Leviten-Reid and Fairbairn, 2011). In Italy, for example, social cooperatives went from 650 in 1985 to 7400 in 2005[5] (Costa & Carini, 2016), then to 14.263 in 2015[6] (ISTAT, 2019).
A closer look on multi-stakeholdership literature shows that the existing assumptions regarding the involvement of different groups in decision making may lead to substantial failure in governance efficacy, thus, a possible reversion to the unique stakeholder model where power is concentrated in the hand of one group within the organization, or even more, to the dissolution of the organization due to failure in achieving its goals and fulfilling its mission. For instance, Tomas (2004) writes that governance costs within Italian social cooperative are likely to be high as they do feature different interests causing inevitable conflict. Munkner (2004) argues that decision processes in multi-stakeholder organizations are very slow while Lindsay and Les Hems (2004) affirm that a dominant group of stakeholders may emerge with power becoming concentrated in its hands. In fact, Henry Hansmann (1996) argued that to be successful, organizations must deal with participation in decision making costs. Hansmann's perspective has been a reference to multi-stakeholder cooperatives' scholars who worked on explaining participation processes in these types of cooperatives. Founded upon the assumptions of rational optimization, information asymmetry and methodological individualism (opportunistic behavior), Hansmann (1996) explains that involving parties with heterogeneous interests, in general, in decision making is uncommon because it is costly and inefficient as it features divergent interests and encourages opportunistic behavior leading to the pursuit of strategic directions to advance one group's well-being instead of that of the whole group. Theory, thus, predicts that multi-stakeholder cooperatives are meant to fail and would either cease to exist or revert to the single member conventional model of governance. However, if we look at the existing empirical evidence on multi-stakeholder cooperatives, though limited in number, we can infer that it refutes existing theoretical predictions regarding the different failure aspects of these organizations. For instance, Tomas (2004) affirms that social cooperatives in Italy do face governance issues yet the latter are not in any way associated with individual interests. Chagnon (2004) also

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[5] Statistics disclosed by the Italian National Institute of Statistics ISTAT 2008

[6] ISTAT (2019), "Struttura e performance delle cooperative italiane: Anno 2015". Rapporto di ricerca

reports the participation of different stakeholder groups in the board shows positive aspects of multi-stakeholder governance namely the ability to generate consensual positions over conflictual situations. Chagnon's study also highlights that the existing challenges within these organizations are rather related to managerial issues. Further, the field work of Langlois and de Bortoli (2004; 2006a; 2006b) in Québec, Canada on the impact of organizational forms on social cohesion shows that boards within subject organizations (four multi-stakeholder cooperatives) experience minimal conflict during decision making and that in the event of conflictual situations, the difference in positions during meetings was perceive as "assets that kept the organization going" (Langlois and de Bortoli, 2006b). Findings also pointed out that representation of different stakeholder groups catalyzed the availability of a large set of skills and expertise that provided input and allowed the achievement of social and economic missions (Huybrechts, 2012).

Malinvaud (1995) advances that it is not of full relevance to claim that cooperatives' analysis using solely standard microeconomics, assuming individual objectives and treating communal objectives as costly to be achieved, is sufficient to discern all types of organizational questions related to these entities. He writes that it is crucial to consider factors that influence and shape the different agent's preferences and needs, the latter being affected by both social and economic factors.

All this may indicate that it is necessary to study these organizations using a different approach. Seeing the fact that, in practice, multiple scholarly works have pointed out the possible irrelevance of EST frameworks in studying cooperative organizations with heterogeneous members, particularly multi-stakeholder cooperatives, it is the time, therefore, to direct the scholarly attention towards a different framework. We may start by underlining the element of common interest that brings the members of these cooperatives together around one common project as we look at how they are able to govern themselves successfully. It is in fact, these questions of coordination that distinguish the approach by conventions or what is known as the Non-standard Theory or the economies of conventions.

THE NON-STANDARD THEORY OR THE ECONOMIES OF CONVENTION AS AN ALTERNATIVE FRAMEWORK:

Although the existing literature on cooperatives with heterogeneous members provides opposite standpoints, these entities seem to be emerging in practice. The non-standard theory may be a theoretical framework worth mobilizing to understand how coordination works in cooperatives with heterogeneous members. The development of the Non-standard theory came as a response to the previously mentioned insufficiencies and sometimes, irrelevances within the Standard theories. It advances a common theoretical framework based on a multi-disciplinary approach that provides a broad perspective on the question of collective coordination of individual actions. It seeks to answer the question: "How are diverse organizational, institutional, ethical and market-induced resources come together in a coherent way despite the divergence of their founding logics?" (Orléan, 1994. P. 16)

In fact, the school of thought on the non-standard theory was triggered in the 80s during a round table on Work Management tools as an embryo of the non-standard theory, which took place at the French institute “L'Institut national de la statistique et des études économiques (INSEE) - Centre national de la recherche scientifique (CNRS) on the 22nd and 23rd, November 1984. The theory finds its origin in an intellectual conjuncture that questions the limits of the rational choice theory as a one that would explain coordination patterns and business/market induced social relationships. It affirms that rationality can only acquire full sense within vaster domains, around irrationality (Orléan, 2004). As such, the economic reasoning has drifted away gradually from that of Walras7 and became more inclined towards individual interactions through evolutional game economics, exposing the world to a novice perspective based on institutions.

The French school of thought builds upon one main thesis: “Consensus between individuals, even when limited to exchange induced market contracts, are not possible without a common framework, a constitutive convention” (Dupuy et al, 1989, P. 142).

The development of the theory of conventions takes as a reference the evolutionary game theory. In this perspective, Sugden (1986) constructs his analysis based on the notion of “evolutionary stable equilibrium”. A “strategy I” represents a stable equilibrium when it is in the interest of every individual to adopt it. In other words, it is in the interest of every individual to adopt the “strategy I” if all the others or “most of the others” are likely to adopt it (Sugden, 1986, P. 32). Accordingly, Sugden (1986) defines a convention as follows:

“When we say that a way of doing is a convention within a certain Group, we mean that everyone in this group, or almost everyone, conforms to this way of doing. But we mean more than that. In fact, everyone sleeps and eats, without these practices being conventions. When we say that a way of doing things is a convention, we assume that at least part of the answer to the question: "Why does everyone make R?" is found in the answer "Because all others do R ". We also assume that things could have been different: each one opts for R because all the others choose R, but it could have happened that each made R' because all the others had made R' " (Sugden, 1986, P. 32)

Sugden’s (1986) definition, indeed, highlights a process of coordination. It also points out an important element which is “the effect of experience” that shapes the convention through a slow process of maturation that leads group members to emerge new social forms that work in conformity with the general interest of the group (Orléan, 2004).

Accordingly, Dupuy (1989)8 provides a list of conditions that frame coordination, according to the theory of conventions:

(C1): Each person conforms with regulation R

(C2) Each person thinks that the others conform with R

(C3): The belief that each person conforms with R gives eachone a good and decisive reason to conform himself with R

(C4): Eachone prefers a general conformity with R to a rather slightly less than general conformity

(C5): R is not the only possible regulation to satisfy the two previous conditions (In other words: there exists other regulations that satisfy the two previous

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[7] Here we refer to Walra’s approach to Market competition through the notion of what he names “General equilibrium” and upon which the standard economic theories were founded.

[8] Dupuy J. P. (1989), Comventions and Common Knowledge, Revue économique, 40(2), pp. Pp. 368-369

conditions and to which the group members have complied in the past)
(C6): The conditions (C1) and (C5) are common knowledge (CK).
Therefore, conventions seem to have a permanent effect on actors' preferences and expectations vis à vis the behavior of other members of the population, and thus, they make coordination easier as it becomes reinforced by an auto-reproduction pattern (Orléan, 2004). Conventions surpass the limitations of methodological individualism as they feature another dimension that was overlapped by the logic of strategic rationality; that is what conventionalists such as Sudgen (1986) name "Something more" that complete the pure logic of markets: "When agents adopt a convention, they are guided by something more than the axioms of rational choice" (Sugden, 1989, Pp. 89).

- **The legitimated conventions:**

The study of coordination between multiple individuals has been in the center of modern economics' interest. However, the draw back on the evolutionist approach and the concept of evolutionary stable equilibrium has proven to be insufficient in tackling coordination based on this broad logic of equilibrium where each participant searches for the best solution based on the choices of their fellow participants, with this solution being the best that he can ever get. In fact, this approach by "utility maximization", eventhough it is based on a slow dynamic of maturation as a result of previous experiences accumulation, is said to have missed to discern the core element upon which the theory of convention is based: the notion of "something more". According to Orléan (1997), a solid explanation of conventions processes requires to take into consideration the "judgment" upon which rests the decision to conform to a certain convention "R". Based on this framework, Orléan (1997) introduces the concept of "legitimated conventions" through which he stresses the importance of the legitimacy of actions or behavior prescribed by R. In other words, the group of actors makes the judgment that a certain decision is the most convenient based on a common framework of common principles that allow them to make evaluations according to the following statement: "R is the right way to act". This framework also allows these actors to reprobate and reject those who do not respect the convention.
This notion of "Legitimated conventions" is close to the concept of "legitimacy" that Max Weber (1995) introduced. For Weber: "… The legitimacy of an order means something more than a simple regularity in the course of social activity, conditioned by a situation controlled by interest" P. 64. Legitimacy has, therefore, a strong effect on the stability of order. In this case, order is perceived by actors as a "must be" that is "obligatory" or "exemplary" which, eventually, increases the chances that group activity will be oriented towards this order. Weber (1995) also highlights that the type of order that is respected because of rational interests is likely less stable than the one realized and affirmed because of legitimacy induced reasons. In fact, Weber distinguished two types of legitimacies: "the convention" and the "rule of law". The first legitimacy refers to what Weber identifies as "customs" in which legitimacy is approved amongst the group and is guaranteed by the reprobation of any gap or disrespect, while the second legitimacy "the rule of law" refers to a physical or psychological constraint which respect is forced and guaranteed by the activity of an institution specially created for this purpose and who sets correction rules for anyone who violates or brakes the order. Convention is generally said to be stronger in pressuring order stability due to the extremely

efficient and intimidating consequences of social boycott (Weber, 1995, Pp. 69). The strength of social pressure was also undertaken by Sugden (1986) in his analysis of conventions from an evolutionary perspective. He states for example that a convention can easily transform into a norm, and thus, the conformity to convention R is no longer bound of whether it is in the interest of the participant as he anticipates that all other participants also do the same, rather, conformity to R is achieved because participants believe that it is their duty, an obligation, to conform to R. Here again, convention is imposed, and non-conformity will result in a spontaneous reprobation, rejection and even anger and hate towards those who do not align with it (Sugden, 1986). In fact, Sugden goes even further when he recognizes that legitimacy leads actors to act according to conventions even when those do not align or are opposed to their interests (Sugden, 1986, P. 160).

For further assertion of the role of legitimacy as a comprehensive framework for coordination between heterogeneous members with diverging interests, we refer to the analysis of Gilbert (2003). In her reasoning on situations of interactions where one optimal solution exists for which all actors opt, while bearing in mind that all fellow participants are as rational and that each one makes his decision based on the common knowledge that others will act in the same way, Gilbert (2003) advances a solid critique about rational choices in situations of coordination. She explains that in non-cooperative games, limitless speculation emerges during the process where each individual tries to figure out the best option based on the cues that others will think of as a solution for the situation. In such a case, she argues that in practice, common knowledge is not enough to solve this indetermination and that even experience of former collaboration is no guarantee that all actors will adopt the same behavior again and again. Hence why, she suggests that in order for coordination to be established upon solid basis, there must be “something more”; “a joint acceptance of a principle”, one that everyone regards as “Our principle” and to which she attributes the clear designation of: “a Plural subject” (Gilbert, 2003, 136). Further, she underlines that this plural subject is not in any way jeopardized by the addition of increase of individuals in number and that, moreover, as all stakeholders jointly engage in an action, then form one “unique body”, that flows gracefully as conventions are achieved (P.137). This, in fact, is what theories that attempted to explain coordination from an instrumental rationality approach, such as the traditional evolutionary game theory or again the extended standard theory, have missed. At the same time, the joint acceptance of this plural subject or common principle, grants participating stakeholders the right to disapprove deviating actions while, at the same time, put them under the obligation to conform to the convention (Orléan, 2004). In the case of multi-stakeholder cooperatives, the question is: what could be this “common principle” or “Plural subject”? may it be the cooperative’s mission, or objective or even identity? According to Tomas (2004), Multi-stakeholder coordination processes may be successful because decisions that are made reflect and align with the cooperative’s main objectives. Could the overall mission of the cooperative, when guided by the principles and values of cooperation, be the game changer that creates a different dynamic for coordination between members- even if those are profiled differently? An empirical study is therefore necessary to investigate these questions using this conventionalist approach.

CONCLUSION

With the growing number of multi-stakeholder cooperatives, understanding and predicting their coordination processes becomes unavoidable. This paper puts forward a starting point for research on coordination in multi-stakeholder cooperatives driven by an aim to examine and explain multiple stakeholders' coordination dynamics and involvement in decision making.

We believe that legitimate conventions represent a viable construct that may highlight these entities' key to success. Legitimacy ensures a constant compliance and congruency between the cooperative's core message and vocation and stakeholders' motivations and preferences regardless of how many and what type of stakeholders' groups are involved.

On the other hand, eventhough the popularity of the multi-stakeholder model has been ascending for the last 20 years, their management processes still take an intuitive form. Hence, it is crucial to work into understanding multi-stakeholder cooperatives; will they continue to be viable in time and why are they successful despite their structural complexity?

Further, despite the emerging nature of the sector, there is little empirical research on multi-stakeholder cooperatives specifically. However, researchers stress the increasing interest and investigation happening in countries such as Canada and Italy (Borzaga and Depedri; 2010).

An empirical study is necessary to investigate whether our advances about the theory of conventions as an alternative framework for explaining coordination in multi-stakeholder cooperatives, and other types of cooperatives with heterogeneous members, are valid. In this perspective, we also find it important to consider legal, social and economic specificities within a given context while performing such empirical analysis. Additionally, it would be very beneficial to benchmark experiences in different countries as an approach to inspire and attract emerging countries that are still limited to the classical cooperative model but where cooperatives occupy a dominant place in their economic fabric. A strategic vision that strives for a democratic prosperity based on the inclusion of actors that affect and that are affected by the cooperative sector seems, therefore, to be necessary.

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