ISSN 2255-3444 (papel)
ISSN 2255-3452 (digital)
DOI: https://doi.org/10.18543/dec
https://dec.revistas.deusto.es

Deusto Estudios Cooperativos

index: Latindex – 24323-E

Núm. 23 (2023)

Núm. 23 (2023)

DOI: https://doi.org/10.18543/dec232023

Sumario

Artículos

Rural Cooperation and the Finnish Society. Past, Present and Future
Tapani Köppä

Echoes of Co-operatives from the North —the Breakthrough of the Finnish Cooperative Movement—
Anu Puusa and Sami Karhu

Institutionalizing Co-operative Education in Universities - the Case of the Co-op Network Studies Program in Finland
Pekka Hytinkoski, Tytti Klén and Taneli Vaskelainen

The Consumer Co-operative Movement in Finland and Lessons We Can Learn from It
Anu Puusa and Sami Karhu

The Role of the Supervisory Board in Finnish Cooperatives
Kari Huhtala

Cooperative Dispute Resolution in Finland
Alexander Gurkov

"Swimming Against the Current" of Demutualizations in the 1990s and 2000s: The Case of the Private Statutory Pension Insurance Sector in Finland
Antti Talonen and Jukka Mähönen

The Cooperative Sector in the Nordic Countries: The Finnish Example
Peter Herrmann and Juhani Laurinkari

Deusto

Deusto Estudios Cooperativos

Revista del Instituto de Estudios Cooperativos
de la Facultad de Derecho de la Universidad de Deusto

N.º 23 (2023)
doi: https://doi.org/10.18543/dec232023

Cooperatives in Finland

Cargos de la revista *Deusto Estudios Cooperativos*

Deusto Estudios Cooperativos

N.º 23 (2023)
doi: https://doi.org/10.18543/dec232023

Cooperatives in Finland

Facultad de Derecho
Universidad de Deusto
Bilbao 2023

Colabora:

EUSKO JAURLARITZA GOBIERNO VASCO

ENPLEGU ETA GIZARTE POLITIKETAKO SAILA

DEPARTAMENTO DE EMPLEO Y POLÍTICAS SOCIALES

ISSN (impreso): 2255-3444
ISSN (digital): 2255-3452
Depósito legal: BI-1707-2012

Impreso en España/Printed in Spain

Deusto Estudios Cooperativos

N.º 23 (2023)
doi: https://doi.org/10.18543/dec232023

Sumario

Presentación de la revista 9

Presentation of the monograph. *Cooperatives in Finland* 11

Rural Cooperation and the Finnish Society. Past, Present and Future
La cooperación rural y la sociedad finlandesa. Pasado, presente y futuro
Tapani Köppä 15

Echoes of Co-operatives from the North —the Breakthrough of the Finnish Cooperative Movement—
Ecos de las cooperativas del Norte —el avance del movimiento cooperativo finlandés—
Anu Puusa and Sami Karhu 35

Institutionalizing Co-operative Education in Universities - the Case of the Co-op Network Studies Program in Finland
La institucionalización de la Educación Cooperativa en las Universidades —El caso del programa de estudios de redes cooperativas en Finlandia—
Pekka Hytinkoski, Tytti Klén and Taneli Vaskelainen 59

The Consumer Co-operative Movement in Finland and Lessons We Can Learn from It
El movimiento cooperativo de consumidores en Finlandia y las lecciones que podemos aprender de él
Anu Puusa and Sami Karhu 75

The Role of the Supervisory Board in Finnish Cooperatives
El papel del consejo de supervisión en las cooperativas finlandesas
Kari Huhtala 107

Cooperative Dispute Resolution in Finland
Resolución cooperativa de disputas en Finlandia
Alexander Gurkov 125

"Swimming Against the Current" of Demutualizations in the 1990s and 2000s: The Case of the Private Statutory Pension Insurance Sector in Finland
"Nadar contra la corriente" de las desmutualizaciones en los años 1990 y 2000: El caso del sector privado de seguros de pensiones obligatorios en Finlandia
Antti Talonen and Jukka Mähönen 145

The Cooperative Sector in the Nordic Countries: The Finnish Example
El sector cooperativo en los países nórdicos: el ejemplo finlandés
Peter Herrmann and Juhani Laurinkari 165

Relación de evaluadores 189

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 7-8
• https://dec.revistas.deusto.es

Presentación de la revista *Deusto Estudios Cooperativos*

La revista Deusto Estudios Cooperativos es una publicación que puede considerarse como la sucesora del Anuario de Estudios Cooperativos, una revista esta última que, desde su nacimiento en 1985, resultó ser pionera en el ámbito de la Economía Social y el Cooperativismo, manteniendo su actividad, de forma ininterrumpida hasta el año 2001.

La nueva revista Deusto Estudios Cooperativos, editada por el Instituto de Estudios Cooperativos de la Facultad de Derecho de la Universidad de Deusto, se crea con la intención de mantener la esencia del Anuario de Estudios Cooperativos, deseando cumplir el objetivo de la divulgación de trabajos originales en materia de Cooperativismo y Economía Social.

La revista comenzó a publicarse en un año ciertamente significativo, el año 2012. Un año relevante por dos motivos. En primer lugar, porque ese año fue proclamado como el Año Internacional de las Cooperativas por parte de la Asamblea General de las Naciones Unidas, poniendo, de este modo, en evidencia la relevancia de las cooperativas en el desarrollo económico y social, en la reducción de la pobreza, la creación de empleo y la integración social. Y, en segundo lugar, porque en 2012 la Universidad de Deusto celebró su 125 Aniversario, con lo que la publicación de la revista Deusto Estudios Cooperativos constituyó un reflejo del compromiso mantenido por la Universidad con la investigación en materia de Economía Social.

Con esta publicación se pretende contribuir a dar a conocer que el modelo cooperativo es una fórmula eficaz de emprender actividades empresariales. Precisamente, las cooperativas representan un modelo de empresa democrática, responsable y ética, una empresa que pone el foco de su atención en las personas y en el medio ambiente, promoviendo el crecimiento económico y la justicia social. Esto es, se trata de

un modelo de empresa que se fundamenta en el diálogo y en los ideales de paz, impulsando el respeto por los derechos y las libertades humanas y la solidaridad.

El presente monográfico está dedicado al cooperativismo en Finlandia. Con él se pretende presentar una visión sintética y comprensiva de los rasgos principales que caracterizan al cooperativismo del país y está integrado por las notables contribuciones de los profesores y estudiosos del cooperativismo: Tapani Köppä, Anu Puusa, Sami Karhu, Pekka Hytinkoski, Tytti Klén, Taneli Vaskelainen, Kari Huhtala, Alexander Gurkov, Antti Talonen, Jukka Mähönen, Peter Herrmann and Juhani Laurinkari.

A todos ellos, nuestro agradecimiento por elegir nuestra revista para publicar sus valiosos trabajos de investigación. Asimismo, nuestro especial agradecimiento al profesor Hagen Henry, sin cuyo apoyo e intermediación no hubiese sido posible la publicación de este número monográfico.

Un afectuoso saludo cooperativo,

Enrique Gadea Soler
Director de la revista *Deusto Estudios Cooperativos*

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 9-10
• https://dec.revistas.deusto.es

Presentation of the monograph *Cooperatives in Finland*

Sami Karhu
Chairman, Kooperatiivi ry

doi: https://doi.org/10.18543/dec.2882 E-published: January 2024

> "However, the law in itself does not accomplish anything. It is only an outer form in which life can move. It may remain a dead letter. But it can be of great importance if the people are able and willing to start using it, if the people understand the importance of cooperative activity and want to implement it." (J. K. Paasikivi, Osuustoimintalain pääkohdat. Pellervo-Seuran kirjasto no 10. Helsinki 1909, 39).

These words belong to the young Doctor of Laws Juho Kusti Paasikivi. He served as a legal adviser to the Finnish National Cooperative Organization Pellervo, founded in 1899. They were written in a textbook in 1902, which was to educate the Finnish people about the first cooperative law enacted in 1901. Paasikivi later played increasingly significant roles in Finnish society, most prominently as President of the Republic from 1946 to 1956.

Finland was a remote country and modernised more slowly than Western Europe. The cooperative idea also came up at a rather late stage, but the business model proved to be usable. The cooperative movement started in the beginning of 20th century with a strong and centralised approach, largely from the academic circles of the capital, Helsinki. Dr. Hannes Gebhard, a pioneer of Finnish cooperatives, said that no country's cooperative movement has had such high-quality people as it has in Finland.

What would we tell Dr. Paasikivi now, after more than a century of his wise words? How has cooperative business developed in Finland after all these decades? The answer would be that cooperatives have developed quite well in the end, even though there have been many dilemmas along the way.

The cooperative business model is widely and diversely used in Finland. Cooperative enterprises are organised for their needs by con-

sumers, infrastructure users, farmers, workers and entrepreneurs. The strongest cooperatives are in the field of retail, restaurants, hotels, financial sector, foodstuff and forest industry. In absolute numbers, the largest number is that of employee owned cooperatives (about 1300) and water cooperatives (about 1500). The largest numbers of members are found in consumer cooperatives, cooperative banks and mutual enterprises. The market shares of producer cooperatives are high. In total, cooperative enterprises in Finland count just under 4.000, including mutual enterprises; they have 7.5 million members, approximately 100.000 employees and their combined turnover is around 35 billion euros. Approximately 90 % of adults of a population of 5.5 million are members of a cooperative or are partners in a mutual enterprise. On average, there are 1.7 memberships per adult. For farmers, the figure is 3.7. Cooperatives are a Finnish way of life!

Cooperatives are strong in the production of everyday products and services. They play different roles as a platform for work and entrepreneurship. Together, they form an entity that supports households, on the basis of which Finland has become one of the most cooperative countries in the world.

While cooperatives are common in some industries, they cannot be found everywhere. As Finland is a strong Nordic welfare state, its public sector provides for most of the social and health care services. Therefore, there is no need for cooperative enterprises in this field.

In order to understand the overall picture and diversity the following table groups the cooperative enterprises into three pillars.

"Work and entrepreneurship cooperatives"	"Cooperatives which are part of everyday life"	"Technology cooperatives for community use"
Employee-owned cooperatives Cooperatives owned by the retailers Cooperative network of entrepreneurs Team business cooperatives at a school The cooperative´s role as a cradle of entrepreneurship	Consumer cooperatives Producer's/farmers cooperatives Cooperative banks Mutual insurance companies Investment and ownership cooperatives	Broadband cooperatives Energy cooperatives Water cooperatives Electricity cooperatives Phone cooperatives Housing cooperatives

These three groups or pillars differ in terms of their historical roots, culture, size, and business structures. From an international point of

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 11-14
doi: https://doi.org/10.18543/dec.2882 • https://dec.revistas.deusto.es

view, the "employee-owned cooperatives", 'small cooperatives' or 'cooperatives of independent workers', as they are called in Finland, might be a particularity. A large part of them are cooperatives that build working conditions and social security for individual professionals, while traditionally understood worker cooperatives are formed by members in a textbook-like joint work organization. They can be seen as a unique forum for self-employment.

The Finnish Cooperative Act of 2013 is very liberal. The law can be described metaphorically to be plasticine-like. Cooperatives are encouraged by legislation to find their own way of working.

What do Finns think about cooperatives? G. J. Holyoake, a celebrity of British cooperatives, once wrote that cooperative members are plagued by doubt, competitors resist, and everyone is plagued by some degree of ignorance of cooperatives. In a weak moment, Holyoake's point may seem accurate. However, the big picture is brighter, at least in Finland. National opinion polls have shown that the idea of cooperatives has been internalized, after all, in its own quiet way by citizens. It was quite a surprise, even for us enthusiasts, to see the results of a study on the popularity of various ways of enterprising among Finns, made by EVA (Finnish Business and Policy Forum). Cooperatives turned out to be the most popular. Highly respected cooperative veterans have given two explanatory keywords, why cooperatives appeal to Finns: honesty and equality. I consider these words to be a red thread in my own thinking.

If Paasikivi could see what his followers have achieved, he would give them credit. But after the recognition, he would focus on what should be done better next. That is what I believe, and he would undoubtedly be right.

For its part, the Finnish coordinator of this issue of the Journal Deusto Estudios Cooperativos, the Taloudellisen yhteistyön ja osuustoiminnan tutkimuksen seura Kooperatiivi ry [the Society for Economic Cooperation and Cooperative Research Kooperatiivi], endeavors to further the development of the cooperative business model. It is a scholarly society that unites cooperative researchers and everyone interested in cooperative research and it has a recognized position in Finnish academia - Kooperatiivi ry is a member of the Federation of Finnish Learned Societies. It functions also as a platform for projects and seminars and has a strong symbolic meaning: the emancipatory idea of cooperative activity creates faith in a better world, transcending all scientific, university, language and nationality boundaries.

In Finland, cooperative research has developed positively in the 2000s. Interest in a strongly value-based business model has increased.

The social and ecological aspects of economic activity are increasingly attracting attention. In a unique way the Finnish cooperative business community has supported research on and teaching of the cooperative model for many decades. One of the contributions to this issue reports on this.

My warmest thanks go to the Director of the Journal Deusto Estudios Cooperativos, Dr. Enrique Gadea Soler, who invited us to prepare this issue on Finland as part of the country monographs of the Journal! I wish to also thank our Board member Hagen Henrÿ through whom Prof. Gadea got in contact with us and who supported us!

We are aware of the honor and are grateful for this opportunity to present a selection of the latest Finnish cooperative research results to a wider academic community and readership. The contributions, for which I have to thank the authors, speak for themselves. Their spectrum reaches from the origins of the cooperative movement in Finland to latest developments, embedding it into what one might call Nordic and Finnish "ways of thinking things". The international reader will discover a number of particularities: the rather seldom involvement of academics in the early days; the foundation of a central national cooperative organization before the establishment of a substantial number of primary cooperatives; the involvement of the movement in politics during the struggle for the country's independence and thereafter for several decades; the engagement of the movement in cooperative education and research to counteract their neglect; and, finally, the balance between the risk of demutualization —through a "liberal" cooperative law— and "remaining cooperative".

Sami Karhu
Chairman, Kooperatiivi ry

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 11-14
doi: https://doi.org/10.18543/dec.2882 • https://dec.revistas.deusto.es

Rural Cooperation and the Finnish Society. Past, Present and Future

La cooperación rural y la sociedad finlandesa. Pasado, presente y futuro

Tapani Köppä[1]

PhD, visiting researcher, professor emeritus, University of Helsinki Ruralia Institute
tapani.koppa@helsinki.fi

doi: https://doi.org/10.18543/dec.2883

Submission date: 28 April 2023
Approval date: 11 July 2023
E-published: January 2024

Contents: 1. Introduction.—2. Finland as part of Sweden (crusades -1809). 2.1. Christianity and the role of the Church. 2.2. Resettlement and land ownership. 2.3. Towards modern land reform.—3. The era as a Grand Duchy of the Russian empire (1809-1917). 3.1. From local subsistency to market exchange. 3.2. State and civil society. 3.3. Social question and birth of the modern Finnish cooperative movement.—4. Independent Finland (1917-). 4.1. The role of cooperatives. 4.2. Rural industrialization. 4.3. Wars and reconstruction. 4.4. Urbanisation and rural revival. 4.5. Renovation of cooperative practices. 4.6. Looking for core characteristics of cooperative activities.—5. By way of conclusion: Rethinking market economy, turning towards a win-win world.—References.

Contenidos: 1. Introducción.—2. Finlandia como parte de Suecia (cruzadas - 1809). 2.1. El cristianismo y el papel de la Iglesia. 2.2. Reasentamiento y propiedad de la tierra. 2.3. Hacia una reforma agraria moderna.—3. La era como Gran Ducado del imperio ruso (1809-1917). 3.1. De la subsistencia local al intercambio de mercado. 3.2. Estado y sociedad civil. 3.3. Cuestión social y nacimiento del movimiento cooperativo finlandés moderno.—4. Finlandia inde-

---

[1] Emeritus professor Tapani Köppä holds a PhD in social sciences and continues to act as Visiting researcher at the Ruralia Institute of the University of Helsinki. He previously researched and taught at the Universities of Tampere, Turku, Jyväskylä and Kuopio in the fields of sociology. He has had a long career, stretching over more than 30 years (since 1980), in furthering co-operative studies at University of Helsinki.

Specialised in rural socioeconomic questions at the Universities of Tampere and Turku he was recruited (in 1973) to research on agricultural and rural policy themes at the Marketing Research Institute of Pellervo Society and as a Research director of the Pellervo Economic Research PTT of Pellervo Society, one of the leading economic policy research institutions in Finland.

Tapani Köppä's publications cover such fields as cooperation, social economy and social policy, rural community studies, diffusion of innovations and social policy themes.

He is a member of the European Academy of Sciences and Arts and has been a member of numerous other scientific associations and advisory bodies of public policy.

pendiente (1917-). 4.1. El papel de las cooperativas. 4.2. Industrialización rural. 4.3. Guerras y reconstrucción. 4.4. Urbanización y reactivación rural. 4.5. Renovación de prácticas cooperativas. 4.6. Buscando características centrales de las actividades cooperativas.—5. A modo de conclusión: Repensar la economía de mercado, virar hacia un mundo en el que todos ganen.—Referencias.

Abstract: This essay deals with the importance of human cooperation for the development of societies and economies. The rural history of Finland offers rich material about the topic, including forms and applications of cooperation in economy and community life as well as the role of cooperetion in the development of social institutions and fulfilling political goals. Historical continuum covers here 900 years, including Finland as part of Sweden (~1100-1808), as an autonomous Grand Duchy of Russian empire (1809-1917) and as an indpendent republic of Finland (1917-).

The author aims to provoke discussion about the social political importance of cooperation in general as win-win model recognising collective interests of people and balancing dominant individualistic view of man behind the rationality of mainstream competition economy. Long historical evidence of cooperative survival calls e.g. for continuing theoretical works like Nobelist Elinor Ostrom´s path-breaking analyses of *the Commons* and to give deeper time perspective for comparative research interests around recent topics, like the role of social economy in different countries.

Relationships between cooperation and society can be recognised during history in changes of socio-political power relationships, applying of new technologies and re-organising community activities and economic exchange. An example with far-reching comsequences of these components in Finland was the period around the turn of 18th and 19th centuries. Market economy was replacing local subsistence economy, leaving traditional local means of livelihood in troubles. Rural poverty was critical social question needing measures to introduce new agricultural technologies and empowering poor peasants to self-help and extension organisations. Need to find access to larger markets for food and timber, including exporting, was also extremely important. Awareness of new European models of rural and agricultural cooperatives came into this context through influential pioneers, like Hannes Gebhard. After founding of Pellervo Society as central organisation of cooperation, the adoption and dissemination of cooperatives went on rapidly as an important component of Finnish small farm favouring agricultural policy.

Talkoot is an essential element of the Finnish rural cooperation. Initially talkoot has been applied in rural communities as voluntary and mutual exchange of work and equipment. This could respond to everyday needs, but has also been applied for the sake of solidarity, to help disadvantaged members of the community. Talkoot-practices were exploited also by authorities, obligating subjects collectively to cooperate for certain common responsibilities. As an example of talkoot potential of Finns in exceptional circumstances was the organising of voluntary acts in home front during the wars 1939 and 1941-45.

Keywords: win-win solutions, co-producing, commons, *talkoot* (Finnish, pl), cooperation, competition, social economy, subsistence vs. market economy.

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 15-34
doi: https://doi.org/10.18543/dec.2883 • https://dec.revistas.deusto.es

Resumen: Este ensayo aborda la importancia de la cooperación humana para el desarrollo de las sociedades y las economías. La historia rural de Finlandia ofrece material rico sobre el tema, incluidas formas y aplicaciones de la cooperación en la economía y la vida comunitaria, así como el papel de la cooperación en el desarrollo de las instituciones sociales y el cumplimiento de objetivos políticos. El continuo histórico abarca aquí 900 años, incluyendo a Finlandia como parte de Suecia (~1100-1808), como Gran Ducado autónomo del imperio ruso (1809-1917) y como república independiente de Finlandia (1917-).

El autor pretende provocar un debate sobre la importancia sociopolítica de la cooperación en general como un modelo en el que todos ganan, reconociendo los intereses colectivos de las personas y equilibrando la visión individualista dominante del hombre detrás de la racionalidad de la economía de competencia dominante. Una larga evidencia histórica de llamadas de supervivencia cooperativa, p. por continuar con trabajos teóricos como los análisis innovadores de los comunes de la Nobel Elinor Ostrom y por brindar una perspectiva temporal más profunda para intereses de investigación comparada en torno a temas recientes, como el papel de la economía social en diferentes países.

Las relaciones entre cooperación y sociedad pueden reconocerse a lo largo de la historia en cambios de las relaciones de poder sociopolítico, aplicación de nuevas tecnologías y reorganización de las actividades comunitarias y del intercambio económico. Un ejemplo con consecuencias de gran alcance de estos componentes en Finlandia fue el período de finales del siglo XVIII y XIX. La economía de mercado estaba reemplazando a la economía de subsistencia local, dejando en problemas los medios de vida locales tradicionales. La pobreza rural era una cuestión social crítica que requería medidas para introducir nuevas tecnologías agrícolas y empoderar a los campesinos pobres para que participaran en organizaciones de extensión y autoayuda. También era extremadamente importante la necesidad de encontrar acceso a mercados más grandes para los alimentos y la madera, incluida la exportación. En este contexto surgió el conocimiento de los nuevos modelos europeos de cooperativas rurales y agrícolas a través de pioneros influyentes, como Hannes Gebhard. Después de la fundación de la Sociedad Pellervo como organización central de cooperación, la adopción y difusión de las cooperativas continuó rápidamente como un componente importante de la política agrícola finlandesa que favorece a las pequeñas explotaciones.

Talkoot es un elemento esencial de la cooperación rural finlandesa. Inicialmente, el talkoot se aplicó en comunidades rurales como intercambio voluntario y mutuo de trabajo y equipo. Esto podría responder a las necesidades cotidianas, pero también se ha aplicado por motivos de solidaridad, para ayudar a los miembros desfavorecidos de la comunidad. Las autoridades también explotaron las prácticas de talkoot, obligando a los sujetos a cooperar colectivamente en ciertas responsabilidades comunes. Un ejemplo del potencial hablador de los finlandeses en circunstancias excepcionales fue la organización de actos voluntarios en el frente interno durante las guerras de 1939 y 1941-45.

Palabras clave: soluciones beneficiosas para todos, coproducción, bienes comunes, talkoot (finlandés, pl), cooperación, competencia, economía social, economía de subsistencia versus economía de mercado.

1. **Introduction**

Cooperation plays a central role in the evolution of human societies. Finnish rural cooperation is presented here as an example of the survival of the very core of the cooperative behavioural model through periods of changing development stages: from hunting and fishing to agriculture with man and horse power to machinery and market economy, until industrial and knowledge societies of globalisation.

Finland was part of Sweden for about 700 years, 108 years under Russian rule, and has been an independent country for 104 years, and a member of The Europen Union as of 1995. Cooperation has needed to adapt into changing sociopolitical organisational settings. Changes have required learning of new win-win solutions regarding adoption of new technologies, responding to population growth as well as becoming accustomed with increasing complexity of social organisations.

Cooperation has been applied in all fields of life, from getting food, shelter and warmth as essentials of life as well as to organise community life and maintain its integrity as an actor connected with the growing size and complexity of the societies. Therefore, cooperation is understood in the broad meaning of the word in this essay. The main concern will be given to economic cooperation, but even there, the aims of cooperation and its contexts may be more or less intertwined with social needs, cultural life, political power, religious or ethical realms. The main contribution of this text might be the recognition of the importance of cooperation as a learning platform for win-win solutions to develop societies more peacefully towards the common future of mankind. Given the recent state of arts, the global hegemony of competitive market economy needs critical re-evaluation. Cooperation, belonging to the very core of human evolution must be recognized as an instrument to build a more sustainable world, ecologically, economically and socially.

In Finland, as also in general around the globe, the range of cooperation has reached from necessities of life and working to a multitude of shared experiences of people, following the seasons through the year, sharing common experiences of life, from weddings to funerals, sharing risks and solidarity in accidents. The needs of co-operation have been regular and widely shared.[2]

[2] Ability to cooperate has been a major means of survival for mankind since the very early phases of history, from gathering, hunting and fishing to nomade cultures and learning cultivation of land and breeding cattle in agricultural societies (cf. Kaltenborn, 2016; Wright, 1999).

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 15-34
doi: https://doi.org/10.18543/dec.2883 • https://dec.revistas.deusto.es

2. **Finland as part of Sweden (crusades -1809)**

2.1. *Christinity and the role of the Church*

The Finnish tribal communities were joined to the Kingdom of Sweden between the 12th and 14th centuries. Finns were slowly converted to Christianity by Roman Catholic priests, partly voluntarily, partly forced by the sword of the conqueror. Contacts with the eastern Orthodox religion were charasterised by recurrent border disputes between Sweden and Novgorod (Russia). In time, the wealth and political power of the Catholic Church of Sweden grew and led to power struggle between the State and the Church. King Gustav Vasa turned to reform the Church according to Central European reformatory ideas. In 1527 The Assembly of the Estates accepted the king´s proposition, according to which Lutheran faith was to be preached in the whole Kingdom. Instead of Pope, King became the head of the Church in non-religious things. In Finland reformation meant, most importantly, translation of religious texts into Finnish. Bishop Mikael Agricola wrote the first Finnish ABC book for primary learning in 1543. For next centuries, the clergy got an important task to promote literacy among the common people.

2.2. *Resettlement and land ownership*

Swedish laws came into effect in Finland, like landowning rights to peasants, protecting them against misuse by big landowners, clergy and nobility. Populating of Finland from western and southern coasts towards large forest areas in east and north was strongly extended during 16th -17th centuries. The crown was interested to expand the realm's frontline and get more tax-payers from standing settlers. Forests were cleared for cultivation, and markets were opened to transport tar from far forests along the rivers to be exported for sailing ships. The majority of the country remained rural. Cities were established on the shore for military and administrative needs and trading purposes. Early ironworks colonies were established in rural areas.

Peasants got own land to clear for growing. Different kinds of cultivated village fields were gathered into plots and divided between peasants as parallel parcels so that everybody in the village got his or her part of better or worse land to cultivate. This practice led to a need of coordinating agricultural season´s works, using common tools and work inputs. Forests, lakes and pastures around the villages were used

as *commons*. Those areas, owned by the crown were utilised by the village families together e.g. for their cattle, pigs and sheep. In eastern parts of Finland, settlement structure developed more dispersed because of the usual burn-clearing agriculture, meaning dividing of new cultivated land plots more separately by the families.

Creation of sustainable communities, and involving peasants into the State institutions meant different kinds of duties, pushing people to organise themselves, e.g. to maintain collectively roads and bridges, or caring of State or Church officials´ travelling and lodging needs. There was a separate kind of tax paying introduced in 1620´s to recruit and maintain reserve army. Peasants were organised in small groups responsible to equip and resettle one to couple of soldiers for reserve forces, called allotments (*ruotujakolaitos* in Finnish, *indelningsverket* in Swedish). This allotment system was enforced in stages in different parts of the country.

The Church relied on cooperative practices used by common people accompanyig the secular power. The clergy had, e.g. primary responsibility on the teaching of literacy for the people. Parishioners were required to hold literacy learning circles jointly. Especially the meaning of work, diligence and love of fellow men as protestant civic virtues were instilled into the minds of common people. Seeds and tools for conscious national identity were sown already through these shared civic duty exercises.

New technologies were slowly changing collective agricultural practices. Modern methods, like horse shoeing and using iron made ploughs for plowing instead of wooden tools made possible to cultivate bigger plots faster. Individual aims of those eager to apply modern tools and practices met used-to-be ways of getting work done or crop reaped together. Shared spirit of conformity as cultural lag made diffusion of individualistic innovations slow in the villages.

2.3. *Towards modern land reform*

The crown was interested to increase food production to get more tax revenues and, in addition to export incomes, needed to fund growing administration needs, including high costs of the maintenance and rearmament of the army. Big crown manors and Church owned estates became pioneers of new agricultural practices and means to distribute innovations among peasants. Traditional ways of working changed, however, slowly. Land reform laws, implemented in 1742, gave means for a fundamental change to reconstruct rural settlements. Now each

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 15-34
doi: https://doi.org/10.18543/dec.2883 • https://dec.revistas.deusto.es

farm was allowed to collect all its land plots around its own farm house, instead of leaving its fields as parcels among several joined field areas.

Implementing of the land reform took a long time, and in addition to changing borders between physical properties it had far-reaching consequences for the Finnish rural society during the 19th century, connected with turning from subsistence economy to money economy. It meant the disappearing of many traditional forms of rural cooperation, too, and creating motives and ways to several new forms of cooperation at the same time, however.

Traditional village life, dominated by the collective interests of producers and based on subsistence economy, could be called "*local social economy"* of those times. The land reform of 1742 cut the dependency of farm units to follow traditional village practices and organising work and planning planting collectively. The role of the clergy and nobility as estate owners was emphasised as model farmers to disperse new technologies and cultivation methods among peasants.

3. **The era as a Grand Duchy of the Russian empire (1809-1917)**

The map of Europe was re-drawn by the Napoleon wars during early years of the 19thcentury. This had epoch-making cosequences to Finland, too. Napoleon agreed with Czar Alexander of Russia on military alliance against his enemy Gustav IV Adolf, King of Sweden. This led to Russian attack on Finland in 1808. After the war between Sweden and Russia, Finland was departed from Sweden and became part of Russia in 1809.

3.1. *From local subsistency to market exchange*

Until the late 19th century more than 90 % of Finns were living in the countryside. Equipment needed in agriculture or households was mostly prepared in village workshops by craftsmen or peasants themselves. In towns, people owned small plots to grow food and take care of cows, pigs or hen to ensure their daily food and livelihood. The small number of town people did not provide ground for economic growth, and poor peasants did not have money to modernise agricultural production.

Agricultural practices of rural villages adapted to the needs of economic change through land reforms. Transition from natural economy to monetary economy meant eradication of many previously flourishing cooperative practices. At the end of the 19th century, while markets were liberated, the peasants were left unprotected against the arbitrary

power of purchasers of timber and agricultural products. Rural poverty escalated to societal problems requiring solutions. Improving the situation of small farmers was seen as a task that could be influenced by means of economic cooperation.

The road from self-sufficient subsistence economy towards market economy accelerated in Finland from the1870´s on. Industrial production was fed by newly opened markets of sawmill products to Western Europe and increasing demands of food products to Russia. The size of factories grew and big companies surpassed handicraft workshops compared by productivity, not so much because of their capital outputs but their increasing workforce. Income streams from timber and foodstuff export sales found their ways into rural communities as money incomes from milk production and logging. This meant intertwining of export, industrial production, agriculture and forestry into market economic exchange, delivering work and income as small streams to the regions, occupational groups and social needs. The emerging market economy contributed to keeping the whole country inhabited while benefitting of this also itself.

3.2. *State and civil society*

Under Russian power, the autonomous Grand Duchy of Finland established during the 1800´s its own Assembly of Estates, got own money, and Finnish was regarded as official language beside Swedish. An act of primary schooling came also into force. National identity was strengthened in the fields of higher education, literature and arts. Adult education was developed in the spirit of popular enlightenment in different schools around the country. This was especially important for recruiting committed leaders to later established agricultural and cooperative extension and development organisations.

During the late 19th century, numerous popular movements mobilised people, like religious revivalist movements, sports, temperance movement against corruption of morals, etc. Charitable associations were organised by socially conscious educated people. Cells of trade unions among industrial workers came into existence. The socialdemocratic party of Finland was established in 1899, followed by the Agrarian Party in 1907 and other political parties (like Finnish and Swedish Parties) were also organised during the first decades of the 20th century. The Assembly of Estates was replaced by a democratically elected parliament in 1906. The growth of popular movements on broad fronts gave birth to vital developments of the Finnish civil society and

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 15-34
doi: https://doi.org/10.18543/dec.2883 • https://dec.revistas.deusto.es

social economy. It meant a quite natural response to re-organise social interaction on broader regional and popular basis, following the widening of everyday interests of people from local community affairs towards larger regional and social interests.

3.3. *Social question and birth of the modern Finnish cooperative movement*

In the beginning of 20th century, rural poverty, especially the hard situation of the landless people, was the most severe social problem of the country. Several statistical studies and empirical investigations were made, and reforms were prepared by officials, e.g. to improve the position of crofters. Reforms did not, however, come in force before the Civil War in 1918, shortly after the country had got independence.

The idea of farmers´ cooperatives came to Finland just in the right time through researches made of some European experiences by Hannes and Hedvig Gebhard. They belonged to the front row of pioneering reformists pushing land reform, cooperation and organising of small-scale peasants. Hannes Gebhard suggested establishment of a central organisation as an economic association to take the responsibility of promoting the cooperative idea and caring for advice and coordination for established cooperatives nationwide. Pellervo Society was founded in 1899. It became the central organisation in first hand for agricultural producers´ cooperatives, but was soon supplemented by the fast growing consumers´ movement SOK (The Central Finnish Cooperative Society). Followed by the establishment of sectoral cooperative unions there began a boom of establishing cooperative bank associations, retail shops, dairies, slaughterhouses as well as agricultural small cooperatives in machinery, purchasing of equipment etc. Rural electricity, telephone and water cooperatives were also furthered by local communities, and forest owners organised timber sales and their own forestry industries cooperatively. Leaders of cooperative organisations came usually from peasants´ associations.The first Finnish cooperative law was enacted in 1901. Inspired by popular enlightenment, practical lessons of cooperation were learned and spread by innovators around the whole country.(Kuisma *et al.*1999).

4. **Independent Finland (1917-)**

Finland declared independent in December 1917, in the whirlwinds of the Russian revolution. The First World War meant fundamental

changes in the foreign trade and international relations of Finland. After the war and independence, important exporting markets to Russia had to be compensated by trade relations to the West.

In 1918 Civil War broke out in Finland because of the sharpening of political power struggle into armed clashes between "White Guards" of the bourgeoise and "Red Guards" of socialists. Almost 40 000 people died due to the cruel war: as soldiers in the battlefields, executed or victims of terrorism, and because of diceases or undernourishment in the war-prison camps after the war.

4.1. *The role of cooperatives*

Built on the traditional rural cooperation, cooperative societies had a fruitful ground to grow in independent Finland. Modern cooperatives were an entrepreneurial innovation, but also socioeconomic change agent. Besides Pellervo Society, Swedish speaking cooperatives were organised in 1919 under own central union, Finlands Svenska Andelsförbund (FSA). In the first decades of 1900´s cooperative shops competed hard with private ones. The cooperative win-win idea was in the economy a conscious opinion-leader as a counter-force to the big firms of the investor ownership based competitive economy. Cooperatives became an influential group in Finnish economic life.

The memories of the Civil War were not easily forgotten in the Finnish society. This was the case also in the cooperative movement. Dividing cooperation into two competing groups took place actually already in 1916 by establishing the Central Union of Consumer Cooperatives (KK) by the leftist cooperatives and thereby cutting their membership in Pellervo Society and SOK. Dividing of the Finnish cooperative movement into non-political Pellervo group and progressive/leftist E-cooperatives will not be described further in this article. However, both groups continued their work on the same international cooperative principles. They also participated in Nordic forums of cooperatives as well as were members in International Cooperative Alliance. Today, "the leftist camp" of cooperatives have returned to Pellervo Society (now Coop Centre Pellervo), making Finnish cooperation again strong while united in diversity.

4.2. *Rural industrialisation*

In independent Finland, the main ethos behind agricultural policy remained the promoting of small peasant farming. This included work

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 15-34
doi: https://doi.org/10.18543/dec.2883 • https://dec.revistas.deusto.es

in forestry for men and household work connected with milk-cows employing women.

Industrialisation of Finland has been claimed to have been slow due to the domination of agricultural interests. Prominent industries of Finland were, however, rural sawmills, pulp and paper factories as well as local dairies, slaughter houses, grain mills and small-scale metal workshops. Those were established decentralised in different parts of the country, along traffic connections. Factories were built near waterways, on river banks to get waterpower for their working processes and producing electricity also for surrounding settlements. The settlement map of Finland was enriched by an "archipelago" of forest industrial communities surrounded by sparsely settled rural areas.

Factories participated in the daily life of their communities actively. They took care of several social needs of their workers participating in organising of health care and social aid, even establishing schools and libraries. Peasant families earned incomes from delivering wood to forestry industries and from milk, meat and cereals processed and marketed by agro-food industrial cooperatives. This network from primary production to processing, transportation and marketing created ground for growing rural and industrial localities all around the large country. In fact, especially forestry industries in Finland developed closely connected with rural settlements, benefitting of raw-material producers' presence, infrastructure building and workforce availability in rural settlements. Industrialisation got indirect economic political support from rural development measures in Finland and contributed that way to the goal of keeping the whole country inhabited and developed.

4.3. *Wars and reconstruction*

During hard times like ecological crises, famine, deceases and wars, cooperation may grow in importance as a means to survive. Finland was drawn into a war twice by Soviet Union, alone in 1939-40 ("Winter War") and again together with Germany in 1941-44 ("Continuation War"), followed by the "Lapland´s War" in 1945 to throw German troops out of Finland as a requirement included in the peace agreement between Finland and the Soviet Union/Allied Forces. After the Finnish Civil War in 1918 the relationship between opposing parts of the conflict remained critical because of the bitterness felt by the defeated red ones and threatening takeover by extreme rightists wanting to complete the victory of the whites by force. The moderate majority

was, however, working for normalising political and social life, leading e.g. to a political coalition government including agrarian and other moderate center parties and socialdemocrats. The attack of Soviet forces in 1939 joined the entire nation to fight against the common enemy. This was realised by so-called unanimity of the Winter War between soldiers fighting side by side on the front. The same unanimity was realised at the home front by voluntary civil society actors organising delivery of food, collecting clothes and other kinds of materials needed by soldiers on the front.

During the "Continuation War" 1941-45 the survival of the home front was possible only by the mobilisation of the traditional means of cooperation and community spirit, called *talkoot* in Finnish (cf. English bee). Joint efforts of voluntary organisations were carried out nationwide, launching *Suomen talkoot (Finnish bee)* and *Suurtalkoot (Great Bee)* campaigns for collecting recycling raw-materials to industries, like waste metal, rags, recyclable paper, glass etc. Food supply belonged to joint *talkoot*-efforts in all possible ways, gathering of ears of corn on the fields, berries, mushrooms etc., everything useable or substitute to recompense the dwindled imports and diminished domestic production. *Talkoot*-cooperation was mobilised during rush seasons to help farms left to be taken care by women, children and old men. In 1942, as an example, more than three million voluntary work hours were estimated to be done in spring works in the fields and 12 million hours in harvesting works by those participating in *talkoot*-cooperation. Special campaign to obtain firewood by *talkoot*-works in 1942 produced 1,4 million cubic meters firewood. After the war thousands of women who took part in voluntary work campaigns in factories and offices during the war, having learned new skills, did not turn back home but applied for work outside the home after the war. This meant significant consequences changing the gender division of labour after the war. (Jermo, 1974).

Near half million people were evacueed from Karelia and several northern districts of Finland taken by the Soviet Union. 220 000 evacuees came from farm families. They were resettled by massive government programmes to open up land for farming. Farmers of the host municipalities were obliged to surrender land for this purpose. Solidarity was needed, as well as cooperation, like *talkoot* in all possible forms to run the programme through. War-veterans were also given special help to get land and build homes in rural as well as urban settlements. Cooperative banks got an important task in the funding of the settlement programmes.The role of cooperative enterprises as deliveries and processors of basic foodstuffs remained strong after the wars.

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 15-34
doi: https://doi.org/10.18543/dec.2883 • https://dec.revistas.deusto.es

The role of machinery cooperatives and farmers´ associations was significant in mechanisation of the small farm-dominated agriculture. The reconstruction time following the wars meant dynamic development for rural communities through villages, like building schools for rising numbers of children and employing people in services needed by developing economic activities. The time of rural growth and prosperity remained short, however (Kuisma *et al.*1999).

4.4. *Urbanisation and rural revival*

Structural change towards urban growth accelerated in the 1960´s. The model of small farm based agricultural policy got in troubles because of surplus of agricultural products and collapse of the belief in the viability of small-farming. Policy aims were turned towards rationalisation and increasing the size of the farms. Forecasts for small farms became dark, and working-age people moved from rural areas in record numbers for employment to southern centres in Finland, or directly to Sweden. This meant also big changes of the social life in villages: self-made village activities were replaced by mass entertainment of TV screens, many local repair-workshops closed down and professional services moved to regional service centres of big business units.

Objections towards local passivity, central bureaucratic trends and rural exodus grew strongly among rural people during the late 1970´s, however. First village committees were established. The example was followed around the country and furthered by action research groups of university students and researchers. Village committees and other associations invited all villagers to *talkoot*, to work together for their common needs, like repairing the village house, fighting for the maintenance of local services or introducing entrepreneurial activities for the village.

Administrative programmes and practices connected with rural development needs were traditionally identified in Finland strongly with agriculture and forestry policies. In the 1980´s rural development was understood as a more holistic approach, meaning more exchange of information across sectoral borders in governance, and coordinating measures dealing with rural development in different administrative institutions. A national campaign, "Living Countryside" led by the government was organised in 1985 to arouse common consciousness among public opinion, local and regional policies to recognise the importance of rural development measures. An intersectoral advisory board for rural policy was established to prepare a standing national

rural policy programme. Since 1990 the executive board of rural policy as an advisory body for sectoral policy measures has been composed of representatives of line ministries, members from the Finnish local authorities´ union, interest organisations, village movement and research organisations. Its role has been important as programme innovator and funding initiator for hundreds of development projects, including coordination activities of rural development programmes of the funds of the EU.

4.5. *Renovation of cooperative practices*

During the 1990´s, established big cooperatives in Finland had to reorganise their business structures according to radical changes of their operational environment. There are both success stories and hardships: bankruptcies of the big farmers´ supply cooperative Hankkija (Pellervo group) and consumers´ E-cooperative (former KK group). On the other hand, agricultural dairy cooperatives and slaughterhouses survived quite successfully through the changes of agricultural policies and internationalisation due to the accession of Finland to the European Union. Radical restructuring took place also in the big consumer cooperative S-group (SOK) and the co-operative bank OP group. During the deep depression in early 1990´s they survived better than their hardest competitors. This was, most interestingly, made in parallel with innovative modernising of their services according to the needs of Information and Communication Technological development, and putting focus on their traditional responsibilities of local needs and participation of the members (Kuisma *et al.*1999).

Cooperative enterprises have been established in Finland also in new fields, having provided innovative contributions both to the changes of labour markets and to the emerging service needs. The emerging of new multipurpose worker´s cooperatives across Finland during the deep depression of early 1990´s was most important beginning to a wave of establishing different kinds of cooperatives and making cooperatives recognised by the public and authorities. Co-operatives have also been able to combine diverse know-how with successful businesses, establish local energy production or water supply and sewerage cooperatives, open up work for unemployed and prevent social exclusion (Kuisma *et al.*1999).

Both established old and emerging new co-operatives have met challenging operational environment: depression of the early 1990´s in

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 15-34
doi: https://doi.org/10.18543/dec.2883 • https://dec.revistas.deusto.es

Finland, membership of Finland in European Union as of 1995, worldwide stock market crash in 2008 and long recession thereafter, including unpredictabilities of globalisation, not to mention Covid-2019 and Russian attacking on Ukraine since 2014. In spite of that, the saldo has been positive for the Finnish cooperatives as a whole. Explaining their success is summarised in **Table 1**: (Köppä 2015).

Table 1

Explaining the success of cooperatives in Finland since 1990

— *Confidence* of the membership in focus: *S-group (Finnish consumer cooperatives)*

- Benefits of membership visible: innovative/participatory means of returning surplus, promoting regional employment and investments

— *Economic crises: survival* of cooperative banks

- Responsibility of funding local people and industries: Cooperative banks more reliable than their commercial competitors
- Innovative new cooperatives of the 1990´s (e.g. workers´ co-operatives of unemployed), opening markets for small and middle-sized cooperatives

— Motivation of doing *meaningful work*

- Team entrepreneurship, combining high performance with enjoyment and fellowship

— "Neo-traditional cooperation"/analogical to Finnish *talkoot*

- Internet, open source, social media
- "Alternative economy cultures" (cooperatives, participatory economy, commons, peer-to-peer (peer funding/production, mutual exchange of work etc.)

— *Filling gaps of democracy* in social and health care

- E.g. social cooperatives in Italy
- In Finland: not recognised choice; ***need for new social policy.***

4.6. *Looking for core characteristics of cooperative activities*

The importance of *talkoot* in national interests of Finns as described above, deserves attention also in the recent conditions, where

claiming competitivity and private incentives are stressed as primary means of survival. *Talkoot* represent collective, shared interests, arousing from consciousness of the group and its survival. Historical evidence of successful applications of *talkoot* is multitude. That could easily be used to prove Nobel Laureate Elinor Ostroms theses right, concerning the ability of people to manage cooperative organisations rationally and successfully (Ostrom 1996). Among the mainstream economists, misconceptions like "the tragedy of commons" —theories, still prevent to bring cooperation into picture as a useful means and accaptable aim for economic policy issues,

Talkoot as grass-root practices have been the core of Finnish applications of cooperation from ancient times.The practices became so common and sustaining, that *talkoot* can be called an institution. The ability to organise *talkoot* has been learned deeply by Finns, and a little bit exaggerated, everybody can initiate this kind of joint action. *Talkoot* has survived through the centuries, and is still alive in Finland, both in rural and urban environments. Interests of the collective are in the very core of this model of cooperative evolution (Table 2).

Table 2

Charasteristics of *talkoot*

— Getting together for joint work efforts, based on voluntary participation and collective rewarding through hospitality and enjoying of the shared work performance.
— Temporary or occasional needs of united action (seasonal works in agriculture, assistance in constructing houses, roads, bridges, community festivals, later also material resources or fund-raising campaigns).
— Mutual aid between equals (smaller or bigger, more or less stabile talkoot circles).
— Assistance without direct reciprocity, shared responsibility of neighbours/ community towards its weakest members (in case of a burnt house, lost crop, getting sick, death of spouse, etc.).

5. By way of conclusion: Rethinking market economy, turning towards a win-win world

There is a treasury of information concerning cooperatives in different social and economic conditions in Finland, covering thousands of years, from Stone Age on. Ethnographic, geographic and social anthro-

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 15-34
doi: https://doi.org/10.18543/dec.2883 • https://dec.revistas.deusto.es

pological research has been made based on huge amounts of archeological investigations, written documents and oral traditions.

Unraveling the roots of cooperation may give additional perspectives to look at the role of cooperation today, in the context of the era of globalisation, digitalisation and uncertainties of the future. Is it time to re-evaluate the relationship between cooperation and competition, aiming at a renaissance of cooperation in all fields of economies: public, market and social economy?

It is interesting to look at the manifestations and roots of human cooperation, and explain the whys of its continuance and transformation. I want to go even further, asking the meaning of applying evidence of past experiences of cooperation to future oriented developing and recognising shortcomings in present day conditions. There are a lot of contextual differences, important to take into consideration, of course. The key to make ancient wisdom of cooperation interesting and useful today is imagination. There may be features and characteristics in cooperation that are relevant even today (Paterson, 2010).

The most interesting common element to make comparisons meaningful might be the rationality of cooperation. The essence of cooperation is win-win gaming, not selfish profit seeking but altruistic sharing and participating in something common. I regard this as the origin of the forms of *social economy.* Social economy comes historically before governing by authority and use of delegated power (public economy). Cooperation as win-win gaming has always belonged to economic exchange. Its function has been to maintain the group and community (Ostrom,1996). Selfish win-lose gaming could not be possible without at least minimum of consensus of the collective existence. This has not been recognised by economists and economic policy decision makers and actors of globalisation. Company laws define profit-making for investor-owners as the aim and purpose of the firm. In the digital platforms, speculation with future values and applying operations to buy and sell virtual money, programmes are skewed towards win-lose games resulting in the winner gets all markets. This is a real danger to international and national financial systems. Regulation is needed, and win-win principles should be found to save the market economy. It is time for developing market economy towards cooperative common markets recognising *social economy*. Business legislation belongs to the agenda, meaning that in our common world the only purpose of the firm cannot be selfish gaming for accumulating wealth.

Following the history of cooperation as idea and practice, the information society seems to favour platforms based on sharing and open relationships instead of lonely riders. The Finnish philosopher Pekka

Himanen recognised the enthusiasm of the young open source programming pioneers in his visionary book *Hacker ethic and the spirit of information age*. He refers to the process of developing the open source software Linux. According to Himanen, the inspiration and motivation typical of the platforms of the digitalisation age rise from participation, acting and learning together, getting access to meaningful good-doing, creating collectively something new and sharing the benefits as "establishing commons". In other words, our future will be saved by *talkoot* (Himanen *et al.*, 2001).

The welfare state was developed in Finland by a broad political consensus. Today, the perspectives of saving the positive development of the welfare state are challenging. The new public management has replaced old criteria of good governing by cost-efficiency instruments, based on digital means of evaluation. Correction measures are needed to restore the clients and professionals into the picture as real participants and co-producers of services to be taken care by public institutions.[3] The economic rationality and historical function of Finnish cooperatives has been to correct failures of the markets, like establishing agricultural producers' cooperatives and consumer cooperatives in the early 1900´s. Similarly, cooperatives could be established in social and health care services as correcting the public failure. There is an urgent need to organise actors of public health care and social services according to common interests instead of private profit or bureaucratic control. The lacking spirit of win-win solutions between actors of social and health caring means also a failure of Finnish social policy, having forgotten cooperation as representing customers and as potential coordinating actor to introduce co-production between service producers.

Cities can't survive without a vibrant countryside in the future. Reconstructions of ancient predecessors of cooperation are still inherent in some rural forms and rationalities of work and sharing practices, like *talkoot* and *commons*. Learning new cooperative win-win solutions combined with diffusion of technological innovations was inherent in rural societies for hundreds of years. It was possible because of communication between equals, exchanging information directly from producer to user, without middlemen. Already now, but much more in the future, digitalisation and

[3] Interesting research of co-ownership as a potential means to introduce cooperation in public services deals with the Japanese health-care cooperatives. Experiences of co-producing have been applied by cooperatives to integrate members as users into the organising of services, as well as activate employees to participate on the planning of their work. The method could also be applied to integrate public and private providers of services cooperatively to implement services. (Pestoff 2021).

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 15-34
doi: https://doi.org/10.18543/dec.2883 • https://dec.revistas.deusto.es

AI systems can operate in principle like this, too. Diversity of the market economy could become more empowering by various forms of win-win games, meaning cooperatives, social enterprises, public-private partnerships, and local as well as virtual platform networks. Development based on bottom-up initiatives and horizontal cooperation means a shift from private profit-making towards taking care of the concern for community.

References

HIMANEN, Pekka, Linus TORVALDS (prologue), Manuel CASTELLS (epilogue), (2001), Hacker ethic. A radical approach to the philosophy of business. Random House Trade Paperbacks. New York.

JERMO, Aake (1974), Kun kansa eli kortilla. *In English: People and regulation cards. Life in Finland during war and post-war depression*. Helsinki: Kustannusosakeyhtiö Otava.

KALTENBORN, Wilhelm (2016), Illusion and Reality. The cooperative idea: A constant companion throughout the history of mankind. Zentralkonsum eG and Books on Demand GmbH, Berlin and Norderstedt.

KUISMA, Markku *et al.* (1999), The Pellervo Story. A century of Finnish cooperation, 1899-1999. Helsinki: Pellervo Confederation of Finnish Cooperatives, Kirjayhtymä.

KÖPPÄ, T. (2009), Yhteistoiminnan evoluutio ja osuustoiminta. *In English: The evolution of cooperation.* In: Nikula, Jouko (ed .), Maaseutuaiheita. *Rural Motifs*, Essays in Honour of Professor Leo Granberg. Aleksanteri Series 5/2009. Gummerus Printing. Finland.

KÖPPÄ, T. (2022), Concern for Community: Contributions of the Cooperatives and Fraternité to Sustainable Development. In: W. Tadjudje and I. Douvitsa (eds.), (2022), Perspectives on Cooperative Law. Festschrift in Honour of Professor Hagen Henrÿ. Springer Nature. Singapore.

KÖPPÄ,T. (2015), Towards a renaissance of co-operativism or back to the beast capitalism? In: Laurinkari, J. and Unger, F. (eds), Justice and Solidarity: The European utopia in a globalising era. Symposium in Kuopio. 2.-3.9.2014. European Academy of Sciences and Arts. Grano, Kuopio.

KÖPPÄ, T. and SIISKONEN, Pirjo. (1982), Rural community studies in Finland (pp. 221-271). In: Durand-Drouhin, J-L *et al.* (eds.), Rural community studies in Europe. Volume 2. European Coordination Centre for Research and Documentation in Social Sciences. Pergamon Press, Oxford-New York-Toronto-Sydney-Paris-Franfurt.

OSTROM, Elinor (1996), Crossing the Great Divide: Co-production, Synergy & Development, *World Development*, 24/6: 1073-1087.

PATERSON, Andrew Gryf (2010), A buzz between rural cooperation and the online swarm. In: Special issue: Affinities Journal. Vol. 4, No 1 (2010), The New Cooperativism. https://wiki.p2pfoundation.net/Rural_Cooperation_and_the_Online_Swarm

PESTOFF, Victor (2021), Co-production and Japanese Healthcare; Work Environment, Governance, Service Quality and Social Values. London & New York: Routledge.

TADJUDJE, Willy and DOUVITSA, Ifigeneia (eds.), (2022), Perspectives on cooperative law. Festschrift In Honour of Professor Hagen Henrÿ. Springer Nature. Singapore https://doi.org/10.1007/878-981-19-1991-6

WRIGHT, Robert (1999), Nonzero: The Logic of Human Destiny. Pantheon Books. (The New York Times Book Review Notable Book in the year 2000).

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 15-34
doi: https://doi.org/10.18543/dec.2883 • https://dec.revistas.deusto.es

Echoes of Co-operatives from the North —the Breakthrough of the Finnish Cooperative Movement—

Ecos de las cooperativas del Norte —el avance del movimiento cooperativo finlandés—

Anu Puusa[1]
Professor
University of Eastern Finland
anu.puusa@uef.fi

Sami Karhu[2]
Professor of Practice
University of Vaasa
karhusami65@gmail.com

doi: https://doi.org/10.18543/dec.2884

Submission date: 28 April 2023
Approval date: 05 October 2023
E-published: January 2024

Contents: 1. Foreword.—2. Echoes of co-operatives from afar.—3. A social and economic movement ignited by political forces.—4. Hannes Gebhard - father of Finnish co-operatives and of their organization, the Pellervo Society.—5. Co-operative loan funds established.—6. From an innovation to an integral part of society.—7. Summary, thoughts and conclusions.—References.

---

[1] Anu Puusa works as a Professor of Management at the Business School of the University of Eastern Finland in Joensuu. Her current research interests relate to co-operatives, organizational identity and change. She has published textbooks and numerous journal articles and other works.

She believes in giving back and as such has held positions of trust on the board and the presidency at Cooperatives Europe, the European regional organization of the Intenacional Coopeat ve Allance (ICA), on the Board of Pellervo Coop Center and she is a vice-president of the Board of Pohjois-Karjalan Osuuskauppa, a regional consumer co-operative that is part of S-Group. She portrays herself as "a co-operative enthusiastic".

Anu Puusa is an experienced organizational speaker, a TED TALK speaker and an awarded teacher.

[2] Sami Karhu is Professor of Practise at the University of Vaasa Cooperative Business School. For many years he was the Managing Director of Pellervo Coop Center, the national Finnish Federation of Cooperatives.

He is a Board member of Lilith Cooperative and chairs Kooperatiivi ry, the coordinator association of this publication.

His special interest is the cooperative business model.

Contenidos: 1. Prólogo.—2. Ecos de cooperativas desde lejos.—3. Movimiento social y económico impulsado por fuerzas políticas.—4. Hannes Gebhard - padre de las cooperativas finlandesas y de su organización, la Sociedad Pellervo.—5. Se establecen fondos para préstamos cooperativos.—6. De una innovación a una parte integral de la sociedad.—7. Resumen, pensamientos y conclusiones.— Referencias.

Abstract: This article describes the breakthrough of the Finnish cooperative movement as part of the larger societal upheaval of the early 20th century. While the breakthrough of the movement may have come late in Finland, it has left an indelible imprint on Finnish society.

The DNA of the Finnish cooperative movement has a hefty dose of international genes, particularly from the UK, Germany, Ireland and Denmark, which was adapted to the Finnish reality. This article discusses what led to the international business model innovation gaining a foothold in a remote and sparsely populated northern country relying predominantly on agricultural production, and what the ramifications of this development were.

In this theoretical article, we have used an explanatory historical research method in order to understand what has happened, why it happened and what resulted from it.

From the European perspective, Finland was a remote, cold forested land, slow to embrace agricultural and industrial progress. Moreover, delayed land reforms increased social pressures. While the basic motives behind the cooperative movement were economic and social, the actualisation of the movement was triggered by Finland's relationship with the Russian central power reaching a crisis point.

The spread of the cooperative movement cannot be explained solely on the social and political pull factor. It also required a strong figurehead and a group of committed people taking an active initiative serving as a catalyst to direct the change.

The past number of decades have demonstrated the practical power of the ideology as Finnish co-operative enterprises have managed to create a credible alternative to other types of business, create healthy competition and provide benefits and services for their members. Cooperatives have been characterized to have a dual nature, which means that although cooperatives have competitive and profitable business operations, simultaneously they have social aims and they have also achieved wider social change. The co-operative movement, which came into existence more than a century ago in Finland, has had a significant impact on the development of Finnish society by pioneering equality and democracy, two values that have since then been universally adopted. Today, in relative terms, Finland is probably the most co-operative country in the world.

Keywords: co-operative, cooperative movement, innovation gaining, societal upheaval, dual nature, Finland.

Resumen: Este artículo describe el avance del movimiento cooperativo finlandés como parte de la agitación social más amplia de principios del siglo XX.

Si bien el avance del movimiento puede haber llegado tarde en Finlandia, ha dejado una huella indeleble en la sociedad finlandesa.

El ADN del movimiento cooperativo finlandés tiene una fuerte dosis de genes internacionales, particularmente del Reino Unido, Alemania, Irlanda y Dinamarca, que se adaptaron a la realidad finlandesa. Este artículo analiza qué llevó a que la innovación del modelo de negocios internacional se afianzara en un país del norte remoto y escasamente poblado que depende predominantemente de la producción agrícola, y cuáles fueron las ramificaciones de este desarrollo.

En este artículo teórico hemos utilizado un método de investigación histórica explicativa para comprender qué sucedió, por qué sucedió y qué resultó de ello.

Desde la perspectiva europea, Finlandia era una tierra remota, fría y boscosa, lenta para abrazar el progreso agrícola e industrial. Además, las reformas agrarias retrasadas aumentaron las presiones sociales. Si bien los motivos básicos detrás del movimiento cooperativo fueron económicos y sociales, la actualización del movimiento fue provocada por el hecho de que la relación de Finlandia con el poder central ruso alcanzó un punto crítico.

La expansión del movimiento cooperativo no puede explicarse únicamente por el factor de atracción social y política. También requirió una figura fuerte y un grupo de personas comprometidas que tomaran una iniciativa activa y actuaran como catalizador para dirigir el cambio.

Las últimas décadas han demostrado el poder práctico de la ideología, ya que las empresas cooperativas finlandesas han logrado crear una alternativa creíble a otros tipos de negocios, crear una competencia sana y brindar beneficios y servicios a sus miembros. Las cooperativas se han caracterizado por tener una naturaleza dual, lo que significa que si bien las cooperativas tienen operaciones comerciales competitivas y rentables, simultáneamente tienen objetivos sociales y también han logrado un cambio social más amplio. El movimiento cooperativo, que nació hace más de un siglo en Finlandia, ha tenido un impacto significativo en el desarrollo de la sociedad finlandesa al ser pionero en la igualdad y la democracia, dos valores que desde entonces han sido adoptados universalmente. Hoy en día, en términos relativos, Finlandia es probablemente el país más cooperativo del mundo.

Palabras clave: cooperativa, movimiento cooperativo, adquisición de innovación, agitación social, naturaleza dual, Finlandia.

1. **Foreword**

The late 19th and early 20th were a period of seismic economic, social and political change in Finland. Social structures were shifting. Civic society independent of the state was organising itself. The economic, social and political power structures which had been created for a completely different world order of the past were either disintegrating, adapting to the new era or crumbling under increasing pressures (Alapuro & Stenius 1989, 50-51).

This article describes the breakthrough of the Finnish cooperative movement as part of the larger societal upheaval of the early 20th century. While the breakthrough of the movement may have come late in Finland, it has left an indelible imprint on Finnish society. This article discusses what led to the international business model innovation gaining a foothold in a remote and sparsely populated northern country relying predominantly on agricultural production and what the ramifications of this development were.

The spread of a movement such as the cooperative movement cannot be explained solely by the social pull factor. In addition, it required a strong figurehead and a group of committed people to take an active initiative and to serve as a catalyst to direct the change. One such figurehead was Dr Hannes Gebhard, the most prominent and internationally known Finnish proponent of the cooperative movement. He was the "father" or, in less ecclesiastic terms, the main ideologue and organiser of the movement in Finland, the likes of whom had emerged in several other countries to lead the movement in its early stages. This article will show how the movement was set in motion in a highly organised and centrally controlled manner by its Helsinki-based leadership. The early efforts of the movement laid foundations for an enduring and solid business model that has prevailed ever since (Alanen 1964, 199-238; Simonen 1949, 32-45; Kuisma 1999, 10-21). However, it is important to recognize that the Finnish cooperative movement gained momentum decades later than the sister movements in Western Europe and other Nordic countries. Therefore, Finns' cooperative activists could draw from and share the experiences of their Nordic and European peers and, indeed, they actively did so through excursions, writings, lectures and public speeches. The DNA of the Finnish cooperative movement has a hefty dose of international genes, particularly from the UK, Germany, Ireland and Denmark, which were adapted to the Finnish reality.

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 35-57
doi: https://doi.org/10.18543/dec.2884 • https://dec.revistas.deusto.es

2. **Echoes of co-operatives from afar**

The earliest recorded manifestations of co-operatives in Finland —meaning pre-cooperatives, or co-operation in the spirit of co-operatives, before any legislation on co-operatives was enacted— appeared in the 16th century when people voluntarily and without any compensation participated in field labour, arranged festivities and rites or procured food (Alanen 1964, 203; Laakkonen & Laurinkari 1995, 1; Kallinen 1953, 9). There were also "workers' unions" among neighbors to provide aid during the busy seasons. In the open-field system society, the necessity to carry out field operations at the same time forced village societies to perform all of their most important soil cultivation and harvesting tasks together. Other known forms of homespun co-operatives include different kinds of forms of joining forces such as mill consortiums, boat consortiums, weirs and seine consortiums and co-operative sawmills. (Alanen 1964, 203).

The roots of organised co-operatives lie in industrialising 19th century Europe. In the mid-19th century, the press started to pay attention to co-operatives also in Finland: "trading organisations and co-operatives based on allotments" were reported. Unlike many Finns may believe, the start of the co-operative movement in our country was very slow (Laakkonen & Laurinkari 1995 71). The uneducated general public deemed the ideology a novelty and there were no people among the few and faltering supporters of the co-operative ideology who could have convinced the general public of the significance of the movement.

Some people did understand the significance of the ideology before others, though. One indication of this is that a petition on legislation for co-operative businesses was submitted to the Finnish Parliament already in 1891 and again in 1894. The petitions were met with little response, however, as the initiatives were rather scattered. At that time, people did not understand that the co-operative movement was a complete ideology with clear-cut goals and viable ideas of how to reach them (Huttunen 1990, 9-14; Simonen 1949, 61-62).

The co-operative movement began to spread in earnest once a man who had strongly felt for the plight of the dispossessed for a long time took the helm (Alanen 1964, 208-209). Hannes Gebhard, that we will discuss in more detail later, became the passionate ideological leader of the co-operative movement, and he continued to promote the ideology all through his life with his wife, Hedvig Gebhard, at his side. Their efforts and their tireless actions in the field of

social economy would leave a deep and active mark in Finnish history.

While the basic motives behind the cooperative movement were economic and social, the actualisation of the movement was triggered by Finland's relationship with the Russian central power reaching a crisis point. The State of Finland began taking shape in 1809, when Russia conquered the Eastern oversees provinces of Sweden during the Napoleonic Wars and formed the Grand Duchy of Finland from the areas populated by Finns. The border province was given extensive autonomy as part of the vast Russian Empire. The Grand Duke of Finland was the Russian Czar. Prior to Russian rule, Finland had been part of the Kingdom of Sweden for 700 years, which had resulted in a close linguistic and cultural bond with Sweden and, with that, a Swedish-speaking ruling class.

This political development is an essential framework within which the birth of the cooperative movement in Finland is to be examined. Finland's position as part of the Russian Empire proved a relatively benign and stable arrangement until the 1890s. The situation changed with the Russian central government tightening its grip of the Western borderlands of the empire. The shift in the central government's approach reflected growing Russian chauvinism and European power politics as Russia saw the balance of power in Europe tilt in Germany's favour and to Russia's detriment following the unification of Germany in 18701 (Polvinen 1984, 52-57). Russia's tightening grip of Finland was perceived as a threat across social classes and it led to forceful reactions. Finns were keen to emphasise their national unity for which the cooperative movement offered a useful tool. While the underlying reasons for the birth of the cooperative movement in Finland were economic and social, the wider political crisis was the decisive trigger in its timing.

The political deadlock was ultimately deep. In the turmoil of the First World War, Finland became independent in 1917. It can be argued that the economic vitality, collaboration and solidarity inspired by the cooperative movement may have helped pave the way for Finland's independence. At the very least, alongside civic participation it had taught Finns to take charge of their own lives. It helped people to evolve from mere subjects into citizens with better intellectual and material resources than ever before to take the helm of the state. Finland gaining independence was an episode in the larger continuum that resulted in the fall of the great European monarchies in Austria, Germany and Russia. This, in turn, opened the doors for a number of new nation states to emerge.

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 35-57
doi: https://doi.org/10.18543/dec.2884 • https://dec.revistas.deusto.es

3. **A social and economic movement ignited by political forces**

The ideological engine driving the evolution of the Finnish cooperative movement was Pellervo Society, the Confederation of Finnish Co-operatives, which was established in 1899. The story of co-operatives in Finland is considered to have officially started when the Pellervo Society was established (Alanen 1964, 203, 216). A key element in the history of the movement was also the first act on co-operative undertakings of 1901, which was actively promoted by Pellervo and provided the legal framework for the movement. While the cooperative business model had been adopted to some degree and in certain business formats before this and the rudiments of the cooperative model were also present in many traditional local partnerships in rural communities, it is widely agreed that the beginnings of the Finnish cooperative movement can quite accurately be dated to the establishment of Pellervo Society (Simonen 1949, 20-61).

The birth of the cooperative movement took place in Finland later compared to some Western European countries, which had undergone the structural shift in society earlier than Finland (Gebhard 1902a, 2). In historical analysis, however, we can see that once the change happened, it did so with great determination and dynamism at a time when sweeping changes took place in society at large. The development of the Finnish cooperative movement is most integrally linked with the introduction of machines in the wake of industrialisation, the rise of the monetary system, nascent consumerism, the modernisation of agricultural production, industrialisation, modern capitalism, urbanisation, gentrification, and a gradual growth of affluence. Moreover, the Machine Age led to people demanding more meaningful participation in the society they lived in and democracy in all the senses of the word and, eventually, to the first concrete steps towards adopting these practices.

From the European perspective, Finland was a remote, cold forested land slow to embrace agricultural and industrial progress. By the end of the 19th century, the population had not yet reached three million. Finland was a predominantly agrarian society: 80 per cent of the population lived off agriculture. Delayed land reforms increased social pressures. The drawbacks in land ownership and the position of tenant farmers and agricultural workers were in urgent need of redressing. Industry was slowly developing driven by the forest industry in which Finland had certain natural advantages. Other sectors of industry were also progressing not least because of the easy access to the Russian markets. Finland's position as a gateway to Russia had attracted

foreign intellectual and financial capital. Industrial development picked up pace in the late 1800s and the rising industrial proletariat was trying hard to find its place in society, with part of the population opting for the route of radicalisation while awaiting reforms.

The modernisation of society and social pressures created momentum for new ideological forces in the 19th century. The abolishment of class privileges and the freedom of commerce enshrined in legislation in 1879 were necessary steps to enable growth. Liberal economic thinking had landed in Finland more than a century earlier, but it was not until the 19th century that it was fully adopted in the wider development of society (Aaltonen 1953, 23-35; Simonen 1949, 7-18).

The new type of association of people under various popular movements was a factor in change. The traditional authorities were shaken. Finland, after having been part of Sweden and under the Swedish speaking upper class for centuries, was now autonomous part of Russian imperium. Between Swedish and Russian culture, Finland and Finnish-speaking identity developed in accordance with general pan-European nationalist trends. Former subjects of the crown were quickly growing up into citizens who wanted to take control of their own fate. Moreover, nationalism played a significant ideological role in the late 19th century in Finland. The Finnish language, education and culture were promoted and hailed as equal to the Swedish-language culture. The majority of the people, nearly 90 percent, were Finnish-speaking. The goals of Finnish nationalism, also known as the Fennoman movement, were to increase the power and presence of the Finnish-speaking population in the economic life of the country. This required capital to be brought under the control of the new, rising social groups (Henttinen 1999, 69; Blomstedt 1989, 39-40; Lyytinen 1991, 17-22). Although the cooperative movement provided leverage for Finnish nationalism, this did not preclude the Swedish-speaking population from embracing the movement. The idea of cooperativism permeated both language groups. Moreover, the leaders of the cooperative movement came from the Swedish-speaking, often bilingual educated classes and they wanted to develop and strengthen the entire nation without looking at the language (Wallén 1999, 5-12).

The social demographics of the cooperative movement spanned farmers and workers as well as the educated classes who were all becoming socially increasingly aware. The decisive factor in the development was that the liberal educated classes joined the movement and even took leadership in pushing social reform, not least because in that way social pressures could be channeled into peaceful reform. Finland was a relatively centrally governed country at that time. It is

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 35-57
doi: https://doi.org/10.18543/dec.2884 • https://dec.revistas.deusto.es

highly unlikely that without the support of members of the educated middle class, who had connections to the powerful echelons of society, the lower classes would have been able to bring about major change (Henttinen 1999, 70-80). To build a more nuanced picture, it is also necessary to understand that the cooperative movement was a significant tool for the economic advancement of the emerging social groups. In the wake of growing political awakening also came the organisation of workers and the rise of the trade unions. This political awakening also involved the promotion of learning, a process that was further boosted by the cooperative ideology, the principle of which was that people could assume the responsibility for their own affairs instead of being dependent on and at the mercy of others (Rinne 1944, 25-26; Alanen 1964, 382-387, 447-450; Gebhard 1902b, 2; Kallinen 1953, 17).

4. **Hannes Gebhard - father of Finnish co-operatives and of their organization, the Pellervo Society**

The leading figure in importing the co-operative innovation into Finland was Hannes Gebhard, a doctor of economic history from the University of Helsinki whose special interest was in national economics. His wife Hedvig Gebhard was also among the early champions of the Finnish cooperative movement. Their travels in Western Europe combined with their intellectually dynamic and productive relationship resulted in the development of thought that appealed to increasingly wide circles and eventually the entire Finnish nation.

Hannes Gebhard became interested in the study of the co-operative ideology after he heard professor Sering's lecture on the significance of co-operatives in the winter of 1894 in Berlin. When he returned to Finland, he looked at everything through wholly new eyes. At that time, practically all of Finland was countryside and the life in Finnish villages was drowsy. People were slowly waking up, though, and in retrospect, the situation was favourable towards the impending change. Gebhard recognised the drawbacks of the prevailing agricultural practices and understood that the political situation was highly volatile. He took it as his calling to raise Finnish farmers from their poverty and make them strong. His chosen tool was the co-operative movement (Gebhard 1902a; Alanen 1964, 143, 449; Simonen 1949, 38-44; Henttinen 1999, 38).

Agriculture in Finland at that time was in the grips of exhaustion bordering on despair. Crops were stunted, as the old natural fields and

marshlands had ceased to provide sufficient yields. Trade on credit was blooming, which made the circumstances of the already poor nation even more dismal; Gebhard noted that the country's credit system was also a complete mess. There were many problems with the marketing of products and the distribution of consumer goods as well (Alanen 1964, 200-201, 203).

This strengthened Gebhard's aspiration to provide the people with practical means of co-operation to tackle financial and social disadvantages, such as debt, inequality, increased wealth differences, poverty and unemployment (Gebhard 1902a; Gebhard 1902b, 1-2; Holyoake 1926; Hansmann 1999; Spear 2000; Inkinen & Karjalainen 2012). Furthermore, emerging questions of nationality and language were also quickly gaining momentum in Finland in the late 19th century as the fear of losing Finland's national culture gained a foothold in the nation. Gebhard was convinced that co-operative movement would be an efficient tool to fight the "Russification", the very extensive Russian political and cultural influence in Finland, which was considered very problematic for the Finnish development and which threatened the autonomy of Finland. Gebhard felt that rescuing the patronised nation had to start from the bottom up, which meant that co-operation among farmers was the rock upon which major social improvements and maybe even future autonomy should be based and build upon. He was of the opinion that the co-operative movement was the means to unite the nation and provide it with a staunch backbone (Alanen 1964, 210, 447; Kuisma 1999, 10-17; Laakkonen & Laurinkari 1995, 71-84).

The land issue, which was deeply heartfelt issue for Gebhard that he had already written about in his doctoral thesis and that he vigorously set out to correct, manifested itself in two different forms: a means to find land for the landless people and the tenancy of crofters, which was characterised by many glaring disadvantages, also had to be improved. The latter issue was the key issue, because the Governor-General used the theme as a lever and as a means of propaganda during the period of Russian oppression to Finnish society to alleviate the opposition to Russia and slow down the spreading of the nationalist ideology. Gebhard deemed the crofter issue a severe national threat. At the turn of the 20th century, the landless population in Finland was growing and the slowly starting industry could not provide for these people. Gebhard realised that this was an alarming social phenomenon that had to be addressed. When trying to find a solution, Gebhard used England as his example, because the legislation there had greatly limited the contractual freedom of private people in order to protect

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 35-57
doi: https://doi.org/10.18543/dec.2884 • https://dec.revistas.deusto.es

the rights and liberty of the more disadvantaged contracting party (Alanen 1964, 143, 146, 158-159, 180, 384, 441).

Did the seeds sown by Gebhard sprout easily? No, quite to the contrary: people were indifferent and uncertain. The turning point took place in 1899 when the Pellervo Society was established to assist spreading the co-operative movement in Finland (Myllärniemi 1952, 94). The thought came up during a conversation between Gebhard and a primary school inspector, Mikael Soininen, on a snowy day in February on the shore of Lehijärvi lake in Hattula, which is located near to Hämeenlinna, about 100 kilometers from Helsinki. They determined that progress of the movement would require the establishment of an organisation. Some of the society's duties were to protect Finnish culture and to raise the ethical and spiritual standards of the disadvantaged. The main duties of the Pellervo Society were to provide advice about the establishment of new co-operatives and their finances, as well as to protect the best interests of the co-operative movement. Later on, the Pellervo Society also published a large number of ideological books, instructions on the rules of co-operatives and fairly practical guidebooks, many of them customised for co-operatives in different industries (Pohls 1999, 443-445; Alanen 1964, 222, 228, 314, 449).

Gebhard's dream was for the organisation to start by people in different locations joining forces. For the local co-operatives to succeed, they would then have to create central organisations that would cover the entire country, and which would in turn become strong financial institutions that would affect the local co-operatives. The strength of the co-operative movement lies in people and their co-operation; no state authority can disrupt that. According to Gebhard, the movement's roots would attach to the people so strongly that they could not be detached: instead, they would only attach more firmly. Furthermore, he firmly believed that most of the population would be won over by the movement (Alanen 1964, 214-216, 447). How right Gebhard was when making these forecasts!

After the establishment of the Pellervo Society, Gebhard appealed to the country's intelligentsia, asking them to join him in spreading the co-operative ideology and supporting it. He was met with a favourable reception, because the Russian oppression, that we described earlier, was tightening its grip. The Russification measures of Governor-General Bobrikov culminated in the publication of the February Manifesto on 15 February 1899. It led the autonomy of Finland to hang in the balance: a merger with Russia seemed imminent. This encouraged Gebhard to work even harder, as he believed that the co-operative movement would

strengthen the national front against these coercive measures (Alanen 1964, 213, 222).

The politically aware intelligentsia woke up to the reality of the situation and the new society elicited a response not only among them, but also among secondary school graduates and the youth association movement. The strong position of co-operatives in modern-day Finland is probably partially due to the fact that the budding co-operative movement in Finland was supported by highly competent and influential people, including Members of Parliament, representatives of estates, teachers, priests, secondary school graduates, large-scale farmers, alongside with the small farmers, crofters and craftsmen, which was not the case in other countries. The first Pellervo Days that were held in late 1900 at the Ylioppilastalo student house in Helsinki with around 600 guests were one of the tangible indications of this. Members of Parliament, representatives of estates, craftsmen, teachers, priests, secondary school graduates, large-scale farmers, as well as small farmers and crofters were all among the guests (Alanen 1964, 221, 226, 229, 271).

In 1902, Gebhard was able to persuade the clergy to support the establishment of co-operatives in their parishes: he deduced that even though the priests were educated people, they would have many interests in common with the peasantry. Even more important initiators of the co-operative movement than the clergy were elementary school teachers. Hannes Gebhard also turned to writers and got students to spread the co-operative ideology by getting more readers for the newly established Pellervo magazine. Gebhard's wife Hedvig tirelessly promoted spreading of the ideology among women (Mäkinen 2006, 15, 98-103; Huuhka 1977, 63-74).

Around the time the Pellervo Society was established, Gebhard also started to push the establishment of a co-operatives act in Finland. He deemed a law absolutely necessary for the co-operatives to succeed. One could even say that the law created the foundation for the final breakthrough of the co-operative movement in Finland. The Co-operatives Act was unanimously approved by the Parliament in 1900, partially due to Gebhard's excellent knowledge of co-operatives, which he had obtained by travelling abroad. The Tsar of Russia ratified the Co-operatives Act in St. Petersburg on 10 July 1901, and it entered into force on 1 September 1901 (Alanen 1964, 217, 219). The law granted all the members of a co-operative, both male and female, equal voting rights. The principle of "one member, one vote", which had been considered radical, was applied. One should note that the same principle was not applied to national elections until in 1906. Fundamentally,

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 35-57
doi: https://doi.org/10.18543/dec.2884 • https://dec.revistas.deusto.es

the cooperative movement was —as enshrined in its original values— a movement based on the equality between human beings. From this it followed that one of its aims was also to improve the status of women. The cooperative movement has been at the vanguard of promoting gender equality and, today, Finland is one of the most progressive countries in equality between men and women. The cooperative ideology is deeply rooted in a concept of human being that gradually in the course of the 20th century spread through society at large.

The power of the educated elite active in Pellervo Society extended far and wide in society. They had a particularly strong influence on the new unicameral parliament and government as of 1907. Many of the Pellervo activists were civil servants, academics, MPs and senators (Alanen 1964, 401-407).

In sum, one can argue that the strong influence of the Pellervo elite is also reflected in the fact that the introduction of the cooperative movement itself into Finnish society was very centrally guided. Pellervo Society built the space for the cooperative idea in the society and the people were ready to follow. We can say that cooperatives were born in Finland from the top down. This was particularly evident in the creation of cooperative funds, which we will discuss next.

5. **Co-operative loan funds established**

Co-operative loan funds or local lending businesses were also very important issues for Gebhard. He was aware of the fact that the co-operative movement was in dire need of capital, but obtaining capital was a challenging task for small farmers. Due to the lack of capital, small farmers were forced to buy goods on credit, and the credit system was wrought with problems and misuse, such as usury (Myllärniemi 1952, 17). Gebhard's favourable impression of co-operative loan funds was based on funds operating in Germany in compliance with the Raiffeisen principles (Simonen 1949, 36-37). The German loan funds had been able to eradicate usury in a very short period of time, and they had supported and assisted large-scale co-operation between farmers in the sales of agricultural products and accessories. Gebhard hoped that this would also happen in Finland: the establishment of co-operative loan funds would put an end to the unsound credit system and its devastating consequences (Alanen 1964, 350, 352-353, 363-364).

Even though there was an obvious need for co-operative loan funds, the time was not auspicious for their establishment in the fi-

nancial and political respect. The country had already experienced poor years, but it was faced with the worst crop failure in 35 years in 1902. A strong justification was needed to obtain state subsidies. On the other hand, farmers in particular —whose living conditions the co-operative movement aimed to improve— needed help, which is why it was a good time to establish the co-operative loan funds. Political crises —The February Manifesto and the period of oppression— cast a shadow on the attempt, because they clearly lessened any spirit of enterprise (Alanen 1964, 354). Furthermore, General-Governor Bobrikov was opposed to the establishment of co-operative loan funds, because he suspected that they would be used for political purposes, for sedition against Russia. Gebhard was finally able to convince Bobrikov that crofters and the landless would be unable to purchase land without a reorganisation of the credit system and that a central loan fund that would enable co-operative operations in general would be purely financial in nature (Alanen 1964, 356-357).

Finland needed a central loan fund more than other countries and therefore established the Osuuskassojen Keskuslainarahasto Osakeyhtiö [the Central Lending Fund of the Cooperative Credit Societies in the form of a stock company] (OKO) in 1902. This and fiscal policy issues caused the original nature of the Finnish co-operative loan funds. OKO was unique in the world because it was established before any local co-operative loan funds had been established in the country. Its capital was raised from members of the upper classes of society who could afford to invest capital in the company. OKO proved to be a highly feasible tool for driving economic policies by creating a channel for state subsidies and through which the state could direct funds to cooperative banks and onwards to farmers to incentivise development in agricultural production and methods. This and the limitations of the co-operative loan fund movement were mostly due to the circumstances. OKO had to be established first, because the limitations posed by the Co-operatives Act would otherwise have made the operation of the loan funds impossible: they would not have been able to start their operations without the central loan fund (Kuusterä 2002, 15; Alanen 1964, 354, 371).

The loan funds reduced the credit trade and mitigated its consequences, and farmers were able to promote their production with the help of the loans. Furthermore, the moral and social significance of the loan funds proved so substantial that the loan funds were soon called "educational institutes for peasants" where the actions of borrowers were monitored in a fatherly manner and guidance was offered

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 35-57
doi: https://doi.org/10.18543/dec.2884 • https://dec.revistas.deusto.es

to train future loan fund managers and workers' representatives. This way, the co-operative movement took care of its education commitment (Alanen 1964, 280, 352, 363, 372).

OKO's duties were expanded after Finland became independent: it started to fund state resettlement activities. A law dubbed "Lex Kallio" was enacted in 1922. It gave crofters, who were previously able to claim their lands, the right to obtain more land to make their small farms more viable. The law also offered the landless population the opportunity to obtain farming land under reasonable terms and conditions. A large number of new small farms were established in Finland due to Lex Kallio, and this had many effects, such as the increased need for credit. The state became a shareholder of OKO after the enactment of Lex Kallio (Alanen 1964, 368).

Gebhard did not want the co-operative loan funds to become more like banks, because he did not feel that the people were ready for an expanded system of money transactions (Alanen 1964, 366). The development was slow but sure, however - co-operative loan funds were the most important credit institution group by the 1930s, and their significance in the rebuilding of Finland and in the support offered to evacuees after the first world war ja the second world war was great. In the 1950s, the co-operative loan funds started to focus on the migration from the countryside to urban areas and their market share increased as they offered funding for the homes of city dwellers. The co-operative loan funds were changed to co-operative banks in 1970, and the OP Group is currently Finland's largest banking group. The Finnish co-operative banks were pioneers of digitalisation in Finland and even globally. They were the first bank to open an online banking service, in 1996. Their story as a whole is remarkable. For example, the combined share of cooperative banks' in deposits was more than 40 percent in the year 2021. They have over two million member-owners, while there are approximately 5.5 million inhabitants in Finland today (Osuustoiminta OT. Vuosikirja 2022).

6. **From an innovation to an integral part of society**

In the above we have described the breakthrough of the cooperative movement in Finnish society through the contributions of Dr Gebhard, Pellervo Society and the structuring of cooperative funding. We have tried to describe the determination and dedication with which the founders of the movement took to their cause. Apart from the loans provided by local cooperative banks, similar headway was

made in other fields as well. The aim of the legislation and value base behind the cooperative movement as well as the Pellervo guidebooks and instructions and the work of its advisers was to make the public embrace the obligation that came with the benefits of the movement: to act with diligence, honesty and patience. The public welcomed this ethos.

Various cooperative activities emerged around agricultural production. Dairy cooperatives linked the small butter producers of Finland to the global dairy markets. Meat, egg, cattle breeding, harvesting and forestry and many other cooperatives were established.

And even if the focus of Pellervo Society was mainly on the rural communities and agriculture, the cooperative idea was equally popular among urban consumers. The grocery and retail cooperatives grew into a powerful player in the market as the labour movement also adopted the cooperative model and became organised around cooperatives in urban centres. Workers also established work and housing cooperatives, although some of these endeavours proved to be unsuccessful. The efforts are nonetheless a clear indication of how the cooperative business model was felt to be emancipatory and empowering and to bring hope to all layers of society.

Later, private entrepreneurs began subscribing to the cooperative model to increase their own market potential. This development further expanded the sectors of society affected by the cooperative model. Mutual insurers, the roots of which go back to mediaeval royal decrees, were also drawn into the cooperative movement to a large extent.

The profound impact of the cooperative movement became gradually so apparent in Finland that some even predicted that Finnish economic life would become completely cooperative based (Liakka, 1938, 29). This was not to be the case. The limits of the feasibility and productivity of the cooperative business model were reached after the Second World War at the latest. Competitive businesses, which were quick to capitalise on the effects of urbanisation, gentrification and the increasing wealth of the population and to adapt their business models to suit these trends started regaining foothold in the 1960s. The cooperative movement having established itself as one building block of our diverse market economy eventually faced a period of deep crisis owing to its inability to keep up with the changing demands of modern society. However, the movement has since regrouped and entered a new period of growth from the 1990s onwards with the reinvention of its core value of producing sustainable benefits for its members.

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 35-57
doi: https://doi.org/10.18543/dec.2884 • https://dec.revistas.deusto.es

7. **Summary, thoughts and conclusions**

The life's work of Hannes Gebhard, the founder of Finland's co-operative movement, is without parallel. Early on, he realised the ideological and practical relevance of co-operatives and was also well aware of their potential. In Gebhard's life, visions alternated with periods of hard work. Working tirelessly and supported by his wife, he created Finland's co-operative movement, overcame the many obstacles in his way, and, acting with uncompromising determination, put the Finnish nation on a path towards a high degree of security and social equality.

The history of Finland's co-operative movement clearly shows that co-operatives are not only a matter of making money. In fact, by virtue of their origins, co-operatives can be considered a social, economic and cultural movement and they thus have been characterized to have a dual nature (Draheim 1952; Puusa, Mönkkönen & Varis 2013; Puusa, Hokkila & Varis 2016; Puusa & Saastamoinen 2022; Novkovic, Puusa & Miner 2022). Their aim is to ensure healthy and competitive business operations but also to achieve wider social change as did happen in Finland. The co-operative movement is founded on democracy and joining forces, which in turn strengthen the feeling of inclusion through empowerment, self-help and responsibility. In co-operative activities, people with similar needs work together in order to achieve something that individuals or smaller groups are not capable of achieving (Spear 2000; Inkinen & Karjalainen 2012, 125). The success of a co-operative depends on the joint efforts of its membership, a group of ordinary citizens.

According to public opinion surveys, Finns recognise the cooperative business model as part of the Finnish business environment and household economics on the macro level, but less so on the micro level. Finns perceive the cooperative business model as the most popular economic system and ideology. (Kantar TNS Osuustoimintatutkimus 2017, 2022; Haavisto 2020).

The objectives of the co-operative movement, which for Gebhard were particularly important as tools for improving the lives of smallholders and tenant farmers, centred around lower prices and security of supply. He also wanted to tackle problems associated with risk allocation and prevent credit sales on unreasonable terms (Holyoake 1926; Hansmann 1999; Spear 2000; Nilsson 2001; Inkinen & Karjalainen 2012). In fact, both in Finland and in other countries, co-operatives managed to challenge people's views of honest trading practices (Inkinen & Karjalainen 2012; Keskisarja 2015, 435). From the perspective

of business and trade, the principle of fairness, fair pricing, and a new way of sharing profits have always been associated with the co-operative ideology. Co-operatives also provided an entirely new ownership model, which differs significantly from capital-based ownership.

The co-operative movement, which came into existence more than a century ago, has had a significant impact on the development of Finnish society by pioneering equality and democracy, two values that have since then been universally adopted (Inkinen & Karjalainen 2012). The cooperative movement increased active participation and inclusion and spread a more prosperous standard of living to a wide circle of citizens. Cooperatives also increased the strength of the national economy by expanding the production base. The co-operative movement introduced reforms in Finnish agriculture and it also played an important role in the process of integrating the countryside into the industrially oriented market economy. Co-operatives have also made a significant contribution to the development of food industry and retail trade (Alanen 1964; Skurnik 2002). For example, the quality of milk improved significantly with the help of new milk processing methods and scientific inventions. Consumer co-operatives in turn contributed to the improvement of the overall trading practices, reduced prices and increased quality control.

In addition to strengthening traditional rural industries, co-operatives have also served as a basis for many of the best-known Finnish companies (including those with international operations). Examples of successful co-operatives include the OP Financial Group, which has its origins in credit unions, the successful retail operations of the S Group, the innovations produced by Valio and the growth of Metsäliitto into Europe's biggest forest co-operative. All these operators have humble origins, have been tirelessly developed with a long-term perspective and have become success stories and market leaders in Finland. These enterprises and many others show the power of cooperation and joint ownership in Finland.

The past decades have demonstrated the practical power of the ideology as co-operative enterprises have managed to create a credible alternative to other types of business, create healthy competition and provide benefits and services for their members. In fact, nowhere is the socioeconomic role of co-operatives more important than in Finland. In relative terms, Finland is one of the most co-operative country in the world and has the world's largest co-operative sector when consideration is given to the combined turnover, membership and employment impact of co-operatives in relation to the size of the country (Inkinen & Karjalainen 2012; Pellervo Society 2012). In Finland, membership in a

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 35-57
doi: https://doi.org/10.18543/dec.2884 • https://dec.revistas.deusto.es

co-operative is also the most popular form of ownership. In a country of approximately 5.5 million, co-operatives and mutual insurance companies boast approximately 7,5 million members (owners). Finnish co-operatives provide employment for more than 100,000 people. It is estimated that there are about 4,000 co-operatives in Finland and they can be found in nearly every sector. Their combined turnover is estimated 35 billion euros. The cooperative movement has seen a revival in Finland since the 1980s. Approximately 50-270 cooperatives are established each year. The highest number of new cooperatives, 250 in one year, was established in the 1990s soon after a severe recession in Finland. In 2021, a year marked by the global COVID-19 pandemic, 78 co-operatives were registered. In the first year of the pandemic, in 2020, the number of new cooperatives was 92 and in 2022 the number was 48. Co-operatives are a form of low-threshold entrepreneurship (Pättiniemi 2006, 17-18; Puusa, Hokkila & Varis 2016; Puusa & Hokkila 2019; Osuustoiminta OT. Vuosikirja 2022, 2023). They are associated with security and flexibility as well as lower risks than joint-stock companies and other types of business, and for this reason co-operatives are seen as an attractive form of entrepreneurship, especially among young people (Puusa & Hokkila 2014; Puusa & Hokkila 2015; Puusa *et al.* 2016; Puusa & Hokkila 2019).

The figures show the enormous importance of co-operatives to the Finnish economy. During the past decades, the stabilising economic impact of co-operatives has become clear when the effects and scale of the banking crisis, covid pandemic etc. are examined. Both the practice and research findings clearly show that co-operative banks have been a stabilising force in the latest turbulent, even chaotic, banking crisis, the impacts of which are still being felt today (Birchall, Hammond & Ketilson 2009; Birchall 2013).

Though impressive, the research findings also show that Finns know little about co-operative entrepreneurship, and especially among the young, there is a worrying lack of information about the subject (Puusa, Mönkkönen & Varis 2013; Puusa & Hokkila 2014; Puusa & Hokkila 2015; Henry 2015; Macpherson 2015; Köppä 2015; Puusa, Hokkila & Varis 2016). For most people, ownership means private ownership and the basic assumption is that the purpose of entrepreneurship is to maximise shareholders' profits (Hahnel 2005; Fontrodona & Sison, 2006; Puusa *et al.* 2013; Puusa & Hokkila 2015). As a result, co-operatives are also erroneously grouped together with better-known types of business (joint-stock and listed companies), in which the operating principles and practices are, however, significantly different from those applied in co-operatives.

The flame of the co-operative movement must be kept alive in both speeches and in practical work. The co-operative ideology has a broad appeal. Its values and principles are in accordance with people's ideas of fairness. It combines an entrepreneurial spirit with love for one's neighbor and its objectives resonate among all people irrespective of their social status or position. In the Finnish co-operative movement this became clear early on as co-operatives also relied on intellectuals and other educated people so that they could help those that were not able to help themselves. In the ensuing decades, the co-operative movement has helped to transform a poor, small and obedient people into enlightened and active citizens of a welfare state.

References

AALTONEN, Esko (1953). Kuluttajat yhteistyössä. Suomen yhteisen osuuskauppaliikkeen vaiheet vuoteen 1917 ja katsaus edistysmielisen osuuskauppaliikkeen toimintaan sen jälkeen. [Consumers in cooperation. The stages of the common cooperative trade movement in Finland until 1917 and an overview of the activities of the progressive cooperative trade movement after that.] Helsinki.

ALANEN, J. Aulis (1964). Hannes Gebhard. Kirjayhtymä, Yhteiskirjapaino Oy, Helsinki.

ALAPURO, Risto, STENIUS, Henrik (1989). Kansanliikkeet loivat kansakunnan. [People's movements created a nation.] In Kansa liikkeessä [The people on the move]. (Eds.) Risto Alapuro, Ilkka Liikanen, Henrik Stenius, Kerstin Smeds. Vaasa.

BIRCHALL, J. (2013). Resilience in a downturn: the power of financial cooperatives. International Labour Office. Geneva: ILO

BIRCHALL, J., & HAMMOND KETILSON, L. (2009). Resilience of the co-operative business model in times of crisis. Geneva, Switzerland: International Labour Organization.

BLOMSTEDT, Yrjö (1989). Kansallis-Osake-Pankin historia I 1889-1939. [History of Kansallis-Osake-Bank I 1889-1939.] Helsinki.

DRAHEIM, G. (1952). Die Genossenshaft als Unternehmungstyp (2nd edition 1955). Goettingen: Vandenhoeck & Ruprech.

FONTRODONA, J., & SISON, A. (2006). The nature of the firm, agency theory and shareholder theory: A critique from philosophical anthropology. Journal of Business Ethics, 66, 33–42.

GEBHARD, Hannes (1902a). Osuustoiminnan keskittämisestä ja sen edellytyksistä. [On the centralization of cooperative operations and its conditions.] Pellervon Kirjasto N:o 6. Pellervo-Seura. Joensuu: Pohjois-Karjalan Kirjapaino-Osakeyhtiö.

GEBHARD, Hedvig - kirjoitti teoksensa salanimellä Eräs osuustoiminnan ystävä. (1902b). Papit ja maanviljelijäin osuustoiminta. [Priests and farmer cooperatives.] Pellervon Kirjasto N.o 8. Pellervo-Seura. Helsinki.

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 35-57
doi: https://doi.org/10.18543/dec.2884 • https://dec.revistas.deusto.es

HAAVISTO, Ilkka (2020). Askel oikealle. [Step to the right.] EVA analyysi no 79/2020. https://www.eva.fi/wp-content/uploads/2020/03/eva_analyysi_no_79.pdf

HAHNEL, R. (2005). Economic justice and democracy. From competition to co-operation. New York: Routledge.

HANSMANN, H. (1999). Cooperative Firms in Theory and Practice. Liiketaloudellinen Aikakauskirja 4/1999, 387–403.

HENRY, H. (2015). Cooperatives. From ignorance to knowledge in Henry H., Hytinkoski, P. Klen, t. (eds). Customizing a patchwork quilt: Consolidating co-operative studies within the university world. Publications 34. University of Helsinki, Ruralia Institute, 15-18.

HENTTINEN, Annastiina (1999). Kolmannen tien etsijät. [Seekers of the third way.] in (Eds.) Kuisma, Markku, Henttinen, Annastiina, Karhu, Sami, Pohls, Maritta, Kansan talous. Pellervo ja yhteisen yrittämisen idea. Tampere. [Summary in english: Kuisma, Markku, Henttinen, Annastiina, Karhu, Sami, Pohls, Maritta, The Pellervo Story. Century of Finnish Cooperation 1899-1999. Tampere 1999.]

HOLYOAKE, G.J. (1926). Rochdalen kunnon uranuurtajain historia. [The History of the Rochdale Pioneers.] Suom. Väinö Tanner. Kuluttajaosuuskuntien keskusliitto. K.K:n kirjapaino. Helsinki.

HUTTUNEN, Allan (1990). Osuustoimintalain synty ja muutokset. [Creation and changes of the Cooperative Act.] Turun yliopiston oikeustieteellisen tiedekunnan julkaisuja. Yksityisoikeuden sarja A n:o 69. Turku.

HUUHKA, Mirja (1997). Hedvig Gebhard. Teoksessa Suomalaisia vaikuttajanaisia. Porvoo.

INKINEN, K & KARJALAINEN, M.M. (2012). Osuustoiminnan juurilla – Aatteen sankareita vai veijareita? [At the roots of cooperative movement - Heroes or buggers of the co-op idea?] Pellervo-Seura.

KALLINEN, Yrjö (1953). Osuuskaupallisen valistustyön merkitys ja menetelmät. [The meaning and methods of cooperative educational work.] Kulutusosuuskuntien keskusliitto. KK:n Kirjapaino.

Kantar TNS Osustoimintatutkimus 2017. [Cooperative research 2017.] https://pellervo.fi/osuustoimintatutkimus2017/Osuustoimintatutkimus2017-koko-vaesto-yhteenveto.pdf

Kantar TNS Osuustoimintatutkimus 2022 [Cooperative research 2017.] https://pellervo.fi/wp-content/uploads/2022/04/Osuustoimintatutkimus-2022.pdf

KARHU, Sami (1999), "Osuuskunnat taas ovat suorastaan affääriyrityksiä." [Co-operatives are "downright affair companies"] in (Eds.) Kuisma, Markku, Henttinen, Annastiina, Karhu, Sami, Pohls, Maritta, Kansan talous. Pellervo ja yhteisen yrittämisen idea [The economy of the people. Pellervo and the idea of working together]. Tampere.

KESKISARJA, Teemu (2015). Ajanhengen kirittäjä ja jarruttaja [The accelerator or the brake of the spirit of the time.]. in (Eds.) Kuisma, Siltala, Komulainen, Keskisarja, Kapinallinen kauppa. Helsingin Osuuskauppa Elanto 1905-2015. Helsinki.

KUISMA, Markku (1999). "Meillä ei ole mitään Rockefelleriä … Mutta meillä on osuustoiminta." ["We don't have Rockefellers ... But we do have cooperatives."] in (Eds.) Kuisma, Markku, Henttinen, Annastiina, Karhu, Sami, Pohls, Maritta, Kansan talous. Pellervo ja yhteisen yrittämisen idea. Tampere.

KUUSTERÄ, Antti (2002). Lähellä ihmistä. Osuuspankkitoiminta 100 vuotta. [Close to people. Cooperative banking for 100 years.] Keuruu.

KÖPPÄ, T. (2015). Co-operative studies in Finland: Past, present and future in Henrÿ H., Hytinkoski, P. Klen (eds). Customizing a patchwork quilt: Consolidating co-operative studies within the university world. Publications 34. University of Helsinki, Ruralia Institute, 53-58.

LAAKKONEN, Vesa, LAURINKARI, Juhani (1995). Uudistuva osuustoiminta. [Renewing cooperative movement.] Helsingin yliopiston osuustoimintainstituutti. Julkaisuja 9. Helsinki.

LIAKKA, Niilo (1938). Valiosta ja sen toiminnan johtajasta. [About Valio and the director of its operations.] Valion työmailta. Juhlajulkaisu F. M. Pitkäniemen 60-vuotispäiväksi. Helsinki.

LYYTINEN, Eino (1991). Pohjola-yhtiöt sata vuotta. [Pohjola Group for one hundred years.] Porvoo.

MACPHERSON, I. (2015). Customizing a patchwork quilt: Consolidating co-operative studies within the university world in Henry H., Hytinkoski, P. Klen, t. (eds). Customizing a patchwork quilt: Consolidating co-operative studies within the university world. Publications 34. University of Helsinki, Ruralia Institute, 21-25

MYLLÄRNIEMI, H. (1952). Osuustoimintaopas. [Cooperative Guide.] 2.painos. Pellervo-Seura. Helsinki: Yhteiskirjapaino Osakeyhtiö

MÄKINEN, Riitta (2006). Eteenpäin ja ylöspäin. Hedvig Gebhardin osuus ja toiminta. [Onward and upward. Hedvig Gebhard's role and activities.] Keuruu.

NILSSON, J. (2001) Organisational principles for co-operative firms. Scandinavian Journal of Management, 17: 329 – 356.

NOVKOVIC, S., PUUSA, A. & MINER, K. (2022). Co-operative identity and the dual nature: From paradox to complementarities. Journal of Co-operative Organization and Management 10:1 (2022) 100162. https://doi.org/10.1016/j.com.2021.100162.

Osuustoiminta OT. Vuosikirja 2017, 2022, 2023. [Cooperative magazine. Annual book in 2017, 2022, 2023]

POHLS, Maritta- (1999). Kansanliike Kuortaneella. [Civil movement in Kuortane.] in (Eds.) Kuisma, Markku, Henttinen, Annastiina, Karhu, Sami, Pohls, Maritta, Kansan talous. Pellervo ja yhteisen yrittämisen idea. Tampere.

POLVINEN, Tuomo (1984). Valtakunta ja rajamaa. N. I. Bobrikov Suomen kenraalikuvernöörinä 1898-1904. [Kingdom and borderland. N. I. Bobrikov as Governor General of Finland 1898-1904] Juva.

PUUSA, A. & HOKKILA, K. (2015). Self-employment in a worker co-operative: Finding a balance between individual and community needs. Co-operatives and the World of Work, 2015 International Research Conference, Antalya, Turkey, 8-10 November 2015.

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 35-57
doi: https://doi.org/10.18543/dec.2884 • https://dec.revistas.deusto.es

PUUSA, Anu, HOKKILA, Kirsi & VARIS, Antti (2016). Individuality vs. Communality - A new dual role of co-operatives? Journal of Co-operative Organization and Management, 4/2016. pp. 22-30.

PUUSA, A., MÖNKKÖNEN, K. & VARIS, A. (2013). Mission lost? Dilemmatic dual nature of co-operatives. Journal of Co-operative Organization and Management, 1(1): 6-14.

PUUSA, Anu & HOKKILA, Kirsi (2019). Cooperatives of independent workers in Finland. A unique forum for self-employment in Bruno Roelants, Hyungsik Eum, Simel Esim, Sonja Novkovic and Wantteri Katajamäki (eds.). Cooperatives and the world of work, Routledge, NY. pp. 188-204

PUUSA, A. & SAASTAMOINEN, S. (2021). Novel ideology, but business first? Journal of Co-operative Organization and Management. 9:1, 100135. https://doi.org/10.1016/j.jcom.2021.100135.

PÄTTINIEMI, Pekka (2006). Social Enterprises as Labour Market Measure. Kuopio University publications E, social sciences 130. University of Kuopio.

RINNE, Antero (1944). Rochdalelaisen osuuskauppaliikkeen varsinaiset ja lisäperiaatteet. [The actual and additional principles of the Rochdale co-operative movement.] Kulutusosuuskuntien keskusliitto. Helsinki: Kulutusosuuskuntien Keskusliiton Kirjapaino

SKURNIK, S. (2002). The Role of Cooperative Entrepreneurship and Firms in Organizing Economic Activities – Past, Present and Future. Liiketaloudellinen Aikakauskirja 1/2002, 103-123

SIMONEN, Seppo (1949). Pellervolaisen osuustoiminnan historia. [The history of the Pellervo cooperative movement.] Pellervo-Seura. Helsinki.

SPEAR, R. (2000). The co-operative advantage. Annals of Public and Cooperative Economics, 71 (4), 507-523.

WALLÉN, Bengt (1999). Enighet ger styrka. [Unity gives strength.] Finlands Svenska Andelsförbund 80 år. FSA.

Institutionalizing Co-operative Education in Universities - the Case of the Co-op Network Studies Program in Finland

La institucionalización de la Educación Cooperativa en las Universidades - El caso del programa de estudios de redes cooperativas en Finlandia

Pekka Hytinkoski[1]

Pedagogical planner, Doctoral student
pekka.hytinkoski@helsinki.fi

Tytti Klén[2]

Education Planning Officer
tytti.klen@helsinki.fi

Taneli Vaskelainen[3]

University Researcher - Sustainable Economy and Cooperatives
taneli.vaskelainen@helsinki.fi

doi: https://doi.org/10.18543/dec.2885

Submission date: 28 April 2023
Approval date: 02 October 2023
E-published: January 2024

Contents: 1. Introduction.—2. Co-op network studies. 2.1. Early history of co-operative. university education in Finland. 2.2. The funding of and the number of universities involved in the CNS. 2.3. The course curric-

---

[1] Pekka Hytinkoski holds a Master in education and has worked for more than 17 years as a coordinator of the Finnish Co-op Network Studies Program (CNS-network) where he is responsible for the production, development and coordination of the program. The CNS-network is an online study program in which seven Finnish universities participate; its base is at the Ruralia Institute of the University of Helsinki.

Pekka Hytinkoski is a doctoral student at the University of Turku/Finland (topic: Teachers' experiences on student enterprises). His other professional interests relate to mainstreaming co-operative education, entrepreneurship education and pedagogical elements of digital games.

[2] Tytti Klén holds a Master in communications and has worked for 10 years as an Education Planning Officer of the Finnish Co-op Network Studies Program (CNS-network). The CNS-network is an online study program in which seven Finnish universities participate; its base is at the Ruralia Institute of the University of Helsinki.

[3] Dr. Taneli Vaskelainen is a university researcher on sustainable economy and cooperatives at the Ruralia Institute of the University of Helsinki. His research interests lie in the emergence dynamics of (allegedly) pro-social and pro-environmental industries and in community-based organizing. His work has been published in top journals in the fields of management and sustainability, such as Academy of Management Discoveries and Environmental Innovation and Societal Transitions. He works as the academic head of the Finnish Co-op Network Studies Program (CNS-network), which entails teaching courses and participating in administering and promoting the program. The CNS-network is an online study program in which seven Finnish universities participate; its base is at the Ruralia Institute of the University of Helsinki.

ulum, teaching, and coordination. 2.4. The students in the CNS. 2.5. Students´ motivation to complete courses in the CNS.—3. Discussion and conclusions.—References.

Contenidos: 1. Introducción.—2. Estudios de redes cooperativas. 2.1. Historia temprana de educación universitaria cooperativa en Finlandia. 2.2. La financiación de y el número de universidades involucradas en el CNS. 2.3. El plan de estudios, la docencia y la coordinación del curso. 2.4. Los estudiantes del CNS. 2.5.Motivación de los estudiantes para completar cursos en el CNS.—3. Discusión y conclusiones.—Referencias.

Abstract: In this article we study the understudied topic of the institutionalization of co-operative education with an illustrative case study of Co-op network studies (CNS) program – a Finnish university network providing a curriculum on co-operative studies. We cover the network´s history, curriculum, structure, funding, and factors motivating student participation and finally discuss how CNS has succeeded in its mission: to establish co-operative education in the curricula of different Finnish universities. The results are two-fold. On the one hand, the network has successfully operated for almost 20 years, provided 16.000 credit points, and worked as an important mutual learning hub for scholars providing teaching on co-operatives. On the other hand, CNS has not managed to institutionalize co-operative education in university curriculum outside of the studies provided in the network as has been its goal, and thus, the continuity of the network is vital. We deduce that the low level of institutionalization can probably be attributed to poor coverage of co-operatives in university level education in general and in university structures that does not favor network studies.

Keywords: co-operatives, co-operative education, network studies.

Resumen: En este artículo estudiamos el tema poco estudiado de la institucionalización de la educación cooperativa con un estudio de caso ilustrativo del programa de estudios en red cooperativa (CNS), una red universitaria finlandesa que ofrece un plan de estudios sobre estudios cooperativos. Cubrimos la historia, el plan de estudios, la estructura, la financiación y los factores que motivan la participación de los estudiantes de la red y finalmente discutimos cómo CNS ha tenido éxito en su misión: establecer la educación cooperativa en los planes de estudio de diferentes universidades finlandesas. Los resultados son dobles. Por un lado, la red ha funcionado con éxito durante casi 20 años, ha proporcionado 16.000 puntos de crédito y ha funcionado como un importante centro de aprendizaje mutuo para académicos que imparten enseñanza sobre cooperativas. Por otro lado, la CNS no ha logrado institucionalizar la educación cooperativa en el currículo universitario fuera de los estudios impartidos en la red como ha sido su objetivo, por lo que la continuidad de la red es vital. Deducimos que el bajo nivel de institucionalización probablemente puede atribuirse a una pobre cobertura de las cooperativas en la educación universitaria en general y en estructuras universitarias que no favorecen los estudios en red.

Palabras clave: cooperativas, educación cooperativa, estudios de redes.

1. **Introduction**

Co-operative education is an important part of ensuring the continuity and success of co-operative businesses. Education is focal in ensuring that new entrepreneurs consider co-operatives as an organizational form for their business and that existing co-operatives get competent labor that know how their organizational form works (Shaw, 2013; Whyte, 1995). However, the importance of co-operative education goes beyond having appropriate skills to work in co-operatives. It also allows people to develop a co-operator identity, based on, for example, valuing communality instead of individuality and organizational democracy instead of hierarchy (MacPherson, 2013). Thus, it is no wonder that the Rochdale Equitable Pioneers who are considered by many to have started the modern co-operative movement, had the principle of directing 2,5% of the economic surplus to education (Shaw, 2013).

Co-operative education bloomed in early 20th century. In the wake of growing co-operative organizations, multiple educational institutions were founded to teach people how co-operatives work and the values and principles that guided the activities (Shaw, 2013). However, in the latter half of the 20th century co-operatives started to fare less well with tightening competition and with the state assuming some roles formerly provided by co-operatives, which also led to the waning of co-operative education (Woodin, 2014). Since the turn of the millennium, the number of institutions offering co-operative education has again been on the rise in many countries (Shaw, 2013; Woodin & Gristy, 2022). However, the status of co-operative education is nowhere near where it was during its golden years in the former half of 19-hundreds (Shaw, 2013).

Co-operative education is particularly absent in university education and is usually only mentioned in relation to agriculture (Shaw, 2013). Perhaps because of the dearth of co-operative university education, literature on it is scarce. We aim to contribute to this research gap by observing the case of the Co-op Network Studies program (henceforth CNS), a Finnish university network founded in 2005, which provides basic and intermediary level university studies on co-operatives. In our study, we take the viewpoint of institutionalizing co-operative education in Finnish universities, i.e., we take stock of, how well the CNS has been able to establish education on co-operatives in the Finnish university landscape. Finnish university networks are a very little researched topic. These networks were funded strongly by the Finnish Ministry of Education during the turn of the millennium, and thus, they

make excellent candidates on examining how these kinds of networks can work.

Considering the context of our case, observing institutionalization of co-operative education is a particularly suitable viewpoint for two reasons. Firstly, it has been a publicly stated goal of the network. CNS was meant as a transitory structure; the goal was not to provide co-operative education permanently through the network. Instead, it was meant to work as a basis for universities to establish teaching on co-operatives in their own curricula. Second, Finland ranks in the top six in terms of cooperative membership and employees per capita or cooperative turnover per GDP (Grace, 2014). Thus, Finland can be considered a prime candidate succeeding to institutionalize co-operative university education.

2. **Co-op Network Studies**

2.1. *Early history of co-operative university education in Finland*

The birth of the Finnish co-operative company model dates to the 1890s. Many consider that the founders of Finnish co-operation are Doctor Hannes Gebhard with his wife Hedvig, who were Finnish academic intellectuals. Gebhard perceived that co-operatives could provide a middle-road between economic liberalism and socialism. He started university level co-operative education and lectured on the topic at the University of Helsinki during the turn of the 19th and 20th centuries (Seppelin 2000). During the 1920s the co-operative teaching moved to the University of Tampere[4] which aimed to educate the residents of the young independent Finland to become citizens, and this education also included cooperative education (Köppä, Troberg & Hytinkoski 2008).

After the Second World War, the center of co-operative education moved back to the University of Helsinki with the founding of the Co-operative Research Foundation in 1956 and the Helsinki University Co-operative Institute[5] in 1957. There was a need for cooperative education for agronomists and, to some extent, political scientists who were preparing for administrative positions in cooperative central stores and organizations. The University of Helsinki got a donation from co-op-

[4] To be precise, the University of Tampere was originally founded as a civic college under the University of Helsinki in 1925. Only later it became an independent university.

[5] In Finnish: Osuustoimintainstituutti

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 59-73
doi: https://doi.org/10.18543/dec.2885 • https://dec.revistas.deusto.es

erative companies to start a professorship of social policy, with emphasis on cooperative theory in 1967. Later also a position of university lecturer was founded funded by donations by co-operatives, which was, however ended during the economic recession in Finland in the 1990s. (Köppä, Troberg & Hytinkoski, 2008) During the year 1991, the new Cooperative Institute was established as a multidisciplinary research and development unit. After a few years the University of Helsinki was planning to end the operations of this institute, but it was saved through a merger with the University of Helsinki Ruralia Institute campus in Mikkeli[6], which conducted research on rural studies (Kalmi 2003).

During the turn of the millennium, the Finnish government planned and executed information society programs and strongly invested in the developing of e-learning at different education levels. The director of the Cooperative Institute, Tapani Köppä, was interested in developing co-operative e-learning through the network model also at the university level. These ideas were also highly affected by Professor Ian McPherson's work in Saskatchewan in Canada, where co-operative university e-learning was tested and executed using a network model. The Cooperative Institute piloted e-learning with EU/ESR-funding during the years 2003 – 2005 and at the end of this period the University of Helsinki, the University of Kuopio, the Helsinki Business School, and the University of Lappeenranta formed the CNS.

2.2. *The funding of and the number of universities involved in the CNS*

During the years 2006-2009, the CNS was funded as a Ministry of Education's virtual project. During these years, there were plans of creating a virtual University of Finland, to whose curriculum all Finnish universities would contribute but these plans were later canceled. The staff of the CNS network had already previously trained online teaching, and thus, it got the financing from the Ministry of Education.

During the years 2010 to 2014, CNS was funded by the Finnish co-operatives and mutual companies. In this decision, these organizations were represented by the Co-operative Council Board, which aims to promote Finnish co-operative education. The purpose of the Co-operative Council Board is to act as a cooperation body for Finn-

[6] University of Helsinki Ruralia Institute campuses are located in Mikkeli and in Seinäjoki.

ish co-operative organizations and companies. This same funding was later extended by another four years. Financial backing of the co-operatives and the strong support and complementary funding by the Ruralia Institute of the University of Helsinki ensured the CNS´s continuity through the 2010s. The Co-operative Council Board funding was intended to provide a start for university level co-operative education. Thus, from 2020 the funding responsibility has moved to the universities. During the years 2020-2023, each participating university has paid a participation fee. The courses are provided by many of the participating universities. Taking part in the education is encouraged by giving a discount on the yearly fee for the universities providing courses to the network.

The number of universities that have taken part in CNS in different times is presented in Figure 1. During the first year of its operation, four universities participated in the CNS. The number rose to eight the following year, where it stabilized for a long time. The interest of other universities attracted other universities as well. At the same time, doctoral theses related to co-operative themes were completed almost in a yearly basis. From the academic year 2016-2017, two more universities were added to the network. During this time participation in the CNS was at its peak; it included all the ten largest Finnish universities. However, the ending of Co-operative Council Board funding caused three universities to withdraw from the network starting from the academic year 2020-2021. As said above the funding was transferred from the co-operatives to the universities and some of them were not able to pay the participation fee.

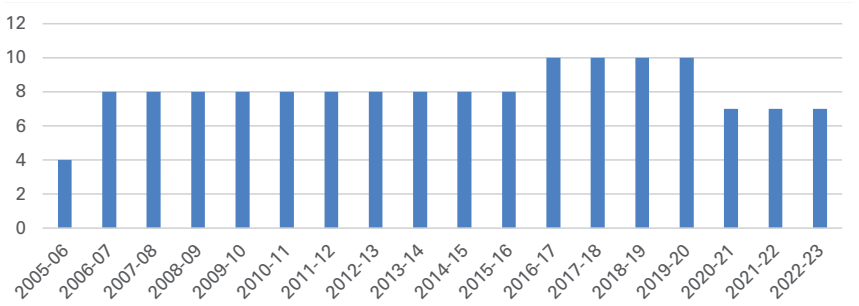


Figure 1

The amount of universities in the CNS network

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 59-73
doi: https://doi.org/10.18543/dec.2885 • https://dec.revistas.deusto.es

2.3 *The course curriculum, teaching, and coordination*

Since its inception, the CNS has provided its curriculum exclusively as online courses. From 2010 onward the CNS has provided ten courses divided into two different sections: basic courses and intermediate studies (see Table 1). These studies are recognized as a voluntary minor subject module for the students at the universities participating in the CNS network.

Table 1

Titles of the CNS modules during academic year 2022-2023

CNS-P1 Co-operative values and principles
CNS-P2 Co-operative law I
CNS-P3b Entrepreneurship education and co-operation
CNS-P4 Co-operative business and management
CNS-P5b Cooperatives and Sustainable Development
CNS-A1b Co-operative idea and the co-operative as a form of enterprise
CNS-A2 Co-operative law II
CNS-A3 Sustainable business practices
CNS-A4 The development of the competitive advantage of co-operatives
CNS-A5 Co-operatives as institutions of exchange

Both the students and the teachers of the CNS come from different disciplines, which aligns with the goals of the network aiming for multi disciplinarity from its inception. The focus of the teaching has evolved somewhat over the years and has been influenced by the people who have taught in the network. In the early years of the CNS, during 2005-2010, there was a strong emphasis on the co-operator identity, values, and principles, which were aligned with the sociological background of CNS´s academic head Tapani Köppä and professor Juhani Laurinkari who taught in the network. Later, during Hagen Henrÿ´s tenure as academic head, co-operative law was emphasized more which was in line with his legal background. Besides sociology and law, also business studies have been strongly represented in the CNS. However, there have been courses taking other disciplinary viewpoints, and thus, the teaching has been truly multidisciplinary.

The fact that students come from different academic backgrounds affects how the courses are designed-especially the basic courses must

be planned for audiences with little prior knowledge on co-operatives. Allowing this kind of diversity in student backgrounds has its perks and its vices. On the one hand, it results in very interesting discussions during the courses. On the other hand, none of the basic courses can go very deep in their subject matter because they must teach the students the basics of cooperation.

The CNS team has three members: an academic head, a coordinator, and a planner. During the last years, the coordination team has itself been involved in organizing two or three courses of the CNS. The primary planning and teaching responsibility of the other courses has lied with the universities participating in the network. The coordinator and the planner of the CNS has been involved in many of these courses as well in building the virtual learning environment and in everyday tutoring of the students. This ensures that the primary teachers can focus on lecturing and holding tutorials.

2.4 *The students in the CNS*

The number of students and the credit points completed within the CNS are presented in Figure 2. During the years 2005-2012, the number of credit points increased steadily. This rise can probably be attributed to three things. First, the CNS benefitted from the strong rise of e-learning. Second, in the beginning of the new millennium, the big Finnish co-operatives flourished, which drew positive attention also to co-operative education. Third, the CNS was also positively affected by the rise of the new doctoral and post-doctoral researchers studying co-operative themes, which provided competent teachers for the network.

During the years 2012-2016 there was a notably reduction in the number of students. The main reason for this was several personnel changes in the administration of the CNS coordination unit, which hampered, among other things, the marketing of the courses and thus significantly reduced the number of students who participated in the courses. Starting from the academic year 2016-2017, the basic level courses were organized twice each year, so 15 CNS-courses were now offered during the entire academic year. In addition, two new universities joined the CNS teaching network at that time, which led to an increase in the number of students. Marketing of the courses to students and universities was also significantly enhanced. All this led to a significant increase in the completed credit points.

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 59-73
doi: https://doi.org/10.18543/dec.2885 • https://dec.revistas.deusto.es

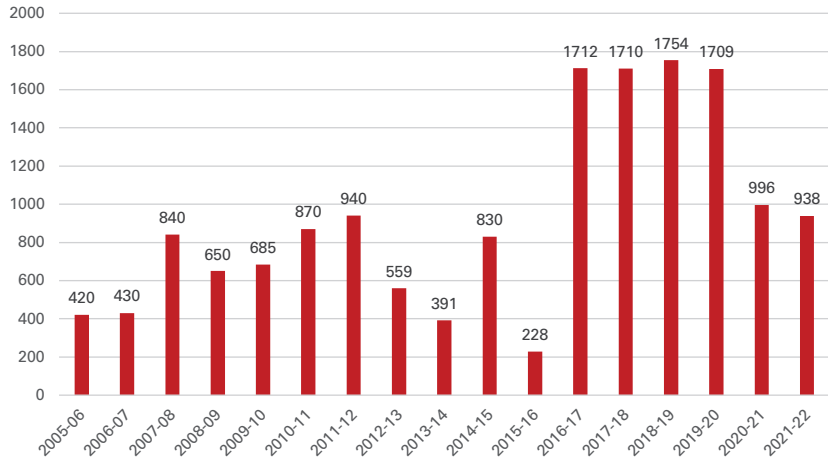


Figure 2

The number of credit points completed within the CNS per academic year

In the academic year 2020-2021, the number of credits points dropped again sharply because of two reasons. First, the number of universities dropped from ten to seven. For this reason, the completed credit points were reduced by about one third. Second, because of the covid pandemic almost all university teaching was suddenly organized online, and thus, the CNS lost its competitive edge as a flexible online teaching option. It was also visible that many university students were exhausted and anxious with psychological isolation because of covid, and thus, focused on the compulsory studies. In the spring 2020, the effect of the pandemic was not yet visible but during in the fall there was a steep decrease in the number of completed credit points. Third, the amount of students declined also because of the mandatory early warnings of the possible ending of the CNS-studies during the academic year 2019-2020. The CNS was obliged to provide these kinds of warnings because the funding for the network had to be negotiated for each term individually, and thus, the continuation of the studies could not be ensured.

Figure 3 presents how many courses within CNS network has each student completed. During the last five academic years there has been 157 individual students to at least one CNS-course. 279

individual courses have been completed during this period. A total of 370 individual courses were completed in the last two academic years (2020-2022). They accumulated 1934 credits. The maximum number of completed courses during these two academic years was 7 courses.

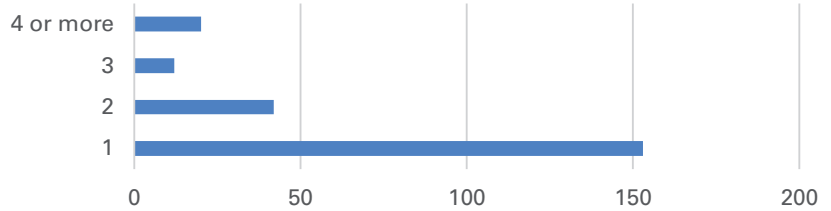


Figure 3

The number of courses completed by students in the CNS during 2020-2022

The following Figure 4 presents the relative proportion of credit points completed divided by the disciplinary background of the students. As can be seen in the figure, these backgrounds are highly diverse and range from marketing to theology. However, half of the credit points have been completed by business school and law students and another quarter by students from humanistic disciplines and the faculty of agriculture and forestry. Notably absent are the students from technical universities, who have completed only a couple of courses. The biggest shares of students can be explained by the courses that are offered and probably by the institutional position of the educators within the program. The big proportion of business school students can be largely explained by the one compulsory course mentioned above in one of the universities within the CNS network. The proportion of the law students can be explained by the fact that two out of the ten courses within the CNS deal with co-operative law. High supply of legal education can be explained by two educators with a background in law: adjunct professor Hagen Henrÿ, who was the academic head of the CNS during years 2011-2020 and Jukka Mähönen, who holds the professorship of co-operative law at the University of Helsinki.

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 59-73
doi: https://doi.org/10.18543/dec.2885 • https://dec.revistas.deusto.es

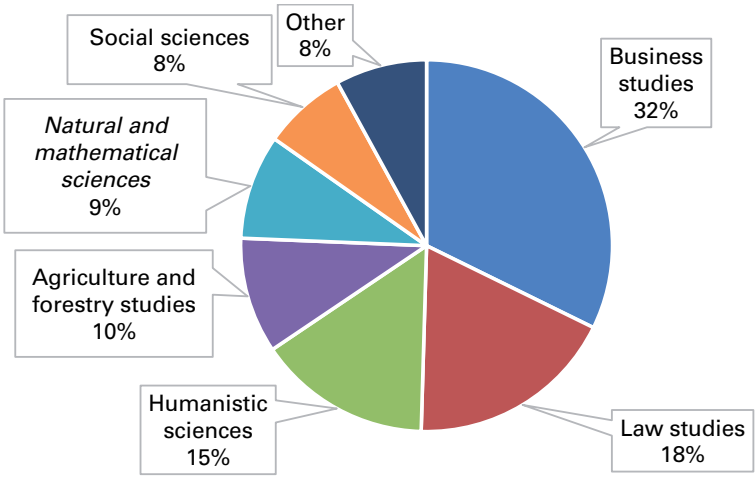


Figure 4

The relative proportion of credit points completed by students with different disciplinary backgrounds during academic years 2020-2022

2.5. *Students´ motivation to complete courses in the CNS*

Within most courses of the CNS, the students have been asked about their motivation to participate. Some students have mentioned that they consider co-operatives to be important economic actors. Interestingly, this awareness of the role of co-operatives in society has grown in the beginning of the 2020s. Especially business and law students who have learned about co-operatives and co-operation during their studies are interested in deepening their understanding of the subject in the CNS courses.

There are also students that have little or no prior knowledge of co-operatives but are interested in learning about them. Many of them seen to have a positive preconceived notion of the co-operative organizational form, which is a notable change from the beginning of the 2000s, when many students saw co-operatives in a critical light. During recent years, the students have perceived that co-operatives offer a good alternative to profit maximizing corporations. Students especially appreciate the community spirit and the values of the co-operatives. Additionally, they want to find out the possibilities that co-operatives provide in the promotion of sustainable development.

Some students find their way to the CNS courses through their own experience. They either work as employees or are members in one or several co-operatives and mutuals, and therefore, want more information about this form of business. Additionally, some students are interested in founding their own co-operative, and thus, come to the CNS courses. Also, peer recommendation has led to people finding the CNS curriculum.

3. **Discussion and conclusions**

The CNS studies have been running now successfully over 17 years and during that time almost two thousand university students have received co-operative education in it completing more than 16 000 credit points. Thus, the network has succeeded in increasing many university students´ knowledge on co-operatives. It is also one of the oldest university networks in Finland, and thus, it has managed to provide continuity to co-operative education. Furthermore, CNS has provided an academic forum for academics involved in the research and teaching on co-operatives. This forum is valuable because cooperation is in many universities a fringe research topic, and therefore, people might lack peers in their own universities.

Regarding the students of the CNS, it is interesting to observe that many of the students come from business schools. Often co-operatives are poorly covered in business studies (Kalmi, 2007; Shaw, 2013), which is curious for two reasons. First, co-operatives are major players in the world economy. More than 12% of the world's population are members of one of the world's three million co-operatives and these organizations employ 10% of the world's working population (International Cooperative Alliance, 2021). Thus, limited coverage of cooperatives in business studies cannot be explained by the unimportance of the organizational form. Second, co-operatives represent a radically different way of organizing business compared to corporations, which are usually strongly covered in business school curriculum (Rankin & Piwko, 2022). Co-operatives are based on member democracy and self-help and, as they grow, they need to balance the needs of the member community with efficiency and commercial pressures (Bauwens *et al.*, 2022). Considering that much of the business school curriculum is based on how business is organized and how people behave in organizations, not observing co-operatives seems like a major empirical oversight. Because of the CNS, many Finnish business school students have been acquainted with the peculiarities of the co-operative organizational form.

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 59-73
doi: https://doi.org/10.18543/dec.2885 • https://dec.revistas.deusto.es

The overall highly multidisciplinary nature of CNS´s students can probably be explained by the fact that of them do not find the courses through their teachers or study councilors, but they come to the courses motivated by various personal reasons. Membership, employment, or parents' background in a co-operative probably correlates little with students´ choice of discipline or study program, and thus, it is to be expected that the CNS attracts a highly multidisciplinary crowd. The absence of technical university students in the courses is quite logical as co-operatives are not a common organizational form in the technology sectors.

Regarding the institutionalization of co-operative studies to Finnish university education, the achievements of the CNS are mixed. Some clear successes can be mentioned. The long continuity of the network and the fact that universities have been prepared to finance it demonstrate that the value of the co-operative education is widely recognized. Additionally, the network has allowed co-operative researchers to develop capabilities and material to convey their knowledge to students. Finally, a mandatory course in one of the network´s universities shows that CNS has aided in creating more permanent structures for co-operative teaching in Finnish universities.

However, only a couple of universities and disciplines are offering courses on co-operatives outside of CNS. Thus, the network has not managed to make itself redundant over the years because if it would cease to exist, co-operative teaching in Finland would suffer a serious blow. Additionally, ideally, the co-operative teaching should not only be based on courses on the topic, but it should be included in teaching materials discussing organizational forms and different ways of organizing the economy. Unfortunately, this is rarely the case. It is highly challenging to get co-operatives recognized in university teaching in this way because the organizational form has not been perceived important for the economy. Prominent economists and business researchers have considered co-operatives as an ineffective organization (Hansmann, 1996; Williamson, 1980, 1985) and they are not often even mentioned in university textbooks that discuss different ways of starting a business (Rankin & Piwko, 2022). Thus, it is very hard to overcome this level of structural resistance for a single teaching network in a single country.

One further factor that has probably hindered the institutionalization of university level co-operative education is the way teaching is organized in universities. With few exceptions the master´s and bachelor´s programs in Finland are still offered by disciplines within individual universities. Thus, the plans during the first decade of the

2000s of having a Finland-wide virtual university never became a reality. Therefore, the CNS that offers a multidisciplinary and online only curriculum is discrepant with current university structures. Universities usually want to organize their mandatory courses using their own staff, and thus, the CNS is being put to the category of voluntary studies in the students´ degrees. The students have a limited capacity for such courses. This was especially clear during corona, when students focused almost exclusively on mandatory courses.

Because of the low institutionalization level of university-level co-operative education, it is likely that the CNS will keep operating during the 2020s. The universities participating in the network are unanimous of the necessity of co-operative education in Finland and at the moment the CNS is the best way to ensure its continuity. However, the format probably needs to be redesigned to better align with the university structures, which are finding their form in the post-corona world.

References

BAUWENS, T., VASKELAINEN, T., & FRENKEN, K. (2022). Conceptualising institutional complexity in the upscaling of community enterprises: Lessons from renewable energy and carsharing. *Environmental Innovation and Societal Transitions*, *42*, 138-151. https://doi.org/10.1016/J.EIST.2021.12.007

GRACE, D. (2014). *Measuring the size and scope of the cooperative economy: Results of the 2014 global census on co-operatives.* https://www.un.org/esa/socdev/documents/2014/coopsegm/grace.pdf

HANSMAN, H. (1996). *The ownership of enterprise*. Harvard University Press.

International Cooperative Alliance. (2021). *Facts and figures*. https://www.ica.coop/en/cooperatives/facts-and-figures

KALMI, P. (2003). Osuustoiminnan liiketaloustieteellisen tutkimuksen ja opetuksen kehittäminen. Selvitysmiehen loppuraportti osuustoiminnan neuvottelukunnalle (Development of cooperative business research and teaching. The liquidator's final report to the cooperative's advisory board). Helsinki School of Economics 15/09/2003.

KALMI, P. (2007). The disappearance of cooperatives from economics textbooks. *Cambridge Journal of Economics*, *31*(4). https://doi.org/10.1093/cje/bem005

KÖPPÄ, T., TROBERG, E., & HYTINKOSKI, P. (2008). Osuustoiminnan yliopisto-opetuksen aikamatka Suomessa (Time travel of co-operative university education in Finland). In S.Kurki & R. Kaipainen (Eds.), *Tieteestä tekoja. Yliopiston yhteiskunnallisen vuorovaikutuksen tulkintoja maaseutukontekstissa (Actions based on research. Interpretations of university social interaction in a rural context)* (pp. 141-159). Publications 14, University of Helsinki, Ruralia Institute.

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 59-73
doi: https://doi.org/10.18543/dec.2885 • https://dec.revistas.deusto.es

MacPherson, I. (2013). Community, individuality and co-operation: the centrality of values. In A. Webster, A. Brown, D. Stewart, J. K. Walton, & L. Shaw (Eds.), *The Hidden Alternative - Co-operative Values, Past, Present and Future* (pp. 203-225). United Nations. https://doi.org/10.18356/84654260-en

Rankin, R., & Piwko, P. . (2022). An Analysis of the Coverage of Cooperatives in US Introductory Business Textbooks. *Journal of Accounting and Finance*, *22*(3), 1-12.

Seppelin, M. (2000). Osuustoiminnan jalanjäljillä: katsaus suomalaisen osuustoimintaliikkeen historiaan (In the footsteps of cooperatives: an overview of the history of the Finnish cooperative movement). University of Helsinki, Cooperative Institute.

Shaw, L. (2013). International perspectives on cooperative education. In A. Webster, A. Brown, D. Stewart, J. K. Walton, & L. Shaw (Eds.), *The Hidden Alternative - Co-operative Values, Past, Present and Future* (pp. 59-77). United Nations. https://doi.org/10.18356/84654260-en

Whyte, W. F. (1995). Learning from the Mondragón cooperative experience. *Studies in Comparative International Development*, *30*(2). https://doi.org/10.1007/BF02802954

Williamson, O. E. (1980). The organization of work a comparative institutional assessment. *Journal of Economic Behavior and Organization*, *1*(1). https://doi.org/10.1016/0167-2681(80)90050-5

Williamson, O. E. (1985). *The Economic Institutions of Capitalism*. Free Press.

Woodin, T. (2014). An introduction to co-operative education in the past and present. In T. Woodin (Ed.), *Co-operation, Learning and Co-operative Values* (pp. 1-13). Routledge.

Woodin, T., & Gristy, C. (2022). Democracy and schooling: The paradox of co-operative schools in a neoliberal age? *Journal of Philosophy of Education*, 1-14. https://doi.org/10.1111/1467-9752.12690

The Consumer Co-operative Movement in Finland and Lessons We Can Learn from It

El movimiento cooperativo de consumidores en Finlandia y las lecciones que podemos aprender de él

Anu Puusa[1]
Professor, University of Eastern Finland
anu.puusa@uef.fi

Sami Karhu[2]
Professor of Practice, University of Vaasa
sami.karhu@uwasa.fi

doi: https://doi.org/10.18543/dec.2886

Submission date: 28 April 2023
Approval date: 01 August 2023
E-published: January 2024

Contents: 1. Introduction.—2. Aim and scope.—3. The Finnish consumers' co-operative movement.—4. Lessons to be learned: Understand the business model, maintain the competitive edge and operate according to the cooperative values and principles with the future in mind. 4.1. Everything is in motion: Build on the strengths of the cooperative idea, but change according to the members' needs. 4.2. Understanding the dual role as the basis for the unique identity of the co-operatives. 4.3. Members are at the core of the activities. 4.4. Managerial tasks in a co-operative are service jobs. 4.5. In a model based on democracy and joint ownership, co-operative governance plays a central role. 4.6. There is no room

---

[1] Anu Puusa works as a Professor of Management at the Business School of the University of Eastern Finland in Joensuu.

Her current research interests relate to co-operatives, organizational identity and change. She has published textbooks and numerous journal articles and other works.

She believes in giving back and as such has held positions of trust on the board and the presidency at Cooperatives Europe, the European regional organization of the Intenacional Coopeat ve Allance (ICA), on the Board of Pellervo Coop Center and she is a vice-president of the Board of Pohjois-Karjalan Osuuskauppa, a regional consumer co-operative that is part of S-Group. She portrays herself as "a co-operative enthusiastic".

Anu Puusa is an experienced organizational speaker, a TED TALK speaker and an awarded teacher.

[2] Sami Karhu is Professor of Practise at the University of Vaasa Cooperative Business School. For many years he was the Managing Director of Pellervo Coop Center, the national Finnish Federation of Cooperatives.

He is a Board member of Lilith Cooperative and chairs Kooperatiivi ry, the coordinator association of this publication.

His special interest is the cooperative business model.

for politics in the Finnish co-operative movement. 4.7. Strong local and secondary co-operatives. 4.8. Cooperation vs competition. 4.9. The provision of education is enshrined in the principles of the co-operative movement. 4.10. Values and objectives of the co-operative movement are still relevant.—5. Conclusions.—References.

Contenidos: 1. Introducción.—2. Objetivo y alcance.—3. Los consumidores finlandeses y movimiento cooperativo.—4. Lecciones que aprender: comprender el modelo de negocio, mantener la ventaja competitiva y operar de acuerdo a los valores y principios cooperativos pensando en el futuro. 4.1. Todo está en marcha: aprovechar los puntos fuertes de la idea cooperativa, pero aceptar los cambios según las necesidades de los miembros. 4.2. El papel de la identidad única de las cooperativas. 4.3. Los Miembros son el centro de las actividades. 4.4. Las tareas directivas en una cooperativa: son trabajos de servicios. 4.5. En un modelo basado en la democracia y la propiedad conjunta. El papel central de la gobernanza cooperativa. 4.6. En el movimiento cooperativo finlandés no hay lugar para la política. 4.7. Fuerza local y cooperativas secundarias. 4.8. Cooperación versus competencia. 4.9. La provisión de la educación está consagrado en los principios del movimiento cooperativo. 4.10. Los valores y objetivos del movimiento cooperativo son relevantes.—5. Conclusiones. —Referencias.

Abstract: Finland has a strong consumer co-operative movement with a market share of approximately 46 percent of daily goods. The co-operatives' road to success in Finland has not been a straightforward process. In this article we describe the history of the Finnish SOK retail co-operative and pose the question of what we can learn from the retail co-operatives' experiences.

Historical research strives to demonstrate the way things used to be: What happened, why it happened, and what the consequences were. It searches for explanations using cause and effect. The economic research undertaken by business science aims to find ways for financial organisations and entrepreneurs to be successful. This article combines these perspectives. The source of this article is the research literature.

The early 20th century in many ways proved to be a golden age for Finnish co-operatives. After the Second World War, in the 1950s and particularly in the 1960s, the general development of Finnish society clearly accelerated, and the consumer co-operative movement was unable to keep up with the pace of this development. After a severe crisis, a new rise began.

What can we learn from this? In this article, we highlight several development trajectories and finally summarize them into ten main points. The list can be summarised as follows: internalize and stay true to the co-operative purpose and aims, manage the model accordingly, find a balance between the business and member community aspects of the model – the two different but complementary roles and remain current and future-oriented. Historically, poor success has been the result of doing the opposite: having too many side interests, forgetting or ignoring the co-operative identity, and romanticising the past.

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 75-106
doi: https://doi.org/10.18543/dec.2886 • https://dec.revistas.deusto.es

Keywords: co-operative, consumer co-operative, cooperative movement, Finland.

Resumen: Finlandia tiene un fuerte movimiento cooperativo de consumidores con una participación de mercado de aproximadamente el 46 por ciento de los productos diarios. El camino hacia el éxito de las cooperativas en Finlandia no ha sido un proceso sencillo. En este artículo describimos la historia de la cooperativa minorista finlandesa SOK y planteamos la pregunta de qué podemos aprender de las experiencias de las cooperativas minoristas.

La investigación histórica se esfuerza por demostrar cómo solían ser las cosas: qué pasó, por qué pasó y cuáles fueron las consecuencias. Busca explicaciones utilizando causa y efecto. La investigación económica realizada por la ciencia empresarial tiene como objetivo encontrar formas para que las organizaciones financieras y los empresarios tengan éxito. Este artículo combina estas perspectivas. La fuente de este artículo es la literatura de investigación.

El comienzo del siglo XX resultó ser, en muchos sentidos, una época dorada para las cooperativas finlandesas. Después de la Segunda Guerra Mundial, en los años 1950 y particularmente en los años 1960, el desarrollo general de la sociedad finlandesa se aceleró claramente, y el movimiento cooperativo de consumidores fue incapaz de seguir el ritmo de este desarrollo. Después de una grave crisis, comenzó un nuevo ascenso.

¿Qué podemos aprender de esto? En este artículo, destacamos varias trayectorias de desarrollo y finalmente las resumimos en diez puntos principales. La lista se puede resumir de la siguiente manera: internalizar y mantenerse fiel al propósito y los objetivos de la cooperativa, gestionar el modelo en consecuencia, encontrar un equilibrio entre los aspectos comerciales y de la comunidad miembro del modelo (los dos roles diferentes pero complementarios) y mantenerse actualizado y orientado al futuro. Históricamente, el poco éxito ha sido el resultado de hacer lo contrario: tener demasiados intereses secundarios, olvidar o ignorar la identidad cooperativa y romantizar el pasado.

Palabras clave: cooperativa, cooperativa de consumidores, movimiento cooperativo, Finlandia.

1. **Introduction**

Finland has a strong consumer co-operative movement with a market share of approximately 46 percent of daily goods. (Osuustoiminta OT Vuosikirja, 2022, 32). This is unusual in Europe and even the rest of the world (World Co-operative monitor, 23). As we discuss in another article of this publication, the co-operatives' road to success in Finland has not been a straightforward process. Like co-operative movements around the world, the Finnish co-operative movement has gone through different phases of activity and even crises. They are worth learning from. This article will focus on this learning process, taking as an example the biggest co-operative group in Finland, the S Group.

S Group is a customer-owned Finnish network of co-operatives in the retail and service sectors, with more than 1,800 outlets in Finland. S Group consists of 19 independent regional cooperatives and SOK, which is owned by the regional cooperatives. In addition, S Group includes six local cooperatives. Their network extends throughout Finland, with a strong regional focus. S Group also offers their members comprehensive banking services through S-Bank.

SOK serves as the central company for the regional cooperatives and provides them with procurement, expert and support services. SOK provides services in the supermarket trade, the department store and speciality store trade, service station store and fuel sales, the travel and hospitality business and the hardware trade. In addition, some regional cooperatives have car dealerships and agricultural outlets in their own areas. SOK is also responsible for the strategic guidance of S Group and the development of the various chains. SOK's business operations supplement S Group's offering in Finland and in some neighbouring regions.

2. **Aim and scope**

Historical research strives to demonstrate the way things used to be: what happened, why it happened, and what the consequences were. It searches for explanations using cause and effect. It does not make value judgements – this can be done by the readers if they feel the need. The economic research undertaken by business science aims to find ways for financial organisations and entrepreneurs to be successful. Both perspectives have their sights on the future, on improving our ability to face the changing world. This article combines these perspectives. We will study the history of the Finnish SOK retail co-opera-

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 75-106
doi: https://doi.org/10.18543/dec.2886 • https://dec.revistas.deusto.es

tive and pose the question of what we can learn from the retail co-operative's experiences.

This article only discusses the development of the Finnish SOK's co-operative business model. We will not get into the operations of the workers consumer cooperative movement, separated from SOK after 1917, which had close ties to the labour movement, though looking into them could also be a fruitful alternative. In addition, the co-operative Hankkija, which is now mostly under Danish ownership, has co-operatively sold farming equipment. This is also not included in the scope of this article. We will simply state in brief that many of the strengths and development issues SOK's co-operative business has run into were also encountered by OTK and Hankkija – sometimes to an even further extent than SOK. Before we get any further, it must be noted that SOK's co-operative business does not exist in isolation. Instead, it is part of the larger tale of Finnish co-operatives. The corporate-cultural factors are largely the same for all co-operatives, because they were all born of a Finnish mass movement. (Häikiö, 1997; Kallenautio, 2009; Kuisma, Henttinen, Karhu, Pohls, 1999).

We will briefly explain the over 100-year old history of Finnish consumer cooperative movement. Finally, we will present an analysis of what we can learn from the ideological essence of the movement based on examining the history of the Finnish co-operative movement from a particular perspective.

3. **The Finnish consumers' co-operative movement**

In the 19th century, Finland was a poor country, where agriculture was the main means of livelihood. However, many changes were brewing. Between 1809 and 1917, Finland was part of the multi-ethnic Russian Empire as an autonomous Grand Duchy. The grand duke was the Russian czar (see in more detail in the other Puusa & Karhu article in this publication). Finnish merchants traded with both the large consuming centre of Saint Petersburg, the Russian capital, as well as the extensive emerging markets of the West. In the 1860s, the forest industry started growing, which sped up the development of Finnish industry. Cities expanded and the working population multiplied. There was a shift towards a monetary and barter economy. The freedom of trade was established in 1879, which accelerated the change. Economic life became organised.

Consumers worked together to improve trading conditions, an early example of a Finnish co-operative undertaking. This was before

the co-operative movement organised at the national level in 1899 and before the Co-operative Act was decreed in 1901. Before the Co-operative Act came into force, the earliest co-operative stores operated in the form of societies and limited companies. The first co-operatives in Finland were created between 1860 and 1880 by the example of the United Kingdom, and they were organised by the working population and officials of the regions with high prevalence of railways and industry. (Puro, 1926, 10-11).

When the co-operative movement became organised and the Co-operative Act entered into force, co-operative businesses were established in both urban and rural areas. The workers' co-operative shops located in city areas had the most influence. They played the leading role in establishing Suomen Osuuskauppojen Keskuskunta (SOK), the central co-operative society for co-operative retail co-operatives in Finland. This was founded in Tampere, which is a focal location in Finnish industry, the co-operative roots of which lead back to the undertakings of the active industrialists and industry workers of the 1880s. The founding co-operatives are known as the twelve apostles. (Perko, 1979, 74-79; Simonen, 1949, 103-113).

There was an increased need for everyday consumer goods, and co-operatives had been established all around the world. At first, the most influential organizer, "the father" of Finnish cooperative movement, Dr Hannes Gebhard's attitude towards consumer co-operatives was wary: as an agrarian reformist he mainly associated them with city folk, factory workers and the labour movement, which meant that their goals were different from those of farmers' co-operatives, which were mostly production co-operatives. Furthermore, Gebhard did not consider consumer co-operatives to be of present interest in Finland, which was still heavily dominated by agriculture. Gebhard's favourite principle was, "We must learn to crawl before we can run," and he applied it also to his attitude towards developing the co-operative movement (Alanen, 1964, 280-282).

Heeding Gebhard's warnings, farmers did not hurry to establish co-operatives, but tried instead to get along with collective purchasing, which prepared them for co-operatives. Collective purchasing was just a short hop from the co-operative concept, and this is the way the development was invariably headed.

The first cooperative store that has operated continuously in Finland until these days was founded in Turku in 1901 and especially the cities of Tampere and Turku became centres of consumer cooperative activism when an open question about the Co-operatives Act had been resolved. From this point forward, co-operatives became more com-

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 75-106
doi: https://doi.org/10.18543/dec.2886 • https://dec.revistas.deusto.es

mon relatively quickly (Laakkonen & Laurinkari 1995, 71-73). Bankrupt co-operatives fueled Gebhard's suspicions, and bankruptcies were common during the initial period of excitement, because many co-operatives were established without the necessary prerequisites being met. There were not enough capable people and not much capital to be used. Furthermore, many early co-operatives succumbed to the temptation of allowing customers to buy on credit, because that is what people were used to doing with private storeowners even though it was against advised policy and principles. Furthermore, unfit goods were kept in stocks that rotated very slowly (Alanen 1964, 280-281; Hyvärinen 1948). The new national central cooperative organization led by Hannes Gebhard, the Pellervo Society attempted to aid co-operatives by publishing a co-operative handbook in 1903. Furthermore, the Pellervo magazine that tried to educate the members, provided information about co-operatives and reminded people to be cautious and careful when establishing them (Alanen, 1964, 281).

One of the milestones in the expansion and establishment of co-operatives in Finland was a spiritual and political revolution in the country after a general strike in 1905 and a parliamentary reform the following year. The times were turbulent: Russia was unstable after having lost the Russo-Japanese War, and it was controlled by an absolutist government that was quickly losing power, which gave a momentarily break to Finns**.** Other important issues were the establishment of the central union of Finnish co-operatives, SOK, in 1904, as well as the guidance and counselling provided by SOK.

The early 20th century in many ways proved to be a golden age for co-operatives. At that time, SOK —a force that was owned by the co-operatives and united them— was one of the key actors leading the development and the country's leading wholesale business (Tammitie 2010, 13, 35). Back then co-operatives were a concrete part of the operations, people actively invested in them, co-operatives created a strong foundation for customer relations and they speeded up the expansion of the member base. SOK was also a trailblazer in many other respects.

The pioneer´s mind was changed by the will of the people and by 1909 Gebhard was a wholehearted supporter of retail co-operatives. He said that they had their own strengths: a fixed organisational structure, the benefits offered by SOK and other central organisations, systematic management of private stores, effective advertising, support of the general public and special benefits granted by the Government and municipalities. Clean and properly organised stores, improved customer service and a larger number of available products were all benefits that

the competition between co-operatives and private entrepreneurs offered to consumers (Alanen 1964, 287). Suspicions that commerce was a demanding line of business for co-operatives arose in the chaos following the Second World War, when the pioneers had already left the field. There is a saying among the members of workers' co-operative shops that describes the situation aptly: "Managing director Väinö Tanner built it up and his successors used it up." Tanner was the most important leader of the workers' cooperative movement for decades, equivalent to Hannes Gebhard. Tanner was also active in the International Cooperative Alliance ICA. He acted as the president of the ICA in 1927-1945. Tanner was known to be rather business-like for a co-operative leader[3]. According to Tammitie (2010), "the original co-operative ideology carried the co-operatives well into the 20th century, providing a vision that showed the right direction for the first decades of operation. Co-operatives were meant to support their members' finances not only with retail services, but also through diverse instructional activities. The goal was to improve the quality of the members' lives and their standard of living (Tammitie 2010, 116-117).

Finnish society-wise it was a turbulent period in, and politics drove an ugly wedge into the unity of the co-operatives. The people active in the co-operatives formed two separate camps, which in itself goes against one of the key principles of co-operatives: that the movement should be kept separate from political parties. Battles of will regarding co-operative movements' course of direction have been rather common all over the world. Universal societal pressures have also been reflected in the co-operatives. Division lines have been caused by nationalities, religion, occupational divides, disagreements between consumers and producers, and the differences of opinion between people from rural and urban areas, among other factors. In Finland, the biggest factor was whether the movement should be politically neutral or aligned with the labour movement, as the working class was becoming increasingly politically aware (Aaltonen 1953, 325-428; Herranen 2004, 23, 82-87). Nevertheless, there was a division into leftist working people and capitalist farm owners and city folk. Due to this duality, a strong new competitor to SOK was established in 1916-

[3] Väinö Tanner was one of the most prominent Finnish politicians in the first half of the 20th century. He was the prime minister of Finland in 1926-1927 and a minister in several governments after that, including foreign minister during the Winter War. Tanner was also one of the longest serving MPs. He was a presidential candidate in 1925, 1931 and 1937. In addition to his political career, Tanner was the managing director of Concumer Co-operative Elanto from 1915 to 1946 (Wikipedia 2022).

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 75-106
doi: https://doi.org/10.18543/dec.2886 • https://dec.revistas.deusto.es

1917. It was based on the same principles, but it was targeted mostly at urban areas: co-operatives committed to the labour movement established their own confederation, Confederation of consumer cooperatives in1916, and their own central organisation, Osuustukkukauppa (OTK) in 1917 (Tammitie 2010, 13-14).

Finland became independent on 6 December 1917 in the chaos created by the First World War and the collapsing Russian Empire. The country drifted into a bitter civil war at the beginning of the next year. The war ended with the victory of the non-socialist, conservative Whites and the German army. The era of Russian rule ended, but the independence won by the Finns in 1917 did not actually begin in earnest until Germany lost the great war at the end of 1918. Co-operatives were one of the battlefronts during the war. The people in co-operatives had divided into two camps. The co-operatives that were members of SOK became known as providers of services for the bourgeois, and the other camp wanted to bring co-operatives closer to the vocational and political labour movement. In the civil war, the former sided with the Whites and the latter with the Reds.

Even though the 1920s and 1930s were a time of bickering and competition between the two discordant groups, they were otherwise a fairly good period for co-operatives. Operations were expanded, more varied services were offered and production facilities were established. The number of stores increased together with the number of members. Many co-operatives showed a surplus (Hyvärinen 1948). The ideological differences between the co-operative shops and the way they had to compete for customers also served to spur them on. Both co-operatives attempted to gain a foothold on the people who were looking for their place in the society.

But then another war struck and Eastern Finland was shaken when the people from Karelia had to leave their homes to escape the war. The Winter War from 30 November 1939 to 13 March 1940 was a war between Finland and the Soviet Union. The Soviet Union started the war by attacking without a declaration of war, and the war ended 105 days later —a period of time that is still known in Finland as "the Glory Days." The Finnish army of around 340,000 men was faced with around a million Soviet soldiers. The term "sisu", meaning internal strength or fighting spirit, became an inseparable part of the Finnish national identity. The Winter War was followed by the Continuation War (1941-1944). When it ended, Finland was faced with exacting terms of peace.

The beginning of the Continuation War meant that the people from the surrendered parts of Karelia could return to their homes. Despite

the difficulties, the economy started to quickly revive already during and most of all after the war. Finland is also known as the only country in the world that paid its war reparations in full. It was a huge effort for the small and poor nation. On the other hand, it led to the swift rise of industry and the economy (Laine *et al.* 2019). To sum up, during the Second World War, Finland was in war with the Soviet Union twice. The end result was that the nation's independence was preserved, but significant territorial losses followed. The loss of Karelia in particular was a big blow from co-operative movement's perspective too, since in that area it was particularly strong. However, the war was followed by rapid reconstruction, strong industrialization and urbanization.

The co-operative movement had been part of the efforts to heal the nation from social division and the horrors of the Finnish Civil War during the first world war in 1918, and the Second World War from 1939 to 1945 made it clear that the efforts had been successful to the extent that even the leadership of the Soviet Union was taken by surprise. On the other hand, co-operatives also adapted well to the restrictions imposed by the wartime economy. In the decades of peace and rebuilding that followed, the market economy was prevalent, but trade and industry were still quite heavily regulated. This did not do any favours for a dynamic business culture. Rather, it amplified the weaknesses of the co-operative business model.

After the wars, Finnish society experienced an exceptionally fast structural shift: Finland became urbanised, the agricultural community shrunk in size, the population gained more wealth, mass consumption became prevalent, much of the population joined the middle-class, and the class-based way of thinking fell into obscurity. Competing business models reacted to the changing world faster than co-operatives, and this cut the ground from under the co-operative movement's old justifications, and the co-operatives were having difficulty coming up with new justifications, particularly as the business operations of the co-operative movement were not sufficiently optimised.

Corporative social structures were almost tailor-made to prevent firm solutions from being made regarding business locations, business concepts, products ranges and image-building. There was some analysis, but no adequate solutions. The "command" of the co-operatives had too many political interests and benefits or imagined benefits related to organisations battling each other for hegemony.

The entire co-operative corporate culture —more than just SOK and its co-operative system— was in a state where putting off difficult decisions was commonplace, which only exacerbated the problems. Was the issue with democracy? Probably that as well. But mainly

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 75-106
doi: https://doi.org/10.18543/dec.2886 • https://dec.revistas.deusto.es

it was an issue concerning the era's democratic leadership, as democracy requires leadership that is responsible and able to put forces in motion.

When we consider co-operatives from the perspective of their dual nature, in other words, understanding that co-operatives are simultaneously enterprises and members communities and that they have both economic and social aims (Draheim 1952; Puusa et al 2013; Novkovic et al 2022), we can see that the decision-making of the time focused far too much on the societal perspective, and even in that, the emphasis was on the past world of organisational power struggles and class-based thinking. What community meant in the modern world remained a mystery. The co-operatives had forgotten their entrepreneurial nature to an inexcusable extent. It should be noted that this also explains the strong counter-reaction suffered by the co-operative business model in later decades. The profitability of co-operative enterprises became a priority. The aspects of communality that were considered incorrect were purged, and with good reason. The new concept of communality was built on service promises and concrete member benefits offered by the co-operatives. The ideas central to this new communality are regional development, responsibility and sustainability. (Perko, 1979; Kuisma, Henttinen, Karhu, Pohls, 1999; Herranen, 2004; Kuisma, Siltala, Komulainen, Keskisarja, 2015; Komulainen, 2021)

After the wars, in the 1950s and particularly in the 1960s, the general development of Finnish society clearly speeded up, and co-operatives were unable to keep up with the pace of this development. Even though agriculture was still an important livelihood, the vitality of small farms waned. More and more farmers abandoned their fields and moved to new growth centres to earn a living. Demand for products in small village stores waned while larger units were needed in towns. The migration was just the tip of the iceberg. In the words of a contemporary: "The five-day working week was adopted, stores were open longer and more often, the inflation rate was high and the interest rate was excessively high. The taxation system was not favourable towards co-operatives: their year-end accounts could not show any surplus. The effects of the war could still be felt." (Tammitie 2010, 14-16).

The stores needed to renew themselves, specialise and listen carefully to the new, rapidly changing customer needs as the consumption habits changed (Laine *et al.* 2019). Co-operatives were not successful in this task. SOK remained in its traditionally strong area, the countryside, for much longer than other stores. The group became unprofitable in the late 1960s and remained that way all through the 1970s.

One important reason for this development was that co-operatives were used to operating barely profitably or even unprofitably. They did not actually seek any profits —quite the contrary: due to the underlying distorted idea of the co-operative movement, they did not aim for their business to be profitable and only wanted to provide services for their members (Herranen 2004, 186-197; Tammitie 2010, 14-32, 70). Co-operatives in other parts of Europe were faced with a similar crisis (Herranen 2004, 185-188; Tammitie 2010, 38). We consider this as a manifestation of the degeneration of the cooperative idea. Why? Because in the early years cooperatives had to be member oriented, follow market prices and be profitable. That was the seed of development learned from Rochdale, but now forgotten. In other words, the cooperatives overlooked or forgot their own teachings.

In the aftermath of the first wave of urbanization in Finland, the co-operative governance was also derailed. People who were at the very core of these events describe the faults of ownership steering. The most striking of the faults was the politicization and discord between the different reference groups that had already reared its ugly head in the past, although that was mainly due to the times. One gets the impression that the decision-making criteria in the management were no longer in the best interest of the co-operative. Instead, whatever was in the best interest of each group and gaining more control became the most important issues of the day. Supervisory duties were also neglected. The best people were not recruited to the management of the co-operatives or to other important positions. A blind eye was turned to internal appointments that suggest the existence of an old-boy network and many needed changes in the personnel were left undone. There was more bureaucracy and overlapping organisational structures, and the management drifted farther away from the everyday business. Co-operatives became more leader-centred. "In the 1970s, the central organisations of Finnish co-operatives were the giants of the economy and their presidents were their natural rulers...The presidents seemed more important than they actually were." Heads of local offices acted like dukes who jealously guarded their territory and had very much authority. Furthermore, reforms were not demanded even though the poor state of the economy was recognised and the signs of impending doom were noticed. The occasional concerned speakers who pointed out the poor state of the economy were silenced by louder speakers who focused on the ideology (Tammitie 2010, 12-28, 54-55, 122-123). This was also partly an issue of competence: most of the executives had a strong degree of ideological fervour —even though their preferred ideologies varied— but they did not have much management

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 75-106
doi: https://doi.org/10.18543/dec.2886 • https://dec.revistas.deusto.es

expertise. People were often appointed based on their adaptability instead of commercial or management expertise (Herranen 2004, 255; Tammitie 2010, 37, 122). On the other hand, many people have stated —particularly in hindsight— that the members and different governance bodies were knowingly kept in the dark as to the actual financial status of the co-operatives (Tammitie 2010, 55, 68-69).

Furthermore, membership and its significance had been somewhat forgotten. The benefits from the membership were difficult to see, which further estranged the members. The co-operatives existed to benefit themselves instead of their members. The original mission statement was all but forgotten, and the principles of the co-operatives were interpreted very loosely. For example, people pleaded the principles when they wanted to retain store networks in sparsely populated areas that were experiencing net emigration, even though the profitability had deteriorated and the stores had become indebted (Tammitie 2010, 12-36, 70, 117-118).

The approaching crisis was also exacerbated by arguments between the former partners, SOK and Hankkija, and competition that ate away at the resources of both parties. The arguments caused the members to form camps that tried to trip each other up. All of this could also be seen from the outside: the reputation of the entire co-operative movement suffered (Tammitie 2010, 24-25).

The group persevered for two decades, and the discord within the group increased. This time has been characterised as a period of confused division and indecision for SOK, during which the financial chasm deepened. Finally, in the 1970s, the group was faced with a severe financial crisis that affected the entire industry, and that almost bankrupted the group by the 1980s. Its market share had clearly decreased, its reputation was poor and the members suffered from a lack of faith. The group was highly indebted and its solvency was poor. This led to a vicious circle: the dissatisfaction and poor performance meant that the group could not make any maintenance or development investments, which caused more customers to go to the competitors and further deteriorated the already poor state of competitiveness. The group had been lulled by a false sense of satisfaction due to its successes in the past decades and had forgotten to react to the changing social structure. People did not want or dare to give up the old ways of doing things, which is why the group's new president stated during the early stages of his presidency in 1983 that the group would be heading towards a "heroic suicide", unless it was able to swiftly alter its course (Tammitie 2010, 6-20, 45).

Exceptionally harsh reorganisation and structural reforms were implemented due to the crisis, such as the closing down of places of busi-

ness and co-operative mergers. The realisation of these measures was quite an effort, and the highly complex decision-making system due to the business form did not help at all (Tammitie 2010, 6, 53, 60, 67). The turning point was in 1988 when the balances of both the local co-operatives and the central union rose from the red to the black (Tammitie 2010, 61, 85).

The group survived the crisis —not without bruises, but with much more wisdom. It became so strong that it would be able to reclaim its position as a major player in the Finnish economy. Many people played a key role in this change, such as the group's strong presidents. The story of the S Group also proves that a mass movement will not be successful without strong individuals who have the necessary skills and the willingness to lead others in such a way that they will do their best to ensure survival of the co-operative.

Many of the reforms made during the crisis remain part of the backbone of the S Group today. The most important reform was the launching of the green S Card for the member-owners. The 1990s and the new millennium have been a period of strong development and growth as the reforms started to bear fruit and the operations became more than just a continuous fight to survive. The group's competitive edge was restored. The co-operative members —who are now called "customer-owners" to emphasise the unique ownership structure of co-operatives— are yet again at the core of the operations, and the roles of local co-operatives and the central union have been clarified (Jussila 2007; Puusa *et al.* 2013). The co-operatives are regional and independent actors that benefit from the chain that offers efficient procurement operations, logistics and data systems. One indication of the building of a culture of co-operation is adding group-level benchmarking as an important part of the operations (Tammitie 2010, 9, 85-90, 108-160).

During the past two decades years, the perennial debate on the centralised nature of retail trade and high food prices in Finland has become more heated and has also led to concrete action. The debate has been spurred by the arrival of the German retail company Lidl in Finland. Even though it opened its first shops in this country way back in 2002, it was at first considered a minor player with little competitive impact. However, Lidl has systematically increased its market share and has also won the affection of a growing number of consumers. Large domestic operators have realised that a retail chain specialising in imported private label products is becoming a serious threat to Finnish groceries and thus also to food production in Finland.

In response, S Group decided to significantly reduce food prices in its shops and launched a well-publicised price slashing campaign,

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 75-106
doi: https://doi.org/10.18543/dec.2886 • https://dec.revistas.deusto.es

which has generated at times a bitter debate on the interests of producer and consumer co-operatives (Puusa & Saastamoinen 2021). The debate is not a new one even though it has taken new forms. Already in 1903, during the first conference of Finnish co-operatives, there were signs of conflict between producers and consumers, and the disagreements mainly concerned the pricing of raw materials and products (Tammitie 2010, 7). S Group has stated that it is defending the interests of its members and carrying out the basic task of a consumer co-operative.

Today the S-Group is the grocery store market leader in Finland and also an important trailblazer in the industry globally. Furthermore, it is one of Finland's most popular employers. The highly functional customer-owner system and strong finances are considered to be its key strengths. Its operations are characterised by openness and transparency. Having strayed from the right path for decades, the S-Group has learned to build upon its strengths, trying to balance co-operative's dual role - the business and member community aspects. Financial performance is of utmost importance, but it is only a tool to achieve the overall goals. In compliance with the rediscovered co-operative operating principles, profits are used to provide something good for ordinary people (Osuustoiminta OT, Vuosikirja 2020, 32-37; Osuustoiminta OT, Vuosikirja 2021, 32-37; Osuustoiminta OT, Vuosikirja 2022, 32-37).

4. Lessons to be learned: Understand the business model, maintain the competitive edge and operate according to the cooperative values and principles with the future in mind

History has many tales to tell, and there are many ways these tales can be put into words. However, the main lines are always the same: the co-operative movement in general and the Finnish co-operative movement in particular has had an eventful past with many different phases. There have been times of success and high hopes for the future. There have also been times of lacking analysis and initiative, of losses and letting go. What can we learn from this? We have made a list of ten points. The list can be summarised as follows: internalize and stay true to the co-operative purpose and aims, manage the model accordingly, find a balance between the business and member community aspects of the model —the two different but complementary roles and remain current and future-oriented. Historically, poor success has been the result of doing the opposite: having too many side interests, forgetting or ignoring the co-operative identity, and romanticising the past.

4.1. *Everything is in motion: Build on the strengths of the cooperative idea, but change according to the members' needs*

Co-operatives should make every effort to preserve their distinctive character and their activities and, consequently, their competitive advantage should be based on the strengths arising from the uniqueness of the movement. At the same time, it should also be remembered that the values and principles enshrined in the documents guiding the co-operative movement will remain a dead letter if they are not understood and if co-operatives are unable or unwilling to apply them in their day-to-day activities and decision-making.

Examination of the past also shows that the principles of the co-operative movement should, from time to time, be critically reviewed and updated. Above all, they should be interpreted and put into practice in a manner reflecting the spirit of the times and the prevailing conditions and not always to the letter or relying on past success. One example of this is the prolonged and almost fatal love affair of the Finnish co-operatives with the countryside in a situation where urbanisation was a reality. Another example of misguided action (seemingly in accordance with the principles of the co-operative movement) was the past practice of not laying off employees even if operations were unprofitable or the staff members in question were no longer needed. Unprofessionalism and incompetence were accepted and this had a negative impact on the movement's performance and its ability to serve the members (Tammitie 2010, 55). The interests of the individuals took priority over the interests of the membership as a whole. This shows how interpreting the principles of the co-operative movement and ignoring the changes taking place in society at large may lead to the loss of competitiveness and financial trouble.

Serving the members in the selected sector and providing them with benefits and services in an attractive and competitive manner has been and will remain the basic task of the co-operative movement. History has taught us that the day a co-operative ceases to exist for its members and becomes an end unto itself, the seeds of destruction have been sown.

4.2. *Understanding the dual role as the basis for the unique identity of the co-operatives*

Being both a business and a community of members is characteristic of co-operatives. This is referred as the duality of co-ops or dual roles —business and member community roles of a co-operative. (Dra-

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 75-106
doi: https://doi.org/10.18543/dec.2886 • https://dec.revistas.deusto.es

heim 1952; Puusa, Mönkkönen & Varis 2013; Puusa, Hokkila & Varis 2016; Puusa & Saastamoinen 2021; Novkovic, Puusa & Miner 2022). Consumer co-ops can only operate as co-operatives if they remain competitive. For this reason, the management should emphasize maximising the enterprise's competitiveness. However, the dualism means that in terms of competiveness management, a co-operative differs from other business models because in a co-operative, competitiveness means the ability to maximise the membership benefits. A co-operative does not have any existential basis if, in the members' view, there are options available on the market that can provide them with more benefits. At the same time, it should be remembered that only a profitable enterprise can bring long-term benefits for its members.

It is already widely recognised in business strategies that success can be an organisation's worst enemy (Normann 2002). In the history of the Finnish co-operative movement, there are also examples of what happens when an enterprise fails to expand into new areas and relies on past success without paying attention to the changes taking place around it. If the years of success have created a buffer, competitiveness may be quietly eroded and it may come as a surprise when the facade of prosperity finally collapses. This was the situation in SOK during the years of rapid urbanisation. Many in the organisation were blinded by the apparent success and nearly two decades later (form 1960s to 1980s) the group had to pay a heavy price for its complacency. The fact that SOK went from boom to near bust shows how much went wrong.

The belief that a co-operative should not make a profit is a complete misunderstanding (Levi & Davis 2008; Mazzarol *et al.* 2011; Birchall 2013; Puusa & Saastamoinen 2021). In the 1960s and 1970s, there was a reluctance in many SOK co-operatives to take a closer look at their figures and to recognise the realities contained in the indicators. Negative figures and indicators may even have been covered up in some cases. At the same time, emphasising the ideological aspects of the business created positive feedback. The above examples show how in the case of the S Group, accepting losses and barely profitable or loss-making operations drove many co-operatives into insolvency and the whole group into a difficult and prolonged economic crisis. It also led to an unhealthy relationship between regional actors and the central organisation, which will be discussed in more detail below.

However, it should be emphasised that in co-operatives there is a difference between making a profit and maximising a profit (Puusa *et al.* 2013; Puusa *et al.* 2016). In the efforts to ensure profitability, one area where co-operatives differ from investor-owned companies is that in a co-operative, the manager and their staff cannot se-

lect the products and services on offer using maximum profitability and efficiency as the decision-making criteria as the choices must be based on the membership's needs (See Puusa, Hokkila & Varis 2016). Thus, decision-makers in a co-operative must take a wider view than their counterparts in entities guided solely by business thinking as the owners' interests are more complex. We argue that the party granting the leadership mandate (membership) therefore requires that the management is able and willing to consider its interests at all times. One cannot overemphasise that it is important for co-operatives to find a balance between the two different but complementary roles. One role should not have priority over the other. Metaphorically speaking, the matter could be described as follows: It is much more natural and easier to stand on two feet than on one foot. A person trying to balance on one foot will ultimately fall whereas a person who has both feet firmly on the ground has plenty of time to choose the right direction and start going towards it on both feet. If a co-operative only emphasises the well-established principles of a business entity in its operations, the interests of the membership will became secondary, which will put the continuation of the operations at risk. On the other hand, a situation where too much consideration is given to the members' interests may also jeopardise the business performance of the co-operative (TED TALK 2021).

In the S Group there is a certain amount of fluctuation in prioritising the two aspects. At first the operations were almost exclusively carried out on an ideological basis. In the ensuing decades, the urbanised co-operative movement wanted to shed some of its rural-oriented ideological content. As the financial crisis set in and more emphasis was needed on proper financial management and performance, the movement went to the other extreme. The ideology was now a thing of the past and the co-operatives became business operators. There was no longer any educational work, co-operative thinking was no longer passed down from generation to generation and co-operative training was cut to a minimum. The situation was additionally exacerbated by the overheating of the Finnish economy in the 1980s and the fact that private ownership and maximisation of profits were becoming increasingly fashionable trends.

Then there is the progress of the co-operative movement itself. As enterprises, Finnish co-operatives have become downright allergic to loss-making. History shows us what it can lead to —business paralysis. Co-operatives have no wealthy investors who could quickly bring in new capital. Co-operatives typically have small capital contributions. New capital mainly arises from the surplus of profitable business operations.

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 75-106
doi: https://doi.org/10.18543/dec.2886 • https://dec.revistas.deusto.es

The main challenge now is that business operations are widely associated with what are called hard values. The capitalist business culture has become an integral part of our society, while at the same time there is no longer any public awareness of the principles guiding the co-operative movement. For this reason, it can be very difficult for people today to understand the mission of the co-operative movement, which sets it apart from other types of businesses: engaging in profitable operations while at the same time meeting people's needs and ensuring their well-being. Thus, it is quite understandable to have doubts about the workability of the dual nature unique to the co-operatives, especially because co-operatives are supposed to operate as mainstream businesses (Puusa *et al.* 2013).

Developments in the S Group show that the potential of the competitive advantage arising from customer ownership and co-operative principles is again becoming more widely recognised. When other aspects of the business are in good shape, "the unifying force based on the ideology is a great competitive advantage." (Tammitie 2010, 56).

4.3. *Members are at the core of the activities*

In a joint-stock company or a listed company, the most important input of the owner is in the form of making capital available to the enterprise, whereas in a co-operative, the members are expected to be actively engaged in the operations of the organisation in different roles (see Novkovic *et al.* 2022). For this reason, one of the most important tasks of the management of the co-operative is to provide a good basis for engagement and encourage participation. Membership should create a feeling of inclusion and be perceived as meaningful and personal. This will make it easier for individuals to become committed members of their co-operatives and identify with the dual role of the co-operatives.

In the co-operative movement, everybody can have a say and contribute to their own well-being and the well-being of their community, regardless of their age, social status or wealth. This means that the co-operative movement also promotes inclusion: On the one hand it brings people together, providing them with a forum for active engagement, while on the other hand, there is also the principle of self-help, which means that everybody is responsible for improving their own living conditions. Nowadays, the undisputed strength of the co-operative movement is also its weakness. Co-operative enterprises have managed to break the monopoly of private retailers and create healthy

competition to the extent that we now take them for granted. As the situation has improved, it is easy to forget what the co-operatives have always been about. At the time when the first co-operatives were established on these shores, Finland was an agricultural country with little capital and a poor and uneducated population. In those days, becoming a member of a co-operative was a matter of survival for many people. Furthermore, co-operative activities were an integral part of daily life in rural villages. We are now living in an era of well-being and prosperity and co-operatives have to reassess the needs that they are expected to meet. Does membership generate any benefits that the many competitors cannot offer?

The challenge today is how co-operatives can remain close to their members in a situation where operations and the organisation are continuously expanding. For example, the S Group has almost 2.5 million members in Finland (S Group 2022). As the competition is getting tougher, co-operatives have realised that in addition to providing membership benefits they must also offer other attractions ensuring the commitment of their members. What is needed is an emotional bond between the co-operative and its members.

It goes without saying that a co-operatives should not be afraid of having a diverse group of members with a multifaceted world view. For the members to participate and use their democratic rights as owners, they must be informed well, communicated with and otherwise actively sought out. Even today, there are instances in which members are not in any clear manner informed about co-operative or general meetings. It is not enough to post a notice regarding the meeting on the head office's noticeboard or the depths of the co-operative's website. These actions eat at the co-operative business model's credibility, which cannot be compensated by advertising.

Finally, we wish to emphasize that individual members of the co-operatives are not without responsibilities. For example, members should use all available opportunities to influence matters, irrespective of the size of the co-operative. An active and participatory approach is central to the ideology of the co-operative movement (Novkovic *et al.* 2022).

4.4. *Managerial tasks in a co-operative are service jobs*

The German economist Reinhold Henzler once wrote that co-operatives need managers because individual members may not have the business expertise needed to successfully steer the enterprise in rapidly

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 75-106
doi: https://doi.org/10.18543/dec.2886 • https://dec.revistas.deusto.es

changing markets. In his view the role of the manager should be that of a servant, which is not necessarily how we understand the concept. Over the past decades, the idea has experienced a renaissance, which has also manifested itself in the development of a variety of management theories. Concepts such as servant leadership, authentic leadership and spiritual leadership appear in many of the new management genre theories.

Hannes Gebhard, the founder of the Finnish co-operative movement, who was by no means unselfish, learned the skill of serving others when working at Raiffeisen. In fact, the bulletin number 4 of the Pellervo Society, which Gebhard himself wrote, was titled "Being a member of the co-operative movement means providing mutual service." (Alanen 1964, 352).

This poses a challenge to the governance bodies in co-operatives: How to find managers that are genuinely committed to serving others and accept the dualism inherent in the co-operative idea and business model and the values and principles arising from this? Managers of co-operatives should also be able to apply these unique features in practical management work.

We also wish to stress that given the principles of the movement, concentration of power is not typical of co-operatives. Even though we need strong personalities who are committed to their cause and are also able to make other people equally enthusiastic, a personality cult or excessive focus on leadership will weaken the equality principle and especially the democratic principles of the co-operative movement. At the same time, however, the role of the individual should not be underestimated; for example, many of the innovations of the S Group "have been created by bold individual thinkers" (Tammitie 2010, 156). Hannes Gebhard himself as a "father of the Finnish cooperative movement", is also an unparalleled example of a strong and determined personality who believed in his cause and who, through his achievements, was able to steer the destinies of his close associates and the people of Finland. Him alongside with his wife Hedvig, are remembered for their relentless work in the Finnish co-operative movement (Alanen 1964, 274; Mäkinen, Sysiharju 2006, 73-109). The co-operative movement has always been a mass movement, attracting people who have meager resources, but are strong in numbers. Mass movements, however, consist of individuals, and history has shown that co-operatives can only be successful if they can rely on competent men and women who are committed to their cause, ready to take charge, prepared to shoulder responsibility and understand that co-operatives have a service task to carry out. Lauri Relander, who was President of

Finland between 1925 and 1931, summed this up in a fitting manner when bestowing Finland's highest decoration on Hannes Gebhard and when thanking him for his unique contribution to his country. In the President's words, "Men with vision and determination who are able to steer the destinies of the nation in accordance with its real needs are the product of difficult times and important missions." (Alanen 1964, 470, 480).

4.5. *In a model based on democracy and joint ownership, co-operative governance plays a central role*

Persons elected to the governance bodies of co-operatives should have both business expertise and a good understanding of the distinctive features of a co-operative (Davis 2001; 2014; Birchall 2014; Basterretxea *et al.* 2020; Puusa & Saastamoinen 2021; Puusa & Saastamoinen 2023). Members serving in governance bodies in different roles should support the management in decision-making and be fully aware of their role as supervisors. Deficiencies should be boldly tackled and criticism voiced. Decision-making should also be supported by extensive background information, and if such information is not made available, administrative officials should request it and search for it. Above all, the representatives should remember that by being a part of a co-operative governance system they represent the entire membership and need to supervise its interests. This means that in the operations and decision-making, the focus should be on the interests of the co-operative as a whole and not on the interests of individual members or specific interest groups.

The problem in large co-operatives like S Groups is that as they grow, the decision-making chain becomes longer and more distant from individual consumers, which means that ultimately most of the decisions concerning the members are made by a small group of persons. This poses a major challenge for the co-operative governance (Puusa & Saastamoinen 2023).

4.6. *There is no room for politics in the Finnish co-operative movement*

From the outset, Hannes Gebhard emphasised the non-political nature of the co-operative movement. The division of the Finnish co-operative movement in the early part of the 20th century is a concrete example of how party politics should have no place in co-operatives.

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 75-106
doi: https://doi.org/10.18543/dec.2886 • https://dec.revistas.deusto.es

Combining the two means that the mission of the movement is forgotten, there is less equality and there is no longer room for cooperation arising from the principles of the movement. Both minor and major events in history have shown how activities and decision-making guided by party politics also fan internal conflicts and rivalry in an unhealthy manner.

Nothing good can result from getting co-operatives involved in general political disputes. However, the administrations of co-operatives can and should have some number of members who are political decision-makers outside the co-operative. A society can never be too full of people who understand how the society works. Often, creating a connection between a company and society requires a multitude of societal skills in addition to business competence. In many cases, it can be vital to get this type of people involved. But it should be kept in mind that the co-operative's decisions are always made while wearing the co-operative hat, so to speak. Roles should never be mixed. Outsiders should not be given any reason for doubt.

4.7. *Strong local and secondary co-operatives*

There are many examples in history of the benefits of having a well-organised movement. Even though the co-operative movement was preceded by many forms of pre-cooperative activities (Laurinkari 2004, 13-20), the movement only started to spread and gain influence after it had become organised. The start of the co-operative movement is generally associated with the Rochdale Pioneers, while the founding of the Pellervo Society marked the beginning of this type of activity in Finland.

Growth and expansion of co-operatives and co-operative groupings has typically been accompanied by the establishment of secondary co-operatives, in other words strong central organisations. There are examples of this in nearly every sector, especially in the field of co-operative retailers and banking.

The strengths that the S Group has achieved through its cooperation between the central organisation and local actors include chain operations as well as cost-effective purchasing and logistics, which bring direct benefits to members in the form of better quality, delivery reliability and lower prices. On the other hand, history has also shown that there are many dangers and problems arising from an unhealthy relationship between regional co-operatives and the central organisation and from an unclear division of labour between the two. In the

worst case, the central organisation and regional organisations may start competing with each other or may even act against each other's interests. Sometimes the central organisation may become inward-looking, its activities may become an end unto themselves, and it may forget its role as a service provider. This raises the question *whether it is the dog that wags the tail or the tail that wags the dog.*

This short historic review shows how a smoothly working central organisation with a strong steering role can, in addition to generating benefits, also prove dangerous. The presentation contains examples of how this leads to more passive operations at "grass-roots level" (such as regional actors) and the disappearance of self-help, a central co-operative resource. In the S Group this meant that even though there were SOK management members who openly admitted that the operating practices needed be overhauled already in the early 1960s, practical action had to wait for another twenty years. This was partly because local level actors expected the central organisation to provide clear and unified instructions for further action, which were not issued until 1983.

Another indication of the unhealthy interdependence between SOK and the co-operatives was that in the post-war decades, the co-operatives did very little to ensure their own profitability and good financial standing. There was an understanding that SOK, which was considered to have plentiful assets, would not allow any local co-operatives to go under and would cover their deficits. In fact, SOK helped to keep many co-operatives alive by "providing them with different types of financial support year after year." (Tammitie 2010, 23, 33, 55).

4.8. *Cooperation vs competition*

Diversity and healthy competition are essential to successful economic activities. A situation where there are enterprises on the market with different revenue and operational models also boosts the overall performance of the economy. Co-operatives are one such model.

In the course of history, co-operatives have managed to provide a credible alternative to other types of business and to create healthy competition, and in this manner offer consumers more alternatives, benefits and services. However, it should be remembered that competition is not the only way to ensure efficient and profitable business operations. According to neoclassical theories, the maximisation of profits is the main aim of an enterprise, and this aim can be achieved through competition (Mooney & Grey 2002). Competition, in all its forms, is

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 75-106
doi: https://doi.org/10.18543/dec.2886 • https://dec.revistas.deusto.es

perceived as the source of success or failure. When the assumption is that all relationships are based on competition, there are few references to cooperation when speaking of the foundations of success and competitive advantage.

However, phenomena such as the readiness to cooperate, joint action, trust and solidarity are a natural part of all co-operative activities. They all embody the idea that unity is strength and that you achieve more by working together. Cooperation is a great opportunity for co-operatives and the idea of being stronger together is part of the fundamental ideology of the co-operative movement. In fact, in the international principles of the co-operative movement, co-operatives are encouraged to engage in cooperation with each other. It is stated in the principles that *co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures* (www.ica.coop).

The history of Finland's co-operative movement shows that there is still plenty of unused potential on this theme. For example, even though the membership of co-operatives has for a long time been divided into producers living in rural areas, and working-class consumers living in towns and cities, the interests of the actors operating in the Finnish producer-to-consumer value chain are mostly identical. Actors operating in Finland, a country with a small population and long distances, should remind themselves of the benefits of cooperation and remember that they have no real adversaries in the domestic value chain. Instead, we should be much more worried about foreign investor-owned companies and the fact that many of them have successfully established themselves in Finland as producers and suppliers of foodstuffs.

Why? The threat is that foreign ownership will lead to more products of foreign origin entering the Finnish food chain, which weakens Finnish agriculture and the food industry. There is also a threat that a significant part of the value of the food supply chain will be transferred abroad away from Finnish operators. In the long term, foreign ownership may also have an impact on the willingness to invest in Finland. This will not only threaten the livelihood of Finnish producers, but it also endangers the self-sufficiency in these areas, threatens the security of supply during crises and would lead to an overall dependency on foreign actors in a long run.

Therefore, cooperation between Finnish actors and especially between Finnish co-operatives in this field would be desirable and it would also be justified not only from national, but from the economic and human perspectives too.

4.9. *The provision of education is enshrined in the principles of the co-operative movement*

Spreading the co-operative ideology in Finland required a strong personality championing the cause. What was needed was an individual who believed in his cause, had accumulated extensive knowledge on the matter and was able to convince the public by presenting the information in a persuasive and easy-to-understand manner. History has shown that in addition to strong personalities, there is also a need for systematic education, integration of co-operative activities into teaching, as well as literature and research on the subject.

The fact that in the decades gone by there was a strong commitment to educating the public can also serve as a model for our time. It should be remembered, however, that even though the educational task means disseminating information about the ideology and principles of the co-operative movement, nowadays it also means that the management and elected representatives are constantly updated on the business operations.

Information is also needed because, in a world dominated by capitalist values, the dual role "seems too good to be true". It is difficult to understand, both conceptually and on a practical level, even though it provides a practical basis for co-operative operations. For this reason, co-operatives must make greater efforts to provide their internal and external stakeholders with information about the uniqueness of the movement. There have already been good and important inroads in this area and the work should continue. This is because understanding the unique identity of the co-operative movement is crucial to ensuring the commitment of the members and for strengthening the internal entrepreneurship of the employees working in the co-operative enterprises.

Digitalisation also opens up many new opportunities for co-operatives. It can be used more extensively in the efforts to improve the efficiency and functioning of business operations and to make communications and education more effective. Rapid advances in digitalisation also provide fresh opportunities for re-establishing the membership dialogue, which is no longer as extensive as it was in the past. In parallel to having a representative democracy, it is also possible to establish channels enabling direct democracy. Especially for large co-operatives, this provides an opportunity to return to the roots of the movement. One illustrative example is a Raati (~Panel) -application operated by Pohjois-Karjalan Osuuskauppa, one of the regional consumer co-operatives of the S Group operating in North Karelia. The application al-

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 75-106
doi: https://doi.org/10.18543/dec.2886 • https://dec.revistas.deusto.es

lows members to contact the cooperative's management directly and give virtual real-time feedback. It allows not only direct communication between the co-op and its member-owners, but it is also an excellent tool to carry out direct democracy and strengthen member inclusion.

Hannes Gebhard, the founder of the Finnish co-operative movement, told that even though he had already read articles about the co-operative ideology, he became convinced of the cause when meeting a persuasive and strongly committed speaker: "It was only when listening to Professor Sering that I understood the importance of co-operative activities. His strong conviction prompted me to examine the co-operative movement more closely so that I could offer it to Finnish farmers as a useful instrument enabling them to improve their economic situation." Gebhard also describes how the lack of information on the subject hampered his efforts to promote the cause: "However, many years passed before I could start fulfilling this intention. I gradually collected information from different countries but noticed that there was not much literature available on the subject at the time." Later Gebhard received feedback on the effects of the educational efforts: "There are many country dwellers who later told me that these lectures served as an awakening and impetus for action that had a lasting impact." (Alanen 1964, 209-210).

4.10. *Values and objectives of the co-operative movement are still relevant*

The fact that the co-operative movement has a long history shows that it is strong, is founded on sustainable values and principles, and can provide individuals, groups and nations with material and immaterial wealth by combining both aspects of its dual nature in co-operatives' operations.

The value base and objectives of the co-operative movement are particularly relevant today as we are facing global challenges that may threaten the very existence of humankind, should the worst-case environmental scenarios come true. The many social problems facing Finland are also waiting to be solved in an ethically, ecologically and socially sustainable manner. Our era is characterised by growing environmental problems, increasing inequality and (especially in the Western World), a shift towards values emphasizing consumerism, individualism and greed. The co-operative movement can and must find solutions to these problems through compassionate economic means, cooperation and broad-based inclusion.

As before, there appear to be challenges ahead. Co-operatives should be highly conscious of their business form in order to play to their strengths and identify the weaknesses they can affect. The surrounding reality does not support the development of a co-operative model when the reigning ideology being taught and talked about in media emphasises investor-ownership. The administrations of co-operatives should have people with high levels of financial know-how who want to advance the basic function of the co-operative movement. In Finland, university professors are quite often involved in co-operative administrations because of their extensive education.

In the wider sense, co-operative culture should generally be considered dynamically prudent. Instead of remaining a prisoner of the past, the values and principles of the co-operative business model should be appropriately adjusted to the present. People are often involved with multiple co-operatives. This way, the practices of one co-operative become reflected in the other. Often, it is not enough that one co-operative or group of co-operatives takes the current times into account in their operation. All co-operatives must do so to keep the co-operative movement active and alert and to make sure that all co-operatives complete their basic function in a way suitable to the present. If the general state of co-operative culture has stagnated, the situation can be difficult for a single company or group of companies to resolve. Therefore, the situation concerns the dynamism of the entire mass movement. The co-operative movement should also ensure that new co-operatives continue being established. If the business model is not dynamic, it will be ignored by stakeholders.

Finns are open to the idea of participating in a co-operative business. They aren't enthusiastic about it, but the undertone is exceedingly positive. A recent attitude study found that the co-operation is the most popular economic ideology in Finland, even in comparison to the market economy. (EVA Analysis no. 79. 9/3/2020)

Co-operative members patiently use co-operative services even when the co-operative is going through difficult times. When a person is already accustomed to using the services of their own co-operative, the threshold to use a competitor's services is high. However, the use of services has decreased little by little and co-operatives have become more prone to crisis.

In the light of history, the leadership of co-operatives should be required to internalise the concept of the co-operative business to a significant extent and to have the ability to apply the concept in a way appropriate to the times. The leaders should also be capable, have good

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 75-106
doi: https://doi.org/10.18543/dec.2886 • https://dec.revistas.deusto.es

judgement, high ethical standards, the ability to reject side interests and have distinctive courage. Under competitive economy, these are the bare minimum. Leaders should always understand their own business model. There is no need to know everything beforehand, but there must be a willingness to improve.

5. **Conclusions**

In the end, what can we learn from all this? The consumers' co-operative model is a mass movement meant to function generation after generation. The Finnish co-operative movement is now being used and guided by its fifth generation. The leading star of co-operative business should be the future and the upcoming generation. How can we operate in a manner that allows us to keep co-operative services first-rate and the first choice of the current youths, young adults and all those who use the services? By focusing on future needs. They may not be completely separate from the current needs, but there are differences. Needs and ways of life change no matter what, and if this change is not sufficiently responded to, the co-operative movement will fade away. The change requires a profound understanding of the basic mission of co-operatives. This undoubtedly involves understanding the values, business model and story of the co-operative movement, as well as its view of human beings.

One of the risks of a co-operative business is that each generation may view the company's operating environment through the lens of their own life experience and only pay attention to the world view and reality they learned when growing up. As one wise person has said: at one point or another, those in power at the co-operative mass movement fall too deeply in love with the mental landscape of their youth. In comparison, the new reality may seem a strange place with unnecessary and dangerous elements. In the historical worst-case scenario, this has also been accompanied by battles for hegemony with co-operatives as battlegrounds. The combined weight of these paralysing forces proved too much.

A former CEO of SOK once asked why the co-operative movement refuses to change until it has its back against the wall. This is the fundamental question. Co-operatives have failed to interpret their operating environment and to draw conclusions from it in time. When a mass movement leads, who leads the mass movement? The people selected as leaders need to act in a manner that can convince the member-owners and company to change for the sake of the future.

Therefore, success is a question of the cultural elements being built into the co-operative movement, the reigning ways of thinking. The mass movement should put its function first and be in the front lines of change instead of reluctantly accepting change after its competitors have already sped past. Those elements of the past that can endure the future should be taken along, while the elements that were bound to that specific time should be left behind. If you do the opposite, you're in for a difficult journey. Recognising what to take and what to leave requires strong societal, social and economic understanding and co-operative action led by an active desire for reform.

References

AALTONEN, Esko (1953). Kuluttajat yhteistyössä. Suomen yhteisen osuuskauppaliikkeen vaiheet vuoteen 1917 ja katsaus edistysmielisen osuuskauppaliikkeen toimintaan sen jälkeen. [Consumers in cooperation. The stages of the common cooperative trade movement in Finland until 1917 and an overview of the activities of the progressive cooperative trade movement after that.] Yhteiskuntahistoriallinen ja sosiologinen tutkimus. Kulutusosuuskuntien Keskusliitto. Helsinki.

ALANEN, Aulis J.(1964). Hannes Gebhard. Helsinki..

BASTERRETXEA, I., CORNFORTH, C., & HERAS-SAIZARBITORIA, I. (2020). Corporate governance as a key aspect in the failure of worker cooperatives. *Economic and Industrial Democracy*, 1-20.

BIRCHALL, J. (2013). The potential of co-operatives during the current recession; theorizing comparative advantage. *Journal of Entrepreneurial and Organizational diversity 2*(1), 1-22.

BIRCHALL, J. (2014). *The governance of large co-operative businesses. A research study for Co-operatives UK*. Co-operatives UK: Manchester.

DAVIS, P. (2001). The Governance of Co-operatives Under Competitive Conditions: Issues, Processes and Culture. Corporate Governance: The international journal of business in society 1:4. 28-39. https://doi.org/10.1108/EUM0000000005975.

DAVIS, P. (2014). Retrieving the Co-operative Value-Based Leadership Model of Terry Thomas. J Bus Ethics (2016). 135:557-568. DOI: 10.1007/s10551-014-2489-9.

DRAHEIM, G. (1952). Die Genossenshaft als Unternehmungstyp (2nd edition 1955). Goettingen: Vandenhoeck & Ruprech.

EVA Analyysi. Askel oikealle [EVA analysis, Step to the right] no 79. 9.3.2020.

HERRANEN, Timo (2004). Yhdessä eteenpäin. SOK 100 vuotta. [Moving forward together. SOK 100 years.] Helsinki 2004.

HÄIKIÖ, Martti (1997). Satoa ja katoa Hankkijan saralla. Hankkija ja Noveran historia 1955-1992.[Hankkija and Novera's history 1955-1992.] Tampere.

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 75-106
doi: https://doi.org/10.18543/dec.2886 • https://dec.revistas.deusto.es

HYVÄRINEN, K. (1948). Karjalan luovutetun alueen osuuskauppaliikkeen historia. [The history of the cooperative movement in the ceded area of Karelia.] KK, Helsinki.

JUSSILA, I. (2007). Omistajuus asiakasomisteisissa osuuskunnissa. [Ownership in customer-owned cooperatives]. Acta Universitatis Lappeenrantaensis 271Digipaino: Lappeenrannan teknillinen yliopisto.

KALLENAUTIO, Jorma. (2009). Lamasta uuteen nousuun. Eka-yhtymän ja Tradeka-yhtymän historia 1983-2008. [From a recession to a new upswing. The history of the Eka Group and the Tradeka Group 1983-2008.] Hämeenlinna 2009.

KOMULAINEN, Anitra. (2021). Punapääoman linnake. Työväenosuustoiminnan dramaattiset vaiheet.[Red capital fortress. The dramatic stages of worker cooperation.] Tallinna 2021.

KUISMA, Markku, SILTALA, Sakari, KOMULAINEN, Anitra, KESKISARJA, Teemu. (2015). Kapinallinen kauppa. Helsingin osuuskauppa Elanto 1905-2015. [A rebellious trade. Consumer cooperative Elanto in Helsinki 1905-2015.] Helsinki 2015.

KUISMA, Markku, HENTTINEN, Annastiina, KARHU, Sami, POHLS, Maritta. (1999). Kansan talous. Pellervo ja yhteisen yrittämisen idea 1899-1999. Tampere 1999. Summary in english: Kuisma, Markku, Henttinen, Annastiina, Karhu, Sami, Pohls, Maritta, The Pellervo Story. Century of Finnish Cooperation 1899-1999. Tampere 1999.

LAINE, J. FELLMAN, S., HANNIKAINEN, M. & OJALA, J. (2019). Vaurastumisen vuodet. [Years of prosperity .]Gaudeamus Oy. Tallinna Raamatutrukikoja OU, Tallinna.

LAAKKONEN, Vesa, LAURINKARI, Juhani. (1990). Osuustoiminta taloudellisen yhteistoiminnan muotona. [Cooperative activity as a form of economic cooperation.] Helsingin yliopiston osuustoimintaopin laitoksen julkaisuja no 22.

LAURINKARI, Juhani. (2004). Osuustoiminta. Utopiasta kansainvälisen yrittämisen muodoksi. [Cooperation. From utopia to a form of international entrepreneurship.] Pellervo.

LEVI, Y. & DAVIS, P. (2008). "Co-operatives as the "enfants terribles" of economics: Some implications for the social economy." *Journal of Socio-Economics, 37(6)*, 2178-2188.

MAZZAROL, T., LIMNIOS, E. & S. REBOUD (2011). *Co-Operative Enterprise: A Unique Business Model?* Paper presented at Future of Work and Organisations, 25th Annual ANZAM Conference, Wellington, New Zealand, December 7-9.

MOONEY, P. & GRAY T. (2002). *Co-operative Conversion and Restructuring in Theory and Practice.* Research Report 185. United States Department of Agriculture. Rural Business Co-operative.

MÄKINEN, Riitta, SYSIHARJU, Anna-Liisa. (2006). Eteenpäin ja ylöspäin. Hedvig Gebhardin osuus ja toiminta. [Onward and upward. Hedvig Gebhard's role and activities] Keuruu.

NORMANN, R. 2002. *Normannin liiketoimintateesit.* [Normann's business theses].Sanoma Pro.

NOVKOVIC, S., PUUSA, A. & MINER, K. (2022). Co-operative identity and the dual nature: From paradox to complementarities. Journal of Co-operative Organization and Management 10:1 (2022) 100162. https://doi.org/10.1016/j.com.2021.100162.

Osuustoiminta OT. Vuosikirja [Cooperative Magazine. Yearbook] 2020, 2021 ja 2022.

PERKO, Touko, YHDESSÄ enemmän. SOK 1904-1979. Helsinki 1979.

PURO, Olavi H. (1927). Suomen Kulutusosuustoiminnan vaiheet vuoteen 2017. [Phases of Finland's consumer cooperatives until 2017] KK. Helsinki.

PUUSA, Anu, HOKKILA, Kirsi & VARIS, Antti (2016). Individuality vs. Communality - A new dual role of co-operatives? Journal of Co-operative Organization and Management, 4/2016. pp. 22-30.

PUUSA, A., MÖNKKÖNEN, K. & VARIS, A. (2013). Mission lost? Dilemmatic dual nature of co-operatives. Journal of Co-operative Organization and Management, 1(1): 6-14.

PUUSA, A. & SAASTAMOINEN, S. (2021). Novel ideology, but business first? Journal of Co-operative Organization and Management. 9:1, 100135. https://doi.org/10.1016/j.jcom.2021.100135.

PUUSA, Anu & SAASTAMOINEN, Sanna (2023). Democratic Cooperative Governance: Role Ambiguity, Pseudo-Democracy and Tacit Acceptance? In Novković, S., Miner, K., McMahon, C. (eds) Humanistic Governance in Democratic Organizations. Humanism in Business Series. Palgrave Macmillan, Cham. https://doi.org/10.1007/978-3-031-17403-2_6 pp. 145-175.

SIMONEN, Seppo (1949). Pellervolaisen osuustoiminnan historia [History of Pellervo cooperative moment]. Helsinki 1949.

TAMMITIE, Kristiina (2010). Myrskyä ja myötäistä: S-ryhmän väylä kriisistä menestykseen. [Storm and calm: S Group's path from crisis to success.] Osuuskaupparyhmän Muistelmayhdistys ry 2010.

World Co-operative monitor, Exploring the co-operative economy. Euricse. Report 2015.

Web pages

www.ica.coop

https://pko.fi/raati/

https://www.ted.com/talks/anu_puusa_the_case_for_co_ops_the_invisible_giant_of_the_economy

www.s-kanava.fi

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 75-106
doi: https://doi.org/10.18543/dec.2886 • https://dec.revistas.deusto.es

The Role of the Supervisory Board in Finnish Cooperatives

El papel del consejo de supervisión en las cooperativas finlandesas

Kari Huhtala[1]
Director of Cooperation at Pellervo Coop Center
kari.huhtala@pellervo.fi

doi: https://doi.org/10.18543/dec.2887

Submission date: 28 April 2023
Approval date: 07 October 2023
E-published: January 2024

Contents: 1. Introduction.—2. Governance models of a firm. —3. Supervisory board in the governance of cooperatives.—4. Supervisory board in Finnish cooperative legislation.—5. Facts on supervisory board in different types of cooperative firms in Finland.—6. Ongoing discussion on the role of the supervisory board.—7. Case: role of the supervisory boards in the election of the board of directors.—8. Results and discussion.—9. Concluding remarks.—Appendix.—References.

Contenidos: 1. Introducción.—2. Modelos de gobierno de una empresa.—3. El Consejo de vigilancia en el gobierno de las cooperativas.—4. El Consejo de vigilancia en la legislación cooperativa finlandesa.—5. El Consejo de vigilancia en diferentes tipos de empresas cooperativas en Finlandia.—6. Discusión sobre el papel del Consejo de vigilancia.—7. Caso: El papel del Consejo de vigilancia en la elección de la Junta directiva.—8. Resultados y discusión.—9. Observaciones finales.—Apéndice.—Referencias.

Abstract: Research on the supervisory boards of cooperatives has been scarce considering their prevalence, especially in continental Europe. The supervisory board is a voluntary body under Finnish conditions and consists exclusively of members' representatives. According to the cooperative law, the task of the supervisory board is to supervise the board and management. Based on the results of this article, the role of the supervisory board is changing in a more dynamic direction, which includes sparring with the board, taking care of the ownership strategy and developing interaction

---

[1] Kari Huhtala holds a Master of Science in agricultural economics from the University of Helsinki.

He is Director of Cooperation at Pellervo Coop Center, the apex organization of Finnish cooperatives, and Managing director of Finlands Svenska Andelsförbund, the central organization of Swedish-language cooperatives in Finland. He has had a long career in business and as a senior trainer of cooperatives. He is now working for cooperative advocacy organizations in Finland and is finishing his doctoral dissertation on the board governance of cooperatives.

with the membership. Hence, it would fulfill not only the conformance role of the governance towards the membership but support the performance role of the board. This new role would require re-assessment of the selection criteria for the members of the supervisory board, not merely from a representational perspective, but also from the perspective of competence adequacy. The supervisory board and its chairperson are significant users of the power based on their formal position in preparing and electing directors. They also use the informal power in interaction with the board and its chairperson.

Keywords: supervisory board, governance, conformance, performance.

Resumen: La investigación sobre los consejos de supervisión de las cooperativas ha sido escasa teniendo en cuenta su prevalencia, especialmente en Europa continental. El consejo de supervisión es un organismo voluntario en las condiciones finlandesas y está formado exclusivamente por representantes de los miembros. Según la ley de cooperativas, la tarea del consejo de supervisión es supervisar a la junta directiva y a la dirección. Según los resultados de este artículo, el papel del consejo de supervisión está cambiando en una dirección más dinámica, que incluye el enfrentamiento con el consejo, el cuidado de la estrategia de propiedad y el desarrollo de la interacción con los miembros. Por lo tanto, cumpliría no sólo la función de conformidad de la gobernanza con los miembros, sino que también apoyaría la función de desempeño de la junta. Este nuevo papel requeriría una reevaluación de los criterios de selección de los miembros del consejo de supervisión, no sólo desde una perspectiva representativa, sino también desde la perspectiva de la adecuación de las competencias. El consejo de supervisión y su presidente son usuarios importantes del poder en función de su posición formal en la preparación y elección de directores. También utilizan el poder informal en interacción con la junta y su presidente

Palabras clave: consejo de supervisión, gobernanza, conformidad, desempeño.

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 107-124
doi: https://doi.org/10.18543/dec.2887 • https://dec.revistas.deusto.es

1. **Introduction**

The supervisory board (SB) of the cooperative is a governing body that occurs especially in continental Europe (Bijman *et al.*, 2014). Based on the literature, in Germany and the Netherlands, for example, the SB is ordinary. SBs are also met in Irish co-operative banks (Byrne *et al.* 2007). In the Anglo-American countries, however, the SB is generally rare and little known. In Finland, the SB is common in co-operatives, while it has largely disappeared from the limited liability companies in the 21st century. There are SBs in both large and medium-sized cooperatives, only the smallest ones lack them. SBs exist in many industries: in cooperatives of agricultural producers and forest owners, in consumer and banking cooperatives, in mutual insurance companies and, for instance, in new types of investment cooperatives.

The governance of a firm is shaped by two different types of goals: the need to maximize the firm's performance and simultaneously to conform its operation to the owners' expectations (Tricker, 2015). Conformance means that the organization behaves in an accountable and prudent manner, which means that its task is to safeguard the owner' interests (Cornforth (2004). In cooperatives, it comprises ways to maintain democratic decision-making and control, returning value to the members and thus, ensuring the interests of the members-as-users and the board's controlling role (Bijman *et al.*, 2013; Österberg & Nilsson, 2009). Performance means overall or financial performance of the firm (e.g. Yamori *et al.*). In the unitary (*one-tier*) board model, both the goals —performance and conformance— are also obligations of the board of directors (BOD). In the *two-tier* model, which includes the BOD and the SB, the tasks are separated: the BOD distinctively and primarily assumes the performance role, while the SB fulfills the conformance role (Tricker, 2015). In the Anglo-American countries, a one-tier governance model is preferred, with the company's BOD at the center.

Along with the emergence of modern corporate governance codes, the significance of the SB has been questioned by claiming that the presence of independent directors on the BOD better fulfills some of its tasks in the governance. However, in cooperatives the function of the SB is, in addition to its conformance role towards the membership, to oversee the BOD and the entire performance of the cooperative. Compared to investor-owned firms (IOFs), which are profit-driven and owned by shareholders, cooperatives are member-driven and democratically governed (Baltaca & Mavrenko, 2009; Diaz-Foncea & Marcuello, 2013). Their ownership is collective, and patron-members

participate in decision-making concerning their vertically integrated enterprise through democratically elected councils and bodies. Depending on applicable legislation across countries, the SBs in cooperatives are assumed to use power in the nomination, election and control of the BOD.

There is very little academic research on the role of the SB in the cooperative governance literature (Huhtala *et al.* 2016). The purpose of this article, in addition to giving a picture of the duties of the SB in the Finnish context, is *to examine what its role is between two influencing forces, to take care of the fulfillment of the expectations of the members of the cooperative, and at the same time to ensure by means of supervision that the cooperative's board and management perform their duties.* The observations of this article are firstly based on the data, experience and knowledge of Pellervo Coop Center, the central organization of cooperatives in Finland and the work with its member cooperatives in Finland. Secondly, the results have utilized the author's personal interviews with some twenty chairpersons of Pellervo's member cooperatives.

2. **Governance models of a firm**

The governance models can overall be divided into two types: the unitary board model and the two-tier model (Tricker, 2015). The unitary board model (also called the one-tier model) has its roots in the Anglo-Saxon tradition. It comprises a general meeting which elects the BOD. The two-tier model stems from the German juridical tradition (Lekvall 2014). Its special feature is the SB, which monitors the BOD. In these two models, the roles of the governing bodies differ in some respects. In the unitary model the BOD needs to fulfill both the performance role and the conformance role, while in the two-tier model the BOD distinctively and primarily assumes the performance role while the supervisory board fulfills the conformance role.

The basic one-tier governance model of a firm comprises two levels: the General Assembly/General Meeting (GA) and the BOD. The GA has control over decisions, i.e. ratification and monitoring, while the BOD takes responsibility for decision management, such as initiation and implementation. Lekvall (2014) states how the two-tier model (*Figure 1*) used in the Continental European countries draws a strict line between the SB with exclusive oversight and controlling functions and the management board vested with virtually

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 107-124
doi: https://doi.org/10.18543/dec.2887 • https://dec.revistas.deusto.es

all executive powers, which means that no individual can serve on both bodies simultaneously. The one-tier model (*Figure 1*), where the supervisory/control and executive functions are combined in the BOD, is clearly different. Lekvall also recognized a third, the Nordic model (*Figure 1*), which is distinctly different from both other models, first by not having a SB, and second by making a distinction between the non-executive board and the executive management function.

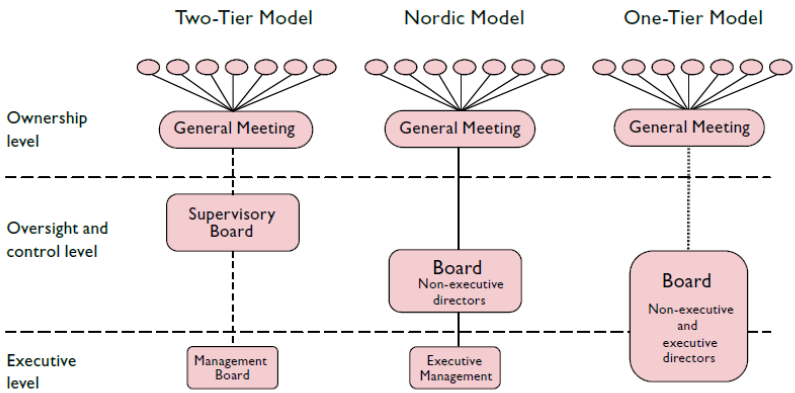


Figure 1

The two-tier, Nordic and one-tier governance models (Lekvall, 2014)

In cooperatives, a member council (also called council of delegates) may be optional to the GA. Where the law provides for the establishment of a member council, it carries out the control function in the interest of the members (Henrÿ 2012). Hence, it is exclusively composed of members of the cooperative. In this sense, it may be described as a permanently sitting mini-GA. Bijman *et al.* (2014) present a model including the member council (*Figure 2*) which they call "the extended traditional model of internal governance of cooperatives".

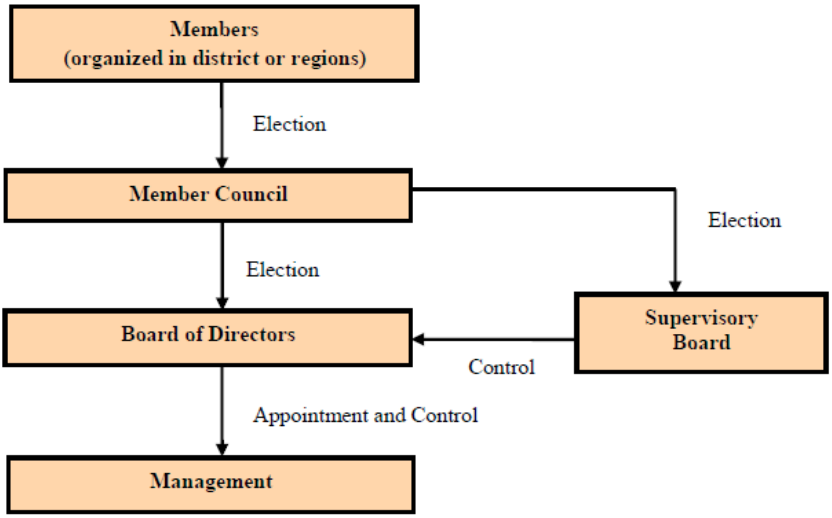


Figure 2

The extended traditional model of internal governance of cooperatives (Bijman *et al.* 2014)

3. **Supervisory board in the governance of cooperatives**

As regards the legislation on SBs, SBs are not mandatory unless otherwise specified in cooperative acts or bylaws. In Europe, the SB traditionally consists exclusively of members of the cooperative, but recently some countries have allowed non-member (expert) participation in the SB (Chaddad & Iliopoulos 2013). In Brazil, as in Europe, the main role of the SB is to monitor the cooperative BOD and management with a particular focus on internal auditing. Cooperatives may have two types of SB, depending on the legislation (*Figure 3*). In some countries it is called the supervisory committee (b) and in some others the SB (a) (Bijman *et al.*, 2014; Henrÿ, 2012). The difference between them is that a) the SB both elects and monitors the BOD, while b) the supervisory committee only supervises/possibly audits the BOD whereas BOD election belongs to the GA.

The above two-tier board model provides for a formal separation of directors who operate in separate boards with their own specific roles (Bezemer *et al.* 2012). Executive directors are responsible for the day-to-day operation of the firm, and the SB is responsible for the su-

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 107-124
doi: https://doi.org/10.18543/dec.2887 • https://dec.revistas.deusto.es

pervision of management and for providing advice and counseling to executives and possibly also for the election of the BOD. SB chairs have become increasingly involved in both their control and service roles, spending more time on boards and committees, and thus have become more active on the forefront of corporate governance discussion. Bezemer et al (2012) state that the SB chair may have become subject to changing role expectations.

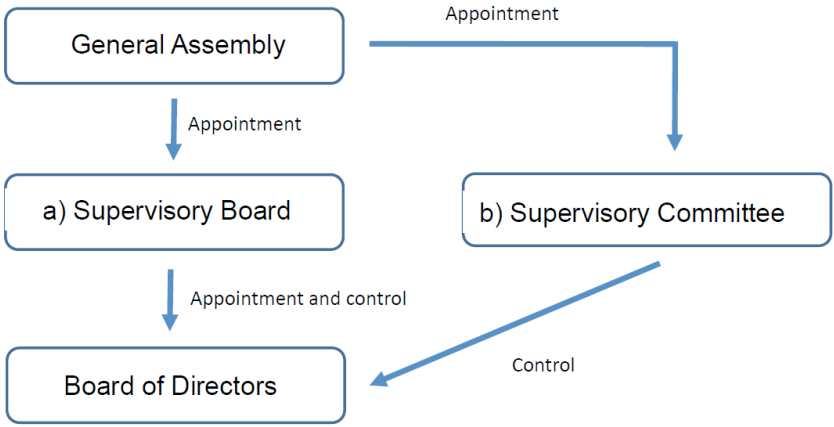


Figure 3

Supervisory committee model of the governance structure in cooperatives (developed by the author, based on Bijman *et al.*, 2014)

4. **Supervisory board in Finnish cooperative legislation**

Finland's current cooperative law is from 2014, but the 1954 law already identified the SB with this name. Finland's first cooperative law is from 1901. Although it does not mention the SB by name, the law refers to limited liability company legislation, where the SB is mentioned. Thus, the SB can be considered as the governing body of a cooperative that has been established since the early days of Finnish cooperative activity, which follows the continental European two-tier model (*Figure 1*).

According to the Finnish Cooperatives Act, the SB's most important task is the supervision of the BOD and executive management. It follows from this, consistent with what was explained in the previous chapter, that the members of the SB cannot be members of the BOD

at the same time, nor vice versa. In addition, the SB may issue instructions to the BOD regarding matters that are extensive or significant in terms of principle. The SB must be regulated in the byelaws.

The cooperative's byelaws may also stipulate that the SB elects the cooperative's BOD, the CEO and other senior management. In practice, in all Finnish cooperatives with a SB, the SB elects the board members. It follows that it also has the power to dismiss the members of the BOD. There is some variation in the selection of the managing director, so that in some cooperatives the BOD appoints the managing director. The byelaws can also stipulate that the SB decides on matters concerning a significant reduction or expansion of the cooperative's operations or a substantial change in the cooperative's organization. In the byelaws, other individual tasks that fall under the BOD's general authority can also be transferred to the SB.

However, tasks related to the cooperative's ongoing administration, accounting and financial management that are part of the BOD's duties cannot be transferred to the SB. Nor can the byelaws limit the right of the BOD, its members or the CEO to represent the cooperative.

The SB must have as a minimum three members. The chairperson of the SB is elected by the SB, if it has not been decided otherwise when selecting the SB or in the byelaws. The role of the chairperson of the SB in relation to the board varies in different types of cooperatives. This question will be returned to in chapter 5 of the article.

5. **Facts on supervisory board in different types of cooperative firms in Finland**

In this context, we use the term "cooperative firm", by which we mean not only cooperatives legally, but also firms mainly owned by them as well as mutual insurance companies. In Finland, in the meat and forestry sector, cooperatives have established stock companies in the 1990s, to which the cooperatives' operations were transferred either completely or partially. However, the cooperatives have control over them, so it is justified to examine the SBs of these firms as well. In Finland, mutual insurance companies have their own legislation, separate from cooperatives. However, both internationally and in Finnish practice, these companies are considered cooperative firms.

The following table describes the most important cooperative firms in Finland and their governance practices in the aspects related to SBs. The term "producer cooperative" is used as a synonym to "agricultural cooperative" in this paper.

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 107-124
doi: https://doi.org/10.18543/dec.2887 • https://dec.revistas.deusto.es

Table 1

Facts about governance practices in different types of cooperative firms in Finland

	Producer cooperatives	Public limited companies owned by cooperatives	Consumer cooperatives (S-Group)	Cooperative banks (OP, POP)	Insurance companies (Local Tapiola)
Generality of the SB	Ca. 60%	Metsä Group (forest): yes Atria plc (meat): yes HkScan plc (meat): no	100%	100%	100%
SB chair attends BOD meetings	Always	Seldom	Always	Only at the request of the BOD	Always
CEO as BOD member	Under 50%	0%	90%	100%	0%
CEO duality *)	0%	0%	90%	0%	0%

*) CEO duality refers to practice where the CEO functions as the chairperson of the BOD in that same company.

It is noteworthy that the SB appears in almost all significant Finnish cooperative firms *(Table 1).* 100% presence is in consumer cooperatives, cooperative banks and mutual insurance companies. SBs also emerge in listed companies owned by cooperatives, although not all of them. In producer cooperatives, the situation varies: most of them have SBs but some of them prefer a model that has only a member council and a board of directors.

The participation of the chairperson of SB in board meetings varies. In producer and consumer cooperatives and mutual insurance companies, he or she always participates in board meetings with a right to speak, while in cooperative banks he or she only participates when specifically requested by the BOD. This has an impact on the power position of the chairperson of the SB, which we will return to later in this article.

The membership of the CEO on the BOD varies greatly between different types of cooperatives. In cooperative firms which are public listed companies and in mutual insurance companies, he or she is not a board member. In cooperative banks, the CEO is always a member of the board, but never its chairperson. In producer cooperatives, the trend has been that the CEO is increasingly less often a member of the

board. The complete exception are S Group consumer cooperatives, where the CEO is not only a member of the board, but almost in all the cooperatives the chairperson of the board.

6. **Ongoing discussion on the role of the supervisory board**

As previously stated, the task of the SB laid down in the law is to supervise the cooperative's board and management. In Finland, there has been a discussion about other possible roles of the SB in various contexts, for example in the seminars and trainings of Pellervo Coop Center. The background is the idea that if the role of the SB only focusses on ex-post monitoring such as meeting reports, its task can remain quite passive. Additionally, a discussion has arisen about the dynamic role of the SB. It means acting as a sparring body of the board's policies, taking care of the ownership strategy, and implementing the owner control of the cooperative. To be able to develop in this direction, the SB should be more active than acting as a mere supervisor. Such a renewing role would require new thinking from SBs. Firstly, in the selection of members of the SB, in addition to representativeness, the sufficient competencies of the candidates should be increasingly assessed, for example business understanding, owner strategic thinking and communication skills. Secondly, the interaction between the SB and the BOD should be developed, however, in such a way that the integrity of the SB as the supervisor of the BOD is not threatened. Thirdly, the interaction between the SB and the member council should be developed. There are good experiences with this kind of activity, for example, through the fact that the BOD, the SB and the member council hold joint workshops from time to time, where the strategic issues are discussed from member-owners' perspective and the views are connected to the cooperative's business strategy, which is primarily the responsibility of the BOD. The work of the SB nomination committee also becomes more important when it prepares the board members' elections.

7. **Case: role of the supervisory boards in the election of the board of directors**

a. *Context*

There are a total of 32 producer cooperatives in Finland, half of which are quite small. We included in our series the 11 largest producer cooperatives of Finland having a SB. The measure of size was the

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 107-124
doi: https://doi.org/10.18543/dec.2887 • https://dec.revistas.deusto.es

number of members. Divided by sector, there were four meat cooperatives, five dairy cooperatives and two other cooperatives, (forest, egg) in the series *(Table 2).* The data on this period were comprehensively available and consistent. The key figures of these cooperatives are presented in the *Appendix*. This data consists of producer cooperatives that are legally cooperatives. The data does not include limited liability companies owned by cooperatives.

Table 2

Division of the cooperatives in the date by sector

1.Meat cooperatives	2. Dairy cooperatives	3. Other cooperatives
Lihakunta	Länsi-Maito	Munakunta (egg)
Itikka	Satamaito	Metsäliitto (forest)
LSO	Hämeenlinnan osuusmeijeri	
Österbottens Kött	Maitomaa	
	Maitokolmio	

The results of this case have been previously presented in a conference publication of Huhtala & Jussila (2019).

b. *Methodology and data*

The aim was to analyze how the SB uses power in the selection of the board of directors in Finnish producer cooperatives. Twenty-two persons were interviewed: the chairpersons of the BODs (11 people) and the chairpersons of the SBs (11 people). The interviews constituted our data. We used content analysis (Crabtree & Miller, 1992) to analyze the data. Our analysis started with close reading of the interviews and adoption of the informants' views, which allowed us to create the 1st order concepts (Gioia *et al.*, 2013; Langley, 1999; Lincoln & Guba, 1985; Locke & Golden-Biddle, 1997). Next, we started looking for similarities and differences between the concepts and created seven 2nd order categories (*Table 3*). Abduction was used for interpretation. This means that existing theoretical ideas were linked with insights from our data, and these ideas contributed to a meaningful story of the phenomenon under study. Along the lines of Gioia *et al.* (2012), we then further filtered the emergent 2nd order categories into two aggregate themes, which together formed our data structure.

Table 3

Development of the data structure from 1st order concepts through 2nd order categories to aggregate themes

1st Order Concepts	2nd Order Categories	Themes
1. The member council has elected the supervisory board (SB), and they have the authority and responsibility in this matter. 2. The SB should be maximally representative of the regions.	SB's mandate	FORMAL POSITION-BASED AUTHORITY
3. The SB supervises the activities of the BOD. 4. The SB has an informal duty to serve as a filter between the member council and the BOD. 5. The SB has a significant role in the selection of the BOD. 6. The SB brings an element of stability to the election of board members. 7. The SB elects the board directors with or without preceding proposals by the presenting committee.	SB's authority and role	
8. The chair of the SB has an authoritative role. Before elections s/he conducts discussions with the producer-members and within the cooperative. 9. The SB chair is primarily responsible for the composition of the board, because s/he represents the group responsible for the election of board directors. 10. The SB chair wants to influence matters but does it through cooperation, avoiding partiality towards any specific BOD issues. 11. The SB chair has a right to speak in BOD meetings but no right to vote.	Authority and role of the chair of the SB	
12. The nomination committee consists of the SB chairs, other SB members and possible representatives of the member council. 13. A member of the BOD serves as an expert member in the nomination committee. 14. The nomination committee screens and interviews the possible candidates for BOD membership. 15. The committee's proposal is not binding on the SB. 16. The chair of the committee has a more authoritative role than the other members.	Composition and authority of the nomination committee	

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 107-124
doi: https://doi.org/10.18543/dec.2887 • https://dec.revistas.deusto.es

1st Order Concepts	2nd Order Categories	Themes
17. The chairs of the SB and BOD outline the principles for further action. 18. The SB chair has a right to speak on BOD meetings, which may be controversial because the SB is responsible for supervising the BOD.	Cooperation between the SB and the BOD	
19. The members attending regional meetings may discuss informally the BOD members, but any decisions are made by the SB. 20. The SB must have good grounds for turning down a regional proposal. 21. The SB chair has an important role in keeping the governance well aligned.	Power of the regions	INFORMAL POWER
22. The BOD chair should have some say on who are elected to the board. 23. The members of the BOD discuss the election. 24. The BOD should not override the SB. When the SB asks for information, the BOD must provide it.	Power of the BOD	

c. *Theoretical approach*

The theory on social power was implemented to interpret the empirical results presented in chapter 7.b. (French & Raven, 1959). According to the theory, the most common types of social power in organizations are (1) reward power, (2) coercive power, (3) legitimate power, (4) referent power and (5) expert power. Reward power is power based on an ability to reward, whereas coercive power implies that one is forced to do something. Legitimate power is based on an elected or appointed position of authority, whereas referent power is based on an ability to administer to someone a sense of personal acceptance. Expert power is based on a person's skill or knowledge. Raven (1965) added informational power (6), which results from a person's ability to control the information. In the models of French & Raven (1959) and Raven (1965) the sources of power can be divided into (a) positional sources (legitimate, reward, coercive and informational power) and (b) personal sources (expert and referent power). As an example, electoral mandates, so-

cial hierarchies, cultural norms, and organizational structures are examples of legitimate power. This type of power, however, can be unpredictable and unstable because it depends on the person's position. An example of referent power is a shared personal connection or shared belief between the influencing agent and the target with the intention of positively correlated actions of the target (Raven & Bertram 1992).

8. **Results and discussion**

The manner how the SB uses power in Finnish producer cooperatives include several features of *formal position-based authority*. This is linked with the power of positional sources (French & Raven, 1959; Raven, 1965). The mandate of the SB stems from the fact that either the GA or the member council elects the SB and the election is based on the cooperative legislation. The SB in Finland has an authority in appointing and dismissing the BOD which can be described as coercive power in the terminology of French & Raven (1959). The SB has a role in supervising the activities of the BOD, and thus, has legitimate power over the BOD. The SB chairperson is the most central person in the governance in making sure that right people are appointed to all positions, in discussing with the BOD and in functioning as a unifying person. In these roles, the chairperson is using legitimate power, acting as authority. Bezemer *et al.* (2012) found that SB chairpersons have become increasingly involved in both their control role for the membership as well as the service role towards the BOD. This emerging role where they are spending more time on boards and committees means that they have become more active in governance discussion. Our findings among Finnish producer cooperatives support an increasingly strong and a changing role of SB chairpersons. The power of nomination committee is legitimate power because the committee has received its mandate from the SB. Its positional power is formally well defined and is limited to proposing candidates to the BOD whereas the SB makes the actual decision on the BOD members. On the other hand, the nomination committee has much informational power because it screens, analyzes and even interviews BOD candidates. This is positive whenever the committee strives to find best possible candidates who fit in the cooperative's need. The power may also cause confusion if the committee begins to make its own agenda and take over such power that does not belong to it.

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 107-124
doi: https://doi.org/10.18543/dec.2887 • https://dec.revistas.deusto.es

Informal power occurs in many contexts related to the activities of the SB and this is linked with the power of personal sources (French & Raven, 1959; Raven, 1965). Our findings disclose an intensive collaboration and interaction between the SB and the BOD. This happens in practice mainly between the chairpersons of the respective governance bodies. The SB chairperson not only has legitimate power but also personal expert and referent power. Though the BOD and its chairperson do not have positional power in the election of BOD members they also have remarkable expert and referent power. BOD chairperson is a central expert how he/she is heard by the SB or by the nomination committee of the needs experienced on the BOD. Other BOD members may also be asked about the work of the BOD or about candidates. BOD and its chairperson also have referent power which becomes visible through shared personal connections and shared belief between the BOD and the SB with the intention to achieve the best possible result in the election of the BOD. The power of the regions represents one form of informal power. The regions do not have any law-based role in the selection of directors but instead, depending on the cooperative, they can play a significant informal role in proposing board candidates. In some cooperatives, the role is so strong that the board memberss elector, the SB, usually does not deviate from the region's proposal. Balancing this issue may require good leadership skills from the chairperson of the SB.

The coercive and legitimate power of the SB is in line with Tricker's (2015) notion that the SB fulfills the conformance role in the governance of a firm. Additionally, our finding is equivalent with cooperative scholars' (The International Cooperative Governance Symposium, 2013, p. 9) statement that the cooperative governance is characterized by democratic member control. In Finnish cooperatives, all SB members are members of the respective cooperative. The SB's power aspect is identical to Dunn (1988) who defines the user-control in cooperative meaning that those who control the cooperative are those who use the cooperative. Hansmann (1999) reminds how strong direct member control is far more important in a cooperative than it is in an investor-owned firm. However, it is important to remember that the legislation on SBs varies from country to country as concerns the legal mandate of SBs. In some countries, the SB solely monitors the BOD while in some other countries it also appoints and dismisses the BOD (Chaddad & Iliopoulos 2013; Bijman *et al.*, 2014; Henrÿ, 2012). Although SB's primary task is not to have a responsibility for the cooperative's performance, which belongs to the BOD, it can help the BOD

and management with its activities. Adequate and continuous supervision not only afterwards but also in real time helps in this task. In many cooperatives, the regular presence of the chairperson of the SB at board meetings supports this issue. In consumer cooperatives, this role is especially emphasized, because the managing director is usually the chairperson of the board.

Our results regarding the producer cooperatives in Finland indicate that the SB and its chairperson have power and they use it. SBs seem to have a distinct conformance role towards the membership. There are also indications that the interaction between the SB and the BOD is regular, which provides an opportunity to support the BOD and management in their duties. This is explained by the fact that members' interest is related to their production activity as enterprises in their own right (ILO, 2018). Therefore, the so-called ownership control is reflected in the activities of the SBs. This is not necessarily the case in other types of cooperatives, for example consumer or user cooperatives. A recent study by Puusa & Saastamoinen (2023) brings up the SB's incomplete understanding of its tasks and role in relation to the member council and the BOD. Several members of the SB failed to define, for example, what matters are decided by the member council, and they also recognized the duties and the role of the BOD in differing ways. The authors addressed a concern that the unclear roles and duties of the governing bodies concentrate power and weaken democracy and called for an inclusive organizational culture.

9. **Concluding remarks**

At the turn of the millennium, the SB was unpopular in Finnish companies, and its importance was also questioned in cooperatives. Finnish legislation gives the SB of cooperatives quite a lot of power. In addition, the SB can, on its own initiative, take an active role in the development of ownership in cooperatives by, for instance, activating member participation and by acting a communicative link between the BOD and the membership. Recently, some Finnish cooperatives have become interested in a more dynamic role than the current praxis in SBs. Thus, unused potential can be seen in the SBs of cooperatives. The research on SBs should be promoted in different countries, contexts and branches of cooperatives.

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 107-124
doi: https://doi.org/10.18543/dec.2887 • https://dec.revistas.deusto.es

Appendix

Key figures of the series sorted by the number of members in 2014

Name of co-operative	Business sector	Turnover 1000 €	Balance sheet 1000 €	Members
Metsäliitto	Forest	1702000	2588000	121941
Lihakunta	Meat	97	76049	3190
Itikka	Meat	2705	155258	1729
LSO	Meat	0	94510	1298
Länsi-Maito	Dairy	101794	47379	748
Österbottens Kött	Meat	13130	16398	387
Satamaito	Dairy	46292	19153	213
Hämeenlinnan osuusmeijeri	Dairy	69452	19514	154
Munakunta	Egg	33108	12659	148
Maitomaa	Dairy	54515	14232	127
Maitokolmio	Dairy	42280	15387	121
TOTAL		2065373	3048539	130056

References

Baltaca, B., Mavrenko, T. (2009). Financial Cooperation as a Low-cost Tool or Effective Microfinancing. *Journal of Business Management. ISSN 1691-5348, pp. 56-64.*

Bezemer, P.-J., Peij, S., Maassen, G, van Halder, H. (2012). The changing role of the supervisory board chairman: the case of the Netherlands (1997-2007). *Journal of Management & Governance.*

Bijman, J., Hendrikse, G. & van Oijen, A. (2013). Accommodating two worlds in one organisation: Changing board models in agricultural cooperatives. Managerial and Decision Economics 34:3-5, 204-217.

Bijman, J., Hanisch, M., van der Sangen, G. (2014). Shifting control? The changes of internal governance in agricultural cooperatives in the EU. *Annals of Public and Cooperative Economics*, 85:4, 641-661.

Byrne, N., McCarthy, O., Ward, M. (2007). An alternative approach to oversight: the case of the supervisory committee in Irish credit unions. International Journal of Co-operative Management, 3:2.

Chaddad, F., Iliopoulos, C. (2013). Control Rights, Governance, and the Costs of Ownership. *Agribusiness - An International Journal.*

Diaz-Foncea, M., Marcuello, C. (2013). Entrepreneurs and the context of co-operative organizations: A definition of co-operative entrepreneur. *Canadian Journal of Administrative Sciences, 30:4.*

Dunn, J. (1988). Basic cooperative principles and their relationship to selected practices. Journal of Cooperation, 3, 83-93.

Hansmann, H. (1999). Cooperative Firms in Theory and Practice. *Liiketaloudellinen Aikakausikirja,* 4, 387-403.

Henrÿ, H. (2012). Guidelines for Cooperative Legislation third revised edition. *Third Edition. ILO.*

Huhtala, K., Jussila, I. (2019). Supervisory Board in the Governance of Cooperatives: Disclosing Power Elements in the Selection of Directors. *World Academy of Science, Engineering and Technology. International Journal of Economics and Management Engineering:13:5.*

Huhtala, K., Tuominen, P., Tuominen, T. (2016, September 15-16). Election of board members in cooperatives: A review on cooperative governance vis-á-vis corporate governance*. In Proceedings of the 11th European Conference on Innovation and Entrepreneurship.*

ILO (2018). Guidelines concerning statistics of cooperatives. *Department of Statistics. ICLS/20/2018/Guidelines 20th International Conference of Labour Statisticians Geneva.*

Lekvall, P. (2014). The Nordic Corporate Governance Model. *SNS Förlag*.

The International Cooperative Governance Symposium (2013). https://smu.ca/webfiles/Report_InternationalSymposium_CooperativeGovernance-2013_SSBSMU_Web.pdf

Tricker, B. (2015). Corporate governance: Principles, policies, and practices. *Oxford University Press.*

Yamori, N., Harimaya, K. & Tomimura, K. (2017). Corporate governance structure and efficiencies of cooperative banks. *International Journal of Finance and Economics* 22:4, 368-378.

Österberg, P. & Nilsson, J. (2009). Members' Perception of Their Participation in the Governance of Cooperatives: The Key to Trust and Commitment in Agricultural Cooperatives. *Agribusiness 25:*2, 181-197.

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 107-124
doi: https://doi.org/10.18543/dec.2887 • https://dec.revistas.deusto.es

Cooperative Dispute Resolution in Finland

Resolución cooperativa de disputas en Finlandia

Dr. Alexander Gurkov[1]
Faculty of Law, University of Helsinki
alexander.gurkov@helsinki.fi

doi: https://doi.org/10.18543/dec.2888

Submission date: 28 April 2023
Approval date: 10 December 2023
E-published: January 2024

Contents: 1. Introduction.—2. Regulation of cooperative disputes. 2.1. History of regulation in Finland. 2.2. Finnish Cooperative Act of 2013. 2.2.1. Arbitration agreements in cooperative bylaws. 2.2.2. Mandatory arbitration in redemption disputes. 2.3. Bylaw regulations on dispute resolution in Finnish cooperatives.—3. Cooperative disputes in Finnish court practice. 3.1. Supreme Court cases. 3.2. Cases of lower courts.—4. Conclusion.—5. Bibliography.

Contenidos: 1. Introducción.—2. Regulación de disputas cooperativas. 2.1. Historia de la regulación en Finlandia. 2.2. Ley de Cooperativas Finlandesa de 2013. 2.2.1. Convenios arbitrales en estatutos de cooperativas. 2.2.2. Arbitraje obligatorio en disputas de rescate. 2.3. Reglamento estatutario sobre resolución de conflictos en cooperativas finlandesas.—3. Disputas cooperativas en los tribunales finlandeses. 3.1. Casos de la Corte Suprema. 3.2. Casos de tribunales inferiores.—4. Conclusión.—5. Bibliografía.

Abstract: Like other organisations, cooperatives encounter internal disputes in their lifecycle. The article examines the mechanisms available for cooperatives to resolve internal conflicts in the context of Finnish legislation and court practice. While the share of cooperatives is significant in Finland's economy, the legal literature on cooperative dispute resolution is sparse. The article focuses on the Cooperative Act of 2013 dispute resolution provisions. The article traces the historical development of cooperative dispute resolution provisions in Finnish legislation and scrutinises how cooperative bylaws handle dispute resolution. While the 2013 Cooperative Act expanded the use of arbitration for resolving cooperative disputes, there remains a gap in understanding the practical implications due to the shortage of reported cases. The study reveals the emphasis the Cooperative Act puts on resolving cooperative disputes in arbitration and the preference for arbitration by cooperatives with a substantial market share.

[1] Alexander Gurkov is a post-doctoral researcher at the University of Helsinki, Faculty of Law. He received his doctoral degree in 2018 from the University of Helsinki. His research interests include alternative dispute resolution, cooperative law, and securities regulations.

Keywords: cooperatives, legislation, court practice, dispute resolution, arbitration, Finland.

Resumen: Al igual que otras organizaciones, las cooperativas enfrentan disputas internas en su ciclo de vida. El artículo examina los mecanismos disponibles para que las cooperativas resuelvan conflictos internos en el contexto de la legislación y la práctica judicial finlandesas. Si bien la proporción de cooperativas es significativa en la economía de Finlandia, la literatura jurídica sobre la resolución cooperativa de disputas es escasa. El artículo se centra en las disposiciones de resolución de disputas de la Ley de Cooperativas de 2013. El artículo rastrea el desarrollo histórico de las disposiciones cooperativas de resolución de disputas en la legislación finlandesa y analiza cómo los estatutos cooperativos manejan la resolución de disputas. Si bien la Ley de Cooperativas de 2013 amplió el uso del arbitraje para resolver disputas cooperativas, sigue habiendo una brecha en la comprensión de las implicaciones prácticas debido a la escasez de casos reportados. El estudio revela el énfasis que la Ley de Cooperativas pone en la resolución de disputas cooperativas mediante arbitraje y la preferencia por el arbitraje por parte de las cooperativas con una participación sustancial en el mercado.

Palabras clave: cooperativas, legislación, práctica judicial, resolución de disputas, arbitraje, Finlandia.

1. **Introduction**

Cooperatives, like any other organisational form, throughout their life-cycle face disputes. Conflicts can originate from relations with external parties or internally. The present article focuses on the mechanisms available for cooperatives to resolve internal disputes that may arise between a cooperative and its members, board members, auditors, or any other actors involved in its activity.[2]

The scope of the article is limited to Finnish regulations and court practice. Even though cooperatives are a noticeable part of the Finnish economy and society,[3] and Finnish scholars have been showing growing interest towards cooperatives,[4] legal literature does not thoroughly discuss cooperative dispute resolution in Finland. This knowledge gap is even more evident when compared with legal scholarship on investor-owned company dispute resolution in Finland, as sections two and three of the present article demonstrate.

The values and principles of the International Cooperative Alliance do not specifically address dispute resolution. However, legal scholarship suggests that the unique nature of cooperative relations requires cooperatives and their members to seek alternative dispute resolution methods because good personal relations between members and cooperatives are essential for their success.[5] Arbitration specialists also note the unique cooperative nature of dispute resolution in arbitration compared to litigation.[6] The present article thus looks deeper into the role of arbitration as one of the most popular forms of alternative dispute resolution.

---

[2] Hereinafter, the term "cooperative disputes" will be used to refer to internal cooperative disputes.

[3] For example, cooperatives hold the average market share of 75% across eight agricultural sectors in Finland. See: ALHO, E.: *Essays on investment behavior in agricultural producer cooperatives*, University of Helsinki, Helsinki, 2019, p. 12.

[4] See: PÖNKÄ, V.: "Are Cooperative Societies Transforming into Cooperative Companies? Reflections on the Finnish Cooperatives Act", *European Business Law Review*, vol. 30 issue 1, 2019, pp. 77–100; PÖYHÖNEN, S., *Omistajaoikeudet ja omistaja-arvo osuuskunnissa* [Ownership rights and shareholder value in cooperatives], Talentum, Hämeenlinna, 2011, pp. 37–41; JUSSILA, I., KALMI, P. & TROBERG, E.: *Selvitys osuustoimintatutkimuksesta maailmalla ja Suomessa* [Survey of cooperative research in the world and in Finland], Painorauma Oy, Rauma, 2008, p. 4.

[5] HENRŸ, H.: *Guidelines for Cooperative Legislation*, 3rd ed., ILO, Geneva, 2012, pp. 16-17; OTTOLENGHI, S.: *Solving Disputes by Arbitration in Cooperative Societies* in CSAKI, C. & KISLEV, Y. (eds.): *Agricultural Cooperatives In Transition,* Routledge, New York 1993, p. 101.

[6] BORN, G. B.: *International Commercial Arbitration,* 3rd edition, Kluwer Law International, Alphen aan den Rijn, 2020, p. 1620.

Regulations of other countries also provide examples of the role of arbitration in cooperative dispute resolution. The Nigerian Cooperative Societies Act submits to binding arbitration not only cooperative disputes but also commercial disputes between different cooperatives.[7] Similarly, the Delhi Co-operative Societies Act of 2003 submits the vast majority of cooperative disputes[8] to the binding arbitration procedure and denies any jurisdiction of national courts over cooperative disputes.[9] Following Ottolenghi, arbitration is the preferred method of dispute resolution for cooperatives in Israel.[10] The Israeli Cooperative Societies Ordinance and Cooperative Societies Regulations do not provide for compulsory arbitration but require cooperative bylaws to have a dispute resolution provision and name arbitration as an example.[11]

The article traces the development of cooperative dispute resolution in Finnish legislation over the last century and identifies provisions that require further improvement. It shows the distinctive approach towards alternative dispute resolution of Finnish cooperatives that self-identify as holding a substantial market share in respective markets. It also provides a comprehensive analysis of all the published court practice in Finland on cooperative disputes to show the approaches of the Supreme Court of Finland and lower courts in interpreting the cooperative legislation. The article is structured so that the second section analyses the previous and current Finnish regulations on resolving cooperative disputes, while the third part analyses the published practice of Finnish courts on cooperative disputes.

2. **Regulation of cooperative disputes**

The present section considers the development of dispute resolution provisions for cooperative disputes in Finnish legislation. It first provides an overview of how the relevant provisions have developed throughout the history of cooperative legislation in Finland. Then it analyses the regulations of the current Cooperative Act. Finally, it provides an overview of how the bylaws of various Finnish cooperatives address dispute resolution.

---

[7] Section 49 of the Nigerian Cooperative Societies Act. See also: YEBISI, E. T.: "Resolution of disputes in co-operative societies", *International Journal of Law*, vol. 3 issue 6, 2017, pp. 99-103, p. 100.

[8] Exception is made to employment-related disputes.

[9] See chapter VIII of the Delhi Co-operative Societies Act, 2003.

[10] OTTOLENGHI, S.: *Solving Disputes by Arbitration in Cooperative Societies* in CSAKI, C. & KISLEV Y. (eds.): *Agricultural Cooperatives In Transition,* Routledge, New York, 1993.

[11] *Ibid*

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 125-144
doi: https://doi.org/10.18543/dec.2888 • https://dec.revistas.deusto.es

2.1. *History of regulation in Finland*

The first cooperative act in Finland traces back to 1901. This act was relatively short, consisted of only 36 sections, and expectedly did not contain any regulations on cooperative dispute resolution.

In 1954, a new Cooperative Act replaced the Act of 1901. This act was substantially more detailed[12] and also contained a dispute resolution provision. The last section of the act, section 165, provided that an agreement to submit disputes to arbitration contained in cooperative bylaws has the power of an arbitration agreement. Huttunen highlights the short reach of the provision.[13] The section limited the scope of the arbitration agreement to disputes between a cooperative, on the one hand, and a cooperative member, a member of the board of directors and some other parties, on the other hand. In practice, it meant that if the dispute resolution provision of the bylaws was very concise and only provided for "arbitration" without specifying any further details, it would only be binding to those parties expressly named in the law. The arbitration clause would also not cover cooperative disputes where the cooperative is not one of the parties. However, suppose a cooperative wanted to refer more disputes to arbitration, it could do so by elaborating all the details and including the additional parties in the dispute resolution clause of the bylaws.

Dispute resolution provisions received further development in the Finnish Cooperative Act of 2001. The act added new rules on jurisdiction over cooperative disputes and, among others, extended the binding force of an arbitration agreement in cooperative bylaws to new parties. The most significant set of changes to the cooperative dispute resolution rules introduced the 2013 Cooperative Act.

2.2. *Finnish Cooperative Act of 2013*

The Finnish Cooperative Act of 2013 presents a new chapter dedicated to cooperative dispute resolution - Chapter 26. Out of the

[12] Pönka describes it as "one of the most modern and comprehensive cooperative laws in the world" at the time. See: PÖNKÄ, V.: "Are Cooperative Societies Transforming into Cooperative Companies? Reflections on the Finnish Cooperatives Act", *European Business Law Review*, vol. 30 issue 1, 2019, pp. 77-99, p. 82.

[13] HUTTUNEN, A.: "Osuuskunnan päätöksen moittiminen sääntömääräisessä välimiesmenettelyssä" [Challenging a Cooperative's Decision in Mandatory Bylaw Arbitration Proceedings], *Defensor Legis*, 1969, p. 122.

11 sections of this chapter, only two are dedicated to dispute resolution in courts, while the remaining address resolution of cooperative disputes in arbitration. As seen from the comparison with the dispute resolution provisions of the previous Cooperative Acts, the current act introduces the most extensive set of special dispute resolution provisions while at the same time developing the principles and ideas brought up by the previous legislation. However, as discussed below, many changes introduced to the act were, to varying extents, copied from the 2006 Finnish Act on Limited Liability Companies.[14]

The present article leaves aside the special rules on litigation for cooperative disputes and aims to look into alternative dispute resolution mechanisms. In short, the Cooperative Act provides two exceptions from the general rules of court procedure. A) the Act establishes an exception from the general rule of territorial court jurisdiction. The general rule is that a claimant can initiate proceedings at the place where the respondent is domiciled.[15] Following the Act, disputes that concern the application of the Cooperative Act can also be brought to the district court at the place where the cooperative has a registered office. B) The Act established specific categories of cooperative disputes that need to be dealt with urgently by the courts.

The Cooperative Act provides two important rules supporting the use of arbitration for cooperative disputes: 1) it cements the binding nature of an arbitration agreement in cooperative bylaws, and 2) it refers specific categories of cooperative disputes to binding arbitration.

2.2.1. Arbitration agreements in cooperative bylaws

1) First, the Act provides that an arbitration agreement placed in cooperative bylaws is binding. The law highlights that such an arbitration agreement applies to disputes between any of the following parties: the cooperative, members, board, supervisory board, members of the board and supervisory board, managing director, auditor, and operational auditor. As mentioned before, the Cooperative Act's drafters primarily copied the dispute resolution provisions from the Limited Liability Companies Act. The only difference is that the Cooperative Act includes a performance auditor as one of the parties to the arbitration agreement. When joining the cooperative, new members become bound by the arbitration clause contained in the bylaws.

[14] https://www.finlex.fi/fi/laki/ajantasa/2006/20060624. Unofficial translation available at: https://www.finlex.fi/en/laki/kaannokset/2009/en20091599_20100547.pdf

[15] Finnish Code of Judicial Procedure, Chapter 10, Section 1.

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 125-144
doi: https://doi.org/10.18543/dec.2888 • https://dec.revistas.deusto.es

At the same time, this rule does not mention the holders of cooperative shares and holders of investor shares. Under Finnish law, different legal status exists for cooperative members, holders of cooperative shares or investor shares. Such shares, for example, under Chapter 4 Section 3(1) of the Cooperative Act, do not give their holders a right to vote at a cooperative's general meeting. As such, the latter two could be holders of shares but not members of a cooperative. As a result, if the arbitration clause does not explicitly name holders of cooperative shares and holders of investor shares as parties to the arbitration agreement, it might not be binding for them. This is the direct consequence of consent being the foundation of an arbitration agreement.[16] Drafters of cooperative bylaws should include the missing parties in the text of the arbitration clause to exclude the situation where different forums (arbitration and litigation) will have authority over different aspects of a cooperative dispute. Such parallel proceedings create a risk of resulting in conflicting decisions.[17] It is still possible, however, that an arbitral tribunal would consider a non-signatory (holder of investor shares) as a party to the arbitration agreement,[18] thus preventing the spreading of a dispute over multiple forums.

Compared with its predecessors, the 2013 Cooperative Act does not limit the scope of the arbitration clause to only disputes where one of the parties is a cooperative. An arbitration agreement in cooperative bylaws is binding for any combination of disputing parties —for example, a dispute between members of a cooperative and board members. Following the justifications behind the current Cooperative Act, the drafters intentionally included such disputes in the new provisions.[19]

This provision aligns with the general rules of arbitration in Finland that consider arbitration clauses in bylaws valid. Section 4 of the Finnish Arbitration Act provides that "Arbitration clauses [in] the bylaws [or] in the articles of association of a limited-liability company or of another company [shall] have the same effect as arbitration agreements."

---

[16] GAILLARD, E. & SAVAGE, J. (eds): *Fouchard Gaillard Goldman on International Commercial Arbitration*, Kluwer Law International, Alphen aan den Rijn, 1999, pp. 253-254.

[17] EMANUELE, C. F. & MOLFA, M.: *Selected Issues in International Arbitration: The Italian Perspective*, Thomson Reuters, London, 2014, p. 117.

[18] TOWNSEND, J. M.: *Extending an Arbitration Clause to a Non-Signatory Claimant or Non-Signatory Defendant: Does it Make a Difference?* in HANOTIAU, B. & SCHWARTZ, E. (eds)*: Multiparty Arbitration,* International Chamber of Commerce, Paris, 2010, pp. 111-118, p. 117.

[19] https://suomenlaki.almatalent.fi/#//Bill/HE/50d284ce///2022-11-11

The approach of Finnish law complies with the view accepted in most jurisdictions —arbitration clauses in constitutive documents of an entity are valid and enforceable.[20]

2.2.2. Mandatory arbitration in redemption disputes

2) Disputes regarding the right of redemption and the price of share redemption in a merger, division, or reorganisation of a cooperative into a joint-stock company ("squeeze out disputes") need to be resolved in arbitration.[21] Parties need to refer to arbitration in this case even if the dispute resolution clause of the bylaws is missing or only provides for litigation. In the present case, it is the law and not an arbitration agreement that makes alternative dispute resolution binding for the parties.

Following the Cooperative Act, the holder of the cooperative share has the right to demand redemption in case of a cooperative's merger, division or reorganisation. However, according to Mähönen and Villa, up to 2021, no redemption procedures in arbitration were based on the Cooperative Act.[22]

The arbitration procedure of these disputes generally follows the rules of the Finnish Arbitration Act, however, with exceptions. Most notable are the exceptions in the a) appointment of arbitrators, b) costs of arbitration, and 3) appealing an award. The justifications to the draft text of the Cooperative Act clarify that the section on mandatory arbitration over redemption disputes mainly copies the similar provisions of the Finnish Limited Liability Companies Act.[23]

a) Appointment of arbitrators. The Cooperative Act provides that the Redemption Committee of the Finnish Chamber of Commerce selects and appoints arbitrators for the dispute. The Committee also performs a similar function in disputes regarding the redemption of shares in Finnish limited liability companies.[24] This rule highlights the exceptional nature of proceedings in cooperative redemption disputes because, in arbitration, it is typically the parties who decide on the procedure for appointing the arbitrators. The autonomy of the parties in

---

[20] BORN, G. B: *International Commercial Arbitration*, 3rd edition, Kluwer Law International, Alphen aan den Rijn, 2020, p. 1620.

[21] Section 4 of Chapter 26 of the Cooperative Act.

[22] MÄHÖNEN, J. & VILLA, S.: *Osuuskunta* [Cooperative], Alma Talent, Helsinki, 2021, p. 396.

[23] https://suomenlaki.almatalent.fi/#//Bill/HE/50d284ce///2022-11-11

[24] Finnish Limited Liability Companies Act, Chapter 18, section 4.

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 125-144
doi: https://doi.org/10.18543/dec.2888 • https://dec.revistas.deusto.es

agreeing on the procedure to be followed in appointing arbitrators is one of the defining characteristics of arbitration.[25]

b) Costs of arbitration. Section 6 of Chapter 26 of the Cooperative Act provides that the redeemer is responsible for the costs of arbitration unless arbitrators consider it otherwise. In these categories of disputes, the potential dispute is between a cooperative and a member. Thus, it is the cooperative that acts as a redeemer and will be responsible for the costs of arbitration by default. This distribution of costs differs from the Finnish Arbitration Act's rules, which provide that the default rule is that the parties bear the costs of arbitration jointly and severally.[26]

c) Appeal against the award. Following the Cooperative Act, a party can bring the appeal to the arbitral award within 60 days after the award was made.[27] This procedure differs from what the Finnish Arbitration Act establishes for all other disputes resolved in arbitration, which provides that a party may initiate the setting aside procedure for an arbitral award within three months from the date of receiving a copy of the award.[28] Setting aside procedure differs from an appeal because it is mainly limited to procedural violations as grounds for recourse against the award.[29] On a global scale, the right to bring an appeal to a court against an arbitral award is an exception from accepted practice. However, in some other jurisdictions, the legislation provides a right to appeal an arbitral award out of domestic arbitration proceedings in a court.[30]

Finally, Section 11 of Chapter 26 of the Cooperative Act requires that the arbitral tribunal "without undue delay" notify the registration authority if the decision concerns a matter important to the trade register. In other respects of the arbitration procedure, the process will follow the Finnish Arbitration Act rules, which apply to arbitration with a seat in Finland.[31]

---

[25] WAINCYMER, J. M.: *Procedure and Evidence in International Arbitration*, Kluwer Law International, 2012, p. 256; BORN, G. B.: *International Commercial Arbitration*, 3rd edition, Kluwer Law International, Alphen aan den Rijn, 2020, p. 1858.

[26] Section 46 of the Finnish Arbitration Act.

[27] Section 8 of the Finnish Cooperative Act

[28] Section 41 of the Finnish Arbitration Act.

[29] This approach goes in line with the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards which Finland has ratified in 1962.

[30] For example, Singapore, New Zealand, Hong Kong, and Australia. See: THIRGOOD, R.: "Appeals in Arbitration: 'To Be or Not to Be'", *Arbitration: The International Journal of Arbitration, Mediation and Dispute Management* (edited by BREKOULAKIS, S.), vol. 87 issue 3, 2021, pp. 423-440, pp. 434-435.

[31] Section 1 of the Finnish Arbitration Act.

Except for the differences discussed above,[32] cooperative dispute resolution follows the same rules as apply to the other arbitration disputes in Finland.

2.3. *Bylaw regulations on dispute resolution in Finnish cooperatives*

At the same time, cooperatives, in their bylaws, are free to tailor dispute resolution rules to their needs. However, the study of cooperative bylaws suggests that not all cooperatives choose to do so. Following the analysis of selected cooperative bylaws available online,[33] over 90% do not have any dispute resolution provision. In practice, it means that all the cooperative disputes, except those subject to mandatory arbitration, will be resolved within the Finnish court system.

The situation, however, changes drastically when analysing cooperative bylaws of organisations that occupy a substantial portion of their respective markets (over 30%)[34]. In the 2022 study, out of 134 Finnish cooperatives that took part in the analysis, 57 identified themselves as having a market share of 30% or more.[35] When analysing the bylaws of those cooperatives, 85% of them provided for resolving all cooperative disputes in arbitration.[36] Less than 10% had no dispute resolution provision in the bylaws. Finally, one cooperative provided for either party to a cooperative dispute to choose between arbitration and litigation.[37] As a result, there is a substantial difference between coopera-

---

[32] And a few other features, such as a special two-week period for the notification of an arbitral award.

[33] The search for "cooperative bylaws" (osuuskunnan säännöt) was used in the Google search engine and the first 25 bylaws were analysed.

[34] ZHENG, Y.: *Zheng, Yi, A Survey on Finnish Co-Operatives: Business Performance, Challenges, and the Sustainable Mindset*. Available at SSRN: https://ssrn.com/abstract=4453019 or http://dx.doi.org/10.2139/ssrn.4453019.

[35] The estimation of the market share is provided by cooperatives themselves in answering a questionnaire.

[36] However, a substantial part of those 57 cooperatives are members of Finnish OP-group or S-group of cooperatives and all have very similar bylaws. https://www.vesiosuuskuntasuoni.net/Osuuskunnan_saannot_2011.pdf

[37] Se, for example: PÖNKÄ, V.: *Osakeyhtiölain 18 luvun muutostarpeesta* [Need for Amendment of Chapter 18 of the Finnish Companies Act] in VAHTERA, V. & RANTASAARI, K. (eds.): *Yhtiö, velka, velvoite: Juhlajulkaisu Seppo Villa 60 vuotta* [Company, Debt, Obligation: Commemorative Publication for Seppo Villa's 60th Birthday], Alma Talent, Helsinki, 2021, pp. 395-414; TIMONEN, P.: *Korkein oikeus osakeyhtiölainsäädännön kehittäjänä - kaksi esimerkkiä kahdelta viime vuosikymmeneltä* [The Supreme Court as a Developer of Company Law - Two Examples from the Past Two Decades] in MÄHÖNEN, J. *et al.*: *Juhlajulkaisu Risto Nuolimaa 1948-2/6-2018* [Commemorative Publication for

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 125-144
doi: https://doi.org/10.18543/dec.2888 • https://dec.revistas.deusto.es

tives that self-identify as holding a market share of over 30% and the remaining cooperatives in adopting arbitration as a method of resolution for cooperative disputes.

To sum up, regulations on cooperative disputes have been gradually developing in Finnish legislation. However, the most extensive set of changes was brought by the 2013 Cooperative Act, which was at the same time primarily copied from the Finnish Act on Limited Liability Companies. The positive development of the current act is the inclusion in the arbitration agreement of all disputes between different actors in cooperative governance, not limited to only disputes where the cooperative is one side to the dispute. However, room for improvement remains as the legislation could also include non-member holders of cooperative shares and cooperative investment shares as parties to the agreement. The study also showed that including an arbitration agreement in cooperative bylaws is typical for cooperatives that self-identify as having a 30% or more market share. At the same time, this could not be said with confidence about other Finnish cooperatives.

3. **Cooperative disputes in Finnish court practice**

There is little legal research on cooperative dispute resolution in Finland, neither in English language publications nor in Finnish language publications. Partly, the reason could be that there are only a few published cases of Finnish courts that either directly resolve cooperative disputes or take part in them through setting aside or recognition and enforcement proceedings for arbitral awards. At the same time, the disputes of limited liability companies in Finland have been studied more thoroughly.[38] However, since the provisions of the Cooperative Act on compulsory arbitration in redemption disputes have mainly been copied from the Limited Liability Companies Act, scholarly

---

Risto Nuolimaa 1948-2/6-2018], Suomalainen lakimiesyhdistys, Helsinki, 2018; AUTIO, A.-L.: *The Main Problems in Access to Court Regarding the Dispute Resolution of Finnish Companie* in ERVO, L. & NYLUND, A. (eds.): *The Future of Civil Litigation*, Springer International Publishing, Cham, 2014, pp. 213-229. RISKI, L.: *Osakeyhtiöoikeudellisten riitojen ratkaiseminen välimiesmenettelyssä* [Resolving Shareholders' Disputes through Arbitration in Company Law], Helsingin yliopisto, Helsinki, 2004; KUPARINEN, R.: *Välimiesmenettelyn aloittaminen vähemmistöosakkeiden lunastusriidoissa* [Initiating Arbitration in Disputes concerning Redemption of Minority Shares], Helsingin yliopisto, Helsinki, 2008; KIVIMÄKI, U.: *Välimiesmenettely osakeyhtiöoikeudellisissa riidoissa* [Arbitration in Company Law Disputes], Turun yliopisto, Turku, 1989.

[38] Finlex.fi

literature on the latter provisions can be used to interpret the meaning of the analogous provisions in the Cooperative Act. The present section aims to rectify this lack of knowledge by comprehensively analysing all the published cases involving cooperative regulations in Finland.

To accomplish this task, the legal databases Finlex[39] and Edilex[40] were used to identify the published decisions of Finnish courts from 01 January 1920 to 12 April 2023. The search resulted in only 18 disputes that mention the Cooperative Act,[41] of which 4 cases were resolved in the Supreme Court of Finland. The most recent Supreme Court case published within these parameters dates to November 2010 —a commercial dispute resolved before the 2013 Cooperatives Act took force.[42] On top of that, the case does not deal with a cooperative dispute but only mentions the Cooperative Act as an example. Out of the four Supreme Court cases, only one involves cooperatives; other decisions mention the Cooperative Act in minor notes when drawing analogies with, for example, the Limited Liability Companies Act. To compare, the number of Supreme Court cases for the same period that mention the Limited Liability Companies Act is 316.

The search for "cooperative bylaws" in the Supreme Court case law resulted in 1 case. The search for "coop*"[43] resulted in 117 cases. However, most cases only mentioned the word "cooperative" and did not deal with cooperative disputes. Out of those 117, only six were cooperative disputes - cases requiring the application of the Cooperative Act or cooperative bylaws. Chart 1 shows the number of published Supreme Court cases for each decade and the distribution of various categories of disputes. This chart only indicates the cases reported by the Supreme Court, not the cases that the court resolved. As a result, the proportion of different categories involving cooperatives in the practice of the Finnish Supreme Court could be different from what one can see in the chart.

---

[39] Edilex.fi

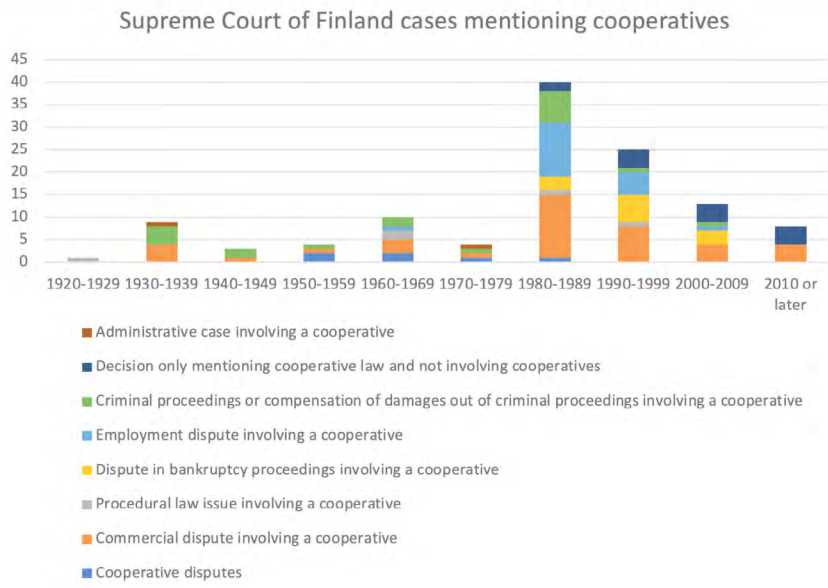
[40] The search term used is "osuuskuntalaki".

[41] https://www.edilex.fi/kko/ennakkopaatokset/20100081?offset=1&perpage=20&phrase=osuuskuntalaki&sort=relevance&typeIds[]=32&typeIds[]=33&typeIds[]=5&searchKey=484496&quickSearch=true

[42] The search term "osuuskun*" was used.

[43] Engagement court boards consisted of non-professional adjudicators (engagement court board members). Engagement courts were abolished during the 1993 judicial reform in Finland. However, layman board members are still part of the Finnish judicial system and take part in decision-making of district courts. Consequently, decisions made in these cases are relevant for the contemporary resolution of cooperative disputes in Finland. See: chapters 2 and 3 of the Finnish Code of Judicial Procedure.

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 125-144
doi: https://doi.org/10.18543/dec.2888 • https://dec.revistas.deusto.es



3.1. *Supreme Court cases*

Out of these cases, a few are described in more detail below because they provide insights into cooperative dispute resolution beyond what is available from the text of the legislation.

One of the few published cases involving cooperatives that the Supreme Court of Finland dealt with is KKO:1996:81. This case is also relevant for the study because it deals with procedural questions in disputes involving cooperatives. In the dispute between a cooperative bank and its customers, a cooperative's supervisory board member acted as a member of an engagement court's board that took part in dispute resolution alongside a judge.[44] The court of the first instance and the court of appeal found no conflict of interest. However, the Supreme Court quashed the lower courts' decisions and ruled that there was a conflict of interest. Procedural principles require that the adjudicator is independent and impartial. Independence requires an ab-

[44] BROWN, C.: "The evolution and application of rules concerning independence of the "International Judiciary", *The Law & Practice of International Courts and Tribunals*., vol. 2 issue 1, 2003, p. 75.

sence of an external source of control or influence that could prevent one from acting autonomously.[45] The judges highlighted that a cooperative supervisory board member does not have a conflict of interest in a dispute involving the cooperative unless the subject matter of the case falls within the competence of the supervisory board. The Supreme Court found that the duties of the supervisory board members included the responsibility for the matters disputed in the case. However, two out of five Supreme Court judges deciding on the case disagreed and wrote a dissenting opinion that a member of a cooperative supervisory board typically does not even become aware of the type of contracts that was the subject matter of the dispute.

The Supreme Court of Finland, in the case KKO:1996:80, faced the same procedural questions —the independence of court board members (layperson non-professional adjudicators acting alongside a professional judge) who are simultaneously board members of a company that takes part in the dispute. This case, however, did not involve cooperatives. The Supreme Court only used the analogy to compare the position of cooperative board members to the position of board members in a limited liability company to establish the limits to the independence of court board members in a dispute.

The first reported case where the Supreme Court dealt with the procedural independence of cooperative board members is KKO: 1988:46.[46] The question arose because a cooperative supervisory board member was serving as a municipal court board member in a case between a cooperative and one of the cooperative's employees over a termination of the employment contract. The municipal court that heard the case decided against the employee and denied damages for termination of the employment contract. The Court of Appeals later quashed the decision of the court of the first instance. The court found that the member of the cooperative's supervisory board should not have been able to act as a member of the board of the municipal court in a dispute involving a cooperative. The Supreme Court of Finland, however, disagreed. It found that following the cooperative bylaws, the primary function of the supervisory board was to oversee the management of the cooperative's affairs, while deciding on personnel matters was not included in its responsibilities. As a result, a cooperative supervisory board member could perform her duties in the board of the municipal court in a case that handled the employment dispute

[45] https://www.edilex.fi/kko/ennakkopaatokset/19880046?
[46] https://www.edilex.fi/kko/ennakkopaatokset/19660072t?

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 125-144
doi: https://doi.org/10.18543/dec.2888 • https://dec.revistas.deusto.es

involving the cooperative. As seen from the cases described above, the Supreme Court has consistently upheld the position that a court board member's participation in the activities of a cooperative supervisory board does not automatically make one dependent. In such disputes, the subject matter of the case needs to be evaluated in comparison with the supervisory board's responsibilities.

A few cases reported by the Supreme Court clarify the use of arbitration in resolving cooperative disputes. In case KKO:1966-II-80, which is only reported in its resolutive part, the Supreme Court considered the question of the scope of an arbitration agreement in cooperative bylaws. The dispute resolution clause in cooperative bylaws provided that all disputes between the cooperative and its members should be resolved by arbitration. The question arose if the clause also covers the invalidity of decisions made at cooperative meetings. The Supreme Court decided that such decisions also fall within the scope of the arbitration agreement.

Another case[47] involved the issue of the arbitrability of disputes relating to the termination of cooperative membership. Following the cooperative bylaws, disputes relating to the termination of cooperative membership should have been resolved in arbitration. Following the termination of membership, a member challenged the authority of arbitrators to decide on matters of termination of cooperative membership. The Supreme Court concluded that following such an arbitration agreement, arbitrators are authorised to decide on the termination of membership. Unless an arbitral award is later set aside, it can be enforced.

Finally, in the case KKO:1929-II-504,[48] the Supreme Court dealt with the provision of cooperative bylaws that prescribed that the challenge to the cooperative board decision on the cooperative membership termination needs to be brought to the general meeting of a cooperative. This case was resolved under the 1901 Cooperative Act, which contained no dispute resolution provisions. The provision in the bylaws thus established a multi-tiered dispute resolution mechanism - before submitting a dispute to a court, a party needed to go through the procedure at the general meeting. The Supreme Court thus recognised the validity of the multi-tiered clause and denied jurisdiction over the challenge. The court did not clarify if it would have assumed jurisdiction after the member went through the appeal in the general

[47] https://www.edilex.fi/kko/ennakkopaatokset/19290504t?

[48] KKO:1981-II-100, available at: https://www.edilex.fi/kko/ennakkopaatokset/19810100t?

meeting of a cooperative. However, since dispute resolution by the general meeting does not have the qualities of binding arbitration, it can only be considered a non-binding alternative dispute resolution mechanism, authorising a party to resort to a court if unsatisfied with the decision.

In other cases, the Supreme Court dealt with cooperative law questions, but these disputes are of no interest to the present article. The disputes involved the questions of a transfer of cooperative membership from a bankrupt member to another entity,[49] a claim to force a cooperative to accept a new member,[50] questioning the validity of a decision made at a cooperative meeting,[51] and challenging the decision of a cooperative meeting to dismiss a member.[52]

3.2. *Cases of lower courts*

The search for the reported lower courts' cases provides even more modest results. The database Edilex contains 774 decisions that mention the word "cooperat*"[53] among all Finnish courts. The biggest category in the published cases relates to questions of tax law. The search was further narrowed to include only matters of "civil law"[54], "business"[55] cases, and "procedural law"[56], thus excluding the categories of tax, labour, environmental, criminal, and public law. The resulting 109 cases were analysed, focusing on cases where Finnish courts dealt with cooperative disputes or the questions of procedural law specific to cooperative dispute resolution. However, among those, no decisions are available after the 2013 Cooperative Act took force.

The questions resolved by the courts under the previous Cooperative Acts included whether a cooperative can tacitly accept membership of a company that used cooperative services,[57] invalidation of

[49] KKO:1971-II-3, available at: https://www.edilex.fi/kko/ennakkopaatokset/19710003t?

[50] KKO:1961-II-33, available at: https://www.edilex.fi/kko/ennakkopaatokset/19610033t?, and KKO:1958-II-4.

[51] KKO:1958-II-71.

[52] osuuskun*

[53] Siviilioikeus

[54] Yritystoiminta

[55] Prosessioikeus

[56] Case 405 of 04.05.2011[1] decided by the Rovaniemi Court of Appeal, available at: https://tinyurl.com/2ctu2nct

[57] Case 314 of 04.04.1997, decided by the Rovaniemi Court of Appeal.

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 125-144
doi: https://doi.org/10.18543/dec.2888 • https://dec.revistas.deusto.es

cooperative meeting decisions,[58] and deciding on the payment of a membership fee.[59]

The Rovaniemi Court of Appeal issued the only notable decision in case 289 of 28.03.2011. The court rendered an arbitration clause between a cooperative and a member invalid. The cooperative bylaws contained an arbitration agreement. At the time, the Cooperative Act of 2001 already recognised the validity of arbitration clauses. By joining the cooperative, the member was also bound by the arbitration clause contained in the bylaws. However, because the cooperative was the only electricity provider in the area, and due to the "costs of the arbitration procedure", the court decided that the arbitration clause would weaken the cooperative member's opportunity to access an effective judicial remedy and declared it invalid.

To sum up, the analysis of the practice shows that, unfortunately, there are no relevant cases by the Supreme Court of Finland after the current Cooperative Act was adopted. That does not allow us to trace how the change in regulation has affected cooperative dispute resolution in Finland.

The lack of court enforcement orders or decisions in setting aside cases over arbitral awards rendered in cooperative disputes in Finland allows us to make some assumptions: either there are no such disputes, or the parties are compliant with the awards that arbitrators make in such disputes, refrain from challenging the awards, and perform them voluntarily, thus avoiding the publicity of awards as a resort of recourse to a court. In the latter case, even a confidential award would have become public if it required actions of the registering authority. As for mandatory arbitration proceedings over cooperative redemption disputes, one could assume that such awards are not reported due to the confidentiality of arbitration proceedings. However, that is not the case because the law requires registering all awards out of compulsory arbitration redemption disputes with the Trade Register at the Finnish Patent and Registration Office.[60] After registration, such an award becomes public. As a result, there could have been unreported confidential cooperative disputes resolved in arbitration, but there were no awards on "squeeze out" disputes in Finland.

[58] Case 719 of 26.04.1991, the Eastern Finland Court.
[59] Chapter 26, section 7 of the Cooperative Act.
[60] Chapter 26, section 7 of the Cooperative Act.

4. **Conclusion**

To conclude, the 2013 Finnish Cooperative Act takes a few more steps towards resolving cooperative disputes in arbitration. It widens the scope of default arbitration agreements in cooperative bylaws and makes arbitration agreements binding for more potential parties. At the same time, it introduces mandatory arbitration for cooperative share redemption disputes. However, following the publicly available information, this procedure was never used in the first eight years since the Cooperative Act's enactment.

Overall, there is no reported practice of the Supreme Court or lower courts on the 2013 Cooperative Act. However, the interpretation of the law in some of the previous decisions affecting cooperative dispute resolution still applies to the current regulations.

5. **Bibliography**

ALHO, E.: *Essays on investment behavior in agricultural producer cooperatives*, University of Helsinki, Helsinki, 2019.

AUTIO, A.-L.: *The Main Problems in Access to Court Regarding the Dispute Resolution of Finnish Companies* in Ervo, L. & Nylund, A. (eds.): *The Future of Civil Litigation*, Springer International Publishing, Cham, 2014, pp. 213-229.

BORN, G. B.: *International Commercial Arbitration,* 3rd edition, Kluwer Law International, Alphen aan den Rijn, 2020.

BROWN, C.: "The evolution and application of rules concerning independence of the "International Judiciary", *The Law & Practice of International Courts and Tribunals*., vol. 2 issue 1, 2003.

EMANUELE, C. F. & Molfa, M.: *Selected Issues in International Arbitration: The Italian Perspective*, Thomson Reuters, London, 2014.

GAILLARD, E. & Savage, J. (eds): *Fouchard Gaillard Goldman on International Commercial Arbitration*, Kluwer Law International, Alphen aan den Rijn, 1999.

HENRŸ, H.: *Guidelines for Cooperative Legislation*, 3rd ed., ILO, Geneva, 2012.

HUTTUNEN, A.: "Osuuskunnan päätöksen moittiminen sääntömääräisessä välimiesmenettelyssä" [Challenging a Cooperative's Decision in Mandatory Bylaw Arbitration Proceedings], *Defensor Legis*, 1969.

JUSSILA, I., Kalmi, P. & Troberg, E.: *Selvitys osuustoimintatutkimuksesta maailmalla ja Suomessa* [Survey of cooperative research in the world and in Finland], Painorauma Oy, Rauma, 2008.

KIVIMÄKI, U.: *Välimiesmenettely osakeyhtiöoikeudellisissa riidoissa* [Arbitration in Company Law Disputes], Turun yliopisto, Turku, 1989.

KUPARINEN, R.: *Välimiesmenettelyn aloittaminen vähemmistöosakkeiden lunastusriidoissa* [Initiating Arbitration in Disputes Concerning Redemption of Minority Shares], Helsingin yliopisto, Helsinki, 2008.

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 125-144
doi: https://doi.org/10.18543/dec.2888 • https://dec.revistas.deusto.es

MÄHÖNEN, J. & VILLA, S.: *Osuuskunta* [Cooperative], Alma Talent, Helsinki, 2021.
OTTOLENGHI, S.: *Solving Disputes by Arbitration in Cooperative Societies* in CSAKI, C. & KISLEV, Y. (eds.): *Agricultural Cooperatives In Transition,* Routledge, New York 1993.
PÖNKÄ, V.: "Are Cooperative Societies Transforming into Cooperative Companies? Reflections on the Finnish Cooperatives Act", *European Business Law Review*, vol. 30 issue 1, 2019, pp. 77–100.
PÖNKÄ, V.: *Osakeyhtiölain 18 luvun muutostarpeesta* [Need for Amendment of Chapter 18 of the Finnish Companies Act] in VAHTERA, V. & RANTASAARI, K. (eds.): *Yhtiö, velka, velvoite: Juhlajulkaisu Seppo Villa 60 vuotta* [Company, Debt, Obligation: Commemorative Publication for Seppo Villa's 60th Birthday], Alma Talent, Helsinki, 2021, pp. 395–414.
PÖYHÖNEN, S., *Omistajaoikeudet ja omistaja-arvo osuuskunnissa* [Ownership rights and shareholder value in cooperatives], Talentum, Hämeenlinna, 2011.
RISKI, L.: *Osakeyhtiöoikeudellisten riitojen ratkaiseminen välimiesmenettelyssä* [Resolving Shareholders' Disputes through Arbitration in Company Law], Helsingin yliopisto, Helsinki, 2004.
SUONI, *Säännöt*. Available at: https://www.vesiosuuskuntasuoni.net/Osuuskunnan_saannot_2011.pdf
THIRGOOD, R.: "Appeals in Arbitration: 'To Be or Not to Be'", *Arbitration: The International Journal of Arbitration, Mediation and Dispute Management* (edited by BREKOULAKIS, S.), vol. 87 issue 3, 2021, pp. 423-440.
TIMONEN, P.: *Korkein oikeus osakeyhtiölainsäädännön kehittäjänä - kaksi esimerkkiä kahdelta viime vuosikymmeneltä* [The Supreme Court as a Developer of Company Law - Two Examples from the Past Two Decades] in MÄHÖNEN, J. *et al.*: *Juhlajulkaisu Risto Nuolimaa 1948 - 2/6 – 2018* [Commemorative Publication for Risto Nuolimaa 1948 - 2/6 – 2018], Suomalainen lakimiesyhdistys, Helsinki, 2018.
TOWNSEND, J. M.: *Extending an Arbitration Clause to a Non-Signatory Claimant or Non-Signatory Defendant: Does it Make a Difference?* in HANOTIAU, B. & SCHWARTZ, E. (eds)*: Multiparty Arbitration,* International Chamber of Commerce, Paris, 2010, pp. 111-118.
WAINCYMER, J. M.: *Procedure and Evidence in International Arbitration*, Kluwer Law International, 2012.
YEBISI, E. T.: "Resolution of disputes in co-operative societies", *International Journal of Law*, vol. 3 issue 6, 2017, pp. 99-103.
ZHENG, Y.: *A Survey on Finnish Co-Operatives: Business Performance, Challenges, and the Sustainable Mindset.* Doi: http://dx.doi.org/10.2139/ssrn.4453019.

Legislation

Act on Limited Liability Companies, Finland, 2006.
Arbitration Act, Finland, 1992.
Co-operative Societies Act, Delhi, 2003.

Code of Judicial Procedure, Finland, 1734.
Cooperative Act, Finland, 2013.
Cooperative Societies Act, Nigeria, 1993.
Limited Liability Companies Act, Finland, 2006.

Case law

KKO:2010:81. Available at: https://www.edilex.fi/kko/ennakkopaatokset/20100081?offset=1&perpage=20&phrase=osuuskuntalaki&sort=relevance&typeIds[]=32&typeIds[]=33&typeIds[]=5&searchKey=484496&quickSearch=true
KKO:1988:46. Available at: https://www.edilex.fi/kko/ennakkopaatokset/19880046?
KKO:1981-II-100. Available at: https://www.edilex.fi/kko/ennakkopaatokset/19810100t?
KKO:1971-II-3. Available at: https://www.edilex.fi/kko/ennakkopaatokset/19710003t?
KKO:1966-II-72. Available at: https://www.edilex.fi/kko/ennakkopaatokset/19660072t?
KKO:1961-II-33. Available at: https://www.edilex.fi/kko/ennakkopaatokset/19610033t?
KKO:1958-II-71. Available at: https://finlex.fi/fi/oikeus/kko/kko/1958/19580071t
KKO:1958-II-4. Available at: https://finlex.fi/fi/oikeus/kko/kko/1958/19580004t
KKO:1929-II-504. Available at: https://www.edilex.fi/kko/ennakkopaatokset/19290504t?
Rovaniemi Court of Appeal, Case 314 of 04.04.1997. Available at: https://tinyurl.com/ypn8wc2c
Rovaniemi Court of Appeal, Case 405 of 04.05.2011. Available at: https://tinyurl.com/2ctu2nct

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 125-144
doi: https://doi.org/10.18543/dec.2888 • https://dec.revistas.deusto.es

"Swimming Against the Current" of Demutualizations in the 1990s and 2000s: The Case of the Private Statutory Pension Insurance Sector in Finland

"Nadar contra la corriente" de las desmutualizaciones en los años 1990 y 2000: El caso del sector privado de seguros de pensiones obligatorios en Finlandia

Antti Talonen

University Researcher, University of Helsinki
Visiting Professor, University of Zagreb
antti.talonen@helsinki.fi

Jukka Mähönen[1]

Professor of Co-operative Law, University of Helsinki
Professor of Law, University of Oslo
jukka.mahonen@helsinki.fi

doi: https://doi.org/10.18543/dec.2889

Submission date: 28 April 2023
Approval date: 20 December 2023
E-published: January 2024

Contents: 1. Introduction.—2. The Finnish statutory earnings-based pension insurance system. 2.1. Pension insurance companies. 2.2. Industry-wide and company pension funds. 2.3. Pension insurance companies as part of the earnings-related pension insurance system. 2.3.1. Introduction and formation of pension insurance companies. 2.3.2. Special characteristics and nature of pension insurance companies. 2.4. Need for reform of the Act on Pension Insurance Companies in 2005.—3. The empirical interviews. 3.1. Gathering the interviews. 3.2. Analysis, results, and discussion of the interviews. 3.2.1. Implementing the legally defined purpose of a pension insurance company. 3.2.2. Getting rid of the power games of

---

[1] Jukka Mähönen is a Professor of Cooperative Law at the University of Helsinki Faculty of Law and a Professor of Law at the University of Oslo Faculty of Law. He is an principal investigator in Academy of Finland project Shaping, fixing and making markets via IPR: regulating sustainable innovation ecosystems (SHARE), leader of the University of Oslo research group Futuring Sustainable Nordic Business Models and deputy head of the University of Oslo research group Sustainability Law. He is also a work package leader in a Horizon Europe project Towards a New Zero Food Waste Mindset Based on Holistic Assessment (ToNoWaste). He holds LL.M. (Berkeley), M.Sc. (Econ.) (Turku), LL.Lic. (Turku), and LL.D. (Turku) degrees. Before coming to Oslo and Helsinki, he was a Professor of Civil Law and Dean at the University of Turku. In Helsinki he teaches cooperative law, corporate sustainability, law and economics and private global governance, and in Oslo law and economics and company law. His research interests are in company and cooperative law, securities law, accounting and auditing law, tax law and economic analysis of law. Recently he has worked with accounting and auditing, institutional investors, and sustainability. He is also looking for possibilities of new sustainable business models.

the outsiders and stabilizing the system. 3.2.3. Getting the stakeholders involved in official structures. 3.2.4. No need to exclude the limited liability company.—4. Conclusions.—5. Bibliography.

Contenidos: 1. Introducción.—2. El sistema legal finlandés basado en los ingresos de seguro de pensiones. 2.1. Compañías de seguros de pensiones. 2.2. Industria-fondos de pensiones amplios y de empresa. 2.3. Compañías de seguros de pensiones como parte del sistema de seguro de pensiones relacionado con los ingresos. 2.3.1. Introducción y formación de compañías de seguros de pensiones. 2.3.2. Características especiales y naturaleza de las compañías de seguros de pensiones. 2.4. Necesidad de reforma de la Ley de Compañías de Seguros de Pensiones de 2005.—3. Las entrevistas empíricas. 3.1. Recopilación de las entrevistas. 3.2. Análisis, resultados y discusión. de las entrevistas. 3.2.1. Ejecutar el objeto legalmente definido de una compañía de seguros de pensiones. 3.2.2. Deshacerse de los juegos de poder de los de afuera y estabilizar el sistema. 3.2.3. Conseguir que las partes interesadas estén involucradas en estructuras oficiales. 3.2.4. No es necesario excluir la responsabilidad limitada. 4. Conclusiones.—5. Bibliografía.

Abstract: The global insurance industry of the 1990s and 2000s witnessed a significant wave of demutualizations often regarded as a world-wide phenomenon. In this article, we describe the case of the Finnish private statutory pension insurance sector and the reasons why it eventually "swam against the current" by explicitly deciding to emphasize mutuals —that still today account for 96% of the particular sector in Finland and has ensured that the almost 150 billion euros of pension assets has stayed in control and in use of the Finnish people, organizations and entrepreneurs. As an empirical dataset, we analyze two interviews of high-level experts who participated in the working group drafting the guidelines for the Finnish Act on Pension Insurance Companies.

Keywords: mutual insurance, pension insurance, co-operatives, demutualization.

Resumen: La industria aseguradora global de las décadas de 1990 y 2000 fue testigo de una importante ola de desmutualizaciones, a menudo consideradas como un fenómeno mundial. En este artículo, describimos el caso del sector privado finlandés de seguros de pensiones obligatorios y las razones por las que finalmente "nadaba contra corriente", al decidir explícitamente hacer hincapié en las mutuas, que todavía hoy representan el 96% del sector particular en Finlandia y se han asegurado de que los casi 150 mil millones de euros de activos de pensiones siguieran bajo control y en uso del pueblo, las organizaciones y los empresarios finlandeses. Como conjunto de datos empíricos, analizamos dos entrevistas a expertos de alto nivel, que participaron en el grupo de trabajo que redactó las directrices para la Ley finlandesa sobre compañías de seguros de pensiones.

Palabras clave: mutualidad de seguros, seguro de pensión, cooperativas, desmutualización.

1. **Introduction**

Mutual enterprises as cooperatives, mutual societies and companies and credit unions have an important role in European economy, including the Nordic countries. Mutual enterprises' role and size vary country by country and industry by industry though. In insurance market, mutual societies account for 25 per cent of the European insurance markets. Almost 70 per cent of insurance companies in Europe are mutual societies[2] This is a high number taking in the consideration that the global insurance industry of the 1990s and partly 2000s witnessed a significant "wave" of demutualizations often regarded as a world-wide phenomenon. In the same time the Finnish society "swam against the current" and emphasized mutualization and mutual insurance company form in developing the statutory pension insurance system, organized through mutual pension insurance companies, created by a 1997 legislation.[3] Today, mutual insurers account for some 96% of the specific industry and hold almost 150 billion euros in investment assets. What has maintained unanswered until now is why was the mutual model seen as a viable model even in a situation when there was obviously pressure to consider other forms as well. Was the reason the legal form only or was there other reasons? As mutual pension insurance companies are one of the most important mutual enterprise forms in Finnish financial sector besides cooperative banks, this question is highly relevant for this special issue.

The aim of this article can be defined as *descriptive.*[4] We explore how the Finnish pension insurance sector came to emphasize the mutual model in organizing pension insurance companies. To describe the Finnish case, we start by presenting the development of the local statutory pension insurance sector and the regulation governing it (chapter 2). This is followed by an analysis of two expert interviews that enabled us to describe the specific (even hidden) reasons why the mutual model has been and is emphasized (chapter 3). Conclusions finalize the study (chapter 4).

Our article contributes to scientific discussion in several ways. Firstly, it increases, extends, and strengthens our understanding of the reasons why the mutual model has been seen as a rational and viable model in societies and why insurance industries in different parts of the world

---

[2] European Commission, Mutual societies, available at https://single-market-economy.ec.europa.eu/sectors/proximity-and-social-economy/social-economy-eu/mutual-societies_en

[3] Laki työeläkevakuutusyhtiöistä [Act on Earnings-Related Pension Insurance Companies], 354/1997.

[4] e.g. De Jong, A. (2022). Research in business history: From theorising to bizhismetrics. *Australian Economic History Review*, *62*(1), 66-79.

contain different organizational forms.[5] In this, qualitative empirical work that is based on the insights of the people working closely with mutual insurers has been scarce. Secondly, we provide the first presentation of the Finnish statutory pension industry and mutuals as a major part of it. This serves well the need of scholars who are willing to get to know the Finnish context in detail. Also, this provides a tool for scholars around the world who are about to do comparative research on mutuals in different countries and continents. Proper comparative research in the field is important since certain aspects of the legal definitions of mutuals as well as regulations related to them vary between countries and continents. [6] By utilizing the descriptive results of this case study, future research can proceed towards more theoretical considerations.

2. **The Finnish statutory earnings-based pension insurance system**

The Finnish earnings-related pension system is a special case among the European countries. A significant part of the Finnish statutory social security is organized via private pension institutions.[7] The system was introduced on 1 July 1962 that marked the establishment of the private sector's earnings-based pension insurance legislation, the Employees Pension Act.[8] Here, organization of pensions was delegated to earnings-based pension insurance companies, industry-wide pension funds and company pension funds.

---

[5] See e.g.: Dawson, M. M. (1917). Mutualization of Life Insurance Companies. *The ANNALS of the American Academy of Political and Social Science*, *70*(1), 62-76.; Mayers, D., & Smith Jr, C. W. (1984). Ownership structure and control: the mutualization of stock life insurance companies. *Financial Review*, *19*(3), 90-90.; Fletcher, L. P. (1966). Motivations underlying the mutualization of stock life insurance companies. *The Journal of Risk and Insurance*, *33*(1), 19-32.; Talonen, A. (2016). Systematic literature review of research on mutual insurance companies. *Journal of Co-operative Organization and Management*, *4*(2), 53-65.; Talonen, A., Mähönen, J., & Kwon, W. J. (2022). Examining the investment operations as a derived core function of mutual insurance companies: Research agenda and guide. *Journal of Co-operative Organization and Management*, *10*(1), 100168.

[6] cf. Krišto, J., Talonen, A., & Pauković, H. (2021). Analysis of community-owned mutual insurers' prospects of development in CEE countries: Outlining research agenda. *Risk Management and Insurance Review*, *24*(3), 243-261.; Talonen, A., Mähönen, J., & Kwon, W. J. (2022). Examining the investment operations as a derived core function of mutual insurance companies: Research agenda and guide. *Journal of Co-operative Organization and Management*, *10*(1), 100168.

[7] Hallituksen esitys 255/1996 vp eduskunnalle laiksi työeläkevakuutusyhtiöistä ja eräiksi siihen liittyviksi laeiksi [Government Proposal 255/1996 for an Act on Earnings-Related Pension Insurance Companies and Related Acts] p. 2.

[8] Työntekijäin eläkelaki [Employees' Pension Act], 395/1962.

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 145-163
doi: https://doi.org/10.18543/dec.2889 • https://dec.revistas.deusto.es

2.1. *Pension insurance companies*

Before 1997 there was no specific legislation on pension insurance companies. Legislation was introduced with the Act on Earnings-Related Pension Insurance Companies and partly by amendments to the general Insurance Companies Act.[9] Major reforms to Earnings-Related Pension Insurance Companies Act were introduced in 2008 with amendments to the Act[10] and a new Insurance Companies Act.[11] Finnish pension insurance companies are mainly taking care of statutory pensions of the private sector companies' employees (including public universities and state-owned enterprises) as well as sole entrepreneurs. These *insured persons* (both legal and natural) account for approximately 70 % of the Finnish workforce under earning-related pensions.

According to the law in force, a pension insurance company can be either a limited company (unlisted or public) or a mutual insurer (a mutual pension insurance company).[12] The shareowners of the mutual companies are both the insurance buyers (employers) and the insured (employees), and in some cases the providers of the guarantee capital (in practice, nonexistent today). At the moment, there are altogether only four pension insurers in the market: Veritas (limited), Ilmarinen (mutual), Varma (mutual), and Elo (mutual). The three mutuals account for some 96 % of the market in terms of premiums.

Based on the strict social and public purpose of pension insurance companies, their activities are rather limited. It is only allowed to practice such insurance and reinsurance activities that are defined under the Employees Pensions Act[13] and Self-Employed Pension Act.[14] According to the legislation, insurance groups must keep pension insurance separate from their other business activities. Additionally, the assets as well as the accounting and annual reports of the pension insurer need to be maintained legally separate from the ones of the other companies that belong to the same company group.

---

[9] Laki vakuutusyhtiölain muuttamisesta [Act Amending Insurance Companies Act], 1062/1979.

[10] Laki työeläkevakuutusyhtiöistä annetun lain muuttamisesta (Act Amending Act on Earnings-Related Pension Insurance Companies], 524/2008.

[11] Vakuutusyhtiölaki [Insurance Companies Act], 521/2008.

[12] Act on Earnings-Related Pension Insurance Companies section 1 subsection 1.

[13] Työntekijän eläkelaki [Employees Pension Act], 395/2006.

[14] Yrittäjän eläkelaki [Self-Employed Pension Act], 1272/2006

2.2. *Industry-wide and company pension funds*

Industry-wide pension funds differ from the pension insurance companies in that they are always employer- or field-specific. Thus, the members need to have either economic or functional connection. These institutions are governed by the Act on Pension Foundations and Pension Funds (946/2021).[15] In pension funds the decision-making power is practiced by the members (insured employees) and the partners (employers). There are altogether four Industry-wide pension funds in Finland (Apteekkien Eläkekassa, Eläkekassa Verso, Reka Eläkekassa and Valion Eläkekassa) and they handle only about 1% of all insured in the Finnish earnings-related pension system.

Company pension funds are founded and managed by one or more employers, with a purpose to offer pensions to the employees. These funds are also governed by the Act on Pension Foundations and Pension Funds (946/2021) and they handle only about 1% of all insured in the Finnish earnings-related pension system. The company pension fund is an independent entity and it differs from the industry-wide pension funds in that only employers have the possibility to exercise decision-making power. There exists three different kind of company pension funds —namely A, B, or AB. A-funds offer only occupational pensions, B-funds concentrate only in statutory pensions, and AB-funds offer both. The number of company pension funds has decreased during the last 20 years from 37 to 10[16].

2.3. *Pension insurance companies as part of the earnings-related pension insurance system*

2.3.1. Introduction and formation of pension insurance companies

A significant factor that differentiates pension insurance companies from other businesses, is that labour-market parties participate closely in developing the pension insurance system as well as manag-

[15] Laki eläkesäätiöistä ja eläkekassoista [Act on Pension Foundations and Pension Funds], 946/2021.

[16] These are the following: Honeywell Oy:n Henkilökunnan Eläkesäätiö, Kontinon Yhteiseläkesäätiö, L-Fashion Group Oy:n Eläkesäätiö, Orionin Eläkesäätiö, Sandvik Eläkesäätiö, Sanoman Eläkesäätiö, Telian Eläkesäätiö, UPM Sellutehtaiden eläkesäätiö, Yara Suomen Eläkesäätiö ja Yleisradion Eläkesäätiö.

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 145-163
doi: https://doi.org/10.18543/dec.2889 • https://dec.revistas.deusto.es

ing and governing the pension insurance companies. All related issues have been agreed between the pension insurance companies and the labour-market parties. The first such contract was written and agreed upon in 19 March 1974 and related to the balanced participation of the employer and employee parties in the supervisory bodies and boards of the pension insurance companies.

The current pension insurance system was formed on 1 May 1997, when the Act on Pension Insurance Companies came into force. In December 1994 the Ministry of Social Affairs and Health invited then Director General in the Ministry, Dr Tarmo Pukkila to investigate how to ensure the functioning of the statutory pension insurance system, by identifying needs for immediate legislature changes as well as mid-term development needs. The mandate of Pukkila was to pay special attention to the needs to produce a separate legislation (act) to govern pension insurance companies. In addition, Pukkila was asked to consider the need to develop and strengthen the general principles of investment operations, as well as the independent governance and monitoring of pension insurance companies' investment operations. Also, additional consideration was needed related to the allocation of the insurer's assets between the owners and the policyholders. After Pukkila's report, the Ministry of Social Affairs and Health further invited then Board Member of the Bank of Finland Matti Louekoski to prepare a proposal to establish Act on Pension Insurance Companies in form of a draft bill (a government proposal).[17]

The aim of the Act on Pension Insurance Companies was to increase the independence of the pension insurance companies and their investment operations in relation to other insurers and banks as well as the owners. In addition, an important goal was to tighten the competence requirements of the managers in the pension insurers. After the Act came into force, all together four mutual pension insurance companies were formed: Varma (originally Varma-Sampo), Ilmarinen, Etera (merged with Ilmarinen in 2018), and Eläke-Fennia (merged with Elo in 2014). Currently, there are three mutual pension insurers (Varma, Ilmarinen and Elo) in the market with a market share of 96%. In addition to this, there is one investor-owned pension insurer, Veritas, that has a minor market share and insures mainly the Finnish-Swedes (Swedish speaking population in Finland).

[17] Government proposal 255/1996 pp. 7-8.

2.3.2. Special characteristics and nature of pension insurance companies

As mentioned above, the aim of the Act on Pension Insurance Companies was to increase independence of the actors. The Act separated the pension insurance companies accounts and functions from other insurers as well as political capital blocks (companies with links to political parties). Despite linkages with other actors in the financial market via cross-selling and -marketing of pension products, major pension insurance companies are legally independent mutual companies. This has emphasized the role the stakeholders, namely the insured (employees) and buyers of the policies (employers), and their representation in governing the pension insurers. However, and according to the principle of increasing independence, the ones holding a position on the board or supervisory body are not seen to represent the interests of the pension insurer, nor the interests of a specific stakeholder group. Throughout the years it has been recognized that the labour-market parties' interest towards pension insurers' investment operations has decreased, which has further increased the independence of the insurers.[18]

Furthermore, according to the Act, a pension insurance company needs to have permission from the Ministry of Social Affairs and Health if it wants to buy shares of another pension insurer, or to increase ownership over 10% of the shares or voting power. The aim of this is to ensure every pension insurer's independence to make their investment decisions. In addition, the managers of a pension insurer have the right to delegate decision-making power only to those who work in the same company. Moreover, only an independent outsider (person, actor) can be chosen to prepare investment decisions on behalf of the pension insurer.

In a mutual pension insurance company, the highest-level decision-making power is allocated between the buyers of the policies, insured, and the owners of the guarantee capital. According to the Act on Pension Insurance Companies, the shareholders of the company include the buyers, the insured, and if mentioned in the bylaws, the owners of the guarantee capital.[19] In all the major pension insurers, all these three stakeholder groups are defined as shareholders. The Act, however, lim-

[18] Sorsa, V.-P. (2011). Työeläkejärjestelmä ja finanssoitumisen haasteet [Pension Fund System and Challenges of Financialisation] in Johanson, J.-E., Lassila, J., & Niemelä, H. (eds), *Eläkevalta Suomessa* [Pension Power in Finland] [Elinkeinoelämän tutkimuslaitos ETLA: Helsinki] pp. 92-119, pp. 108-109.

[19] Act on Earnings-Related Pension Insurance Companies section 6.

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 145-163
doi: https://doi.org/10.18543/dec.2889 • https://dec.revistas.deusto.es

its the voting power of the owners of the guarantee capital, which cannot exceed the one of the buyers of the policies.[20] In addition, it is usually defined in the bylaws of the pension insurers that the insured are provided voting power that is based on their share of the company.[21] [22]

2.4. *Need for reform of the Act on Pension Insurance Companies in 2005*

In 2005, a working group led by then Deputy Governor of the Bank of Finland Matti Louekoski continued to consider the development and renewal needs of the Finnish Act on Earnings-Related Pension Insurance Companies. Louekoski suggested that if the starting point for developing pension insurers governance structure stems from the stakeholders' possibility to govern, guide and monitor the company, it is justified to consider the following: a) Is the annual general meeting of the company taking account (well enough) of the special characteristics and nature of a pension insurer, and b) Is there a need to reconsider the allocation of votes and decision-making power in the annual general meeting between the insureds, buyers of the policies and the owners of the guarantee capital, and c) Whether the organizational form of a pension insurance company should be regulated by law as mutual.[23]

According to Louekoski, several factors and the nature of the existing Act on Pension Insurance Companies would support the idea that the organizational form and regulations of the annual general meeting are developed towards the mutual model. This should be done so that the shareholders and decision-makers, per se, are the buyers of the policies and the insureds, and increased limitations for the owners of the guarantee capital and their power should take place.[24] Further, if the organizational form would not be regulated as mutual, even in case of the limited company the voting power should be directed also for the insureds and the buyers of the policies.[25]

---

[20] Insurance Companies Act chapter 8, section 5, subsection 2.

[21] Act on Earnings-Related Pension Insurance Companies section 6 a.

[22] Louekoski, M. (2005). *Työeläkevakuutusyhtiölain uudistamistarpeet: Selvityshenkilön väliraportti* [Need to amend the Act on Authorized Pension Insurance Companies: Progress report by the Rapporteur ad int.) (Sosiaali- ja terveysministeriö: Helsinki) p. 31.

[23] Louekoski (2005) p. 31.

[24] Louekoski (2005) p. 31.

[25] Louekoski (2005) p. 32.

3. **The empirical interviews**

3.1. *Gathering the interviews*

To describe our case in detail, we conducted two expert interviews. Both anonymized interviewees took part in the above-mentioned working group of Deputy Governor Matti Louekoski in 2005. Being able to interview participants of this group enabled us to get access to insider views and discussions that led to the emphasis of the mutual model. The interviews took approximately 1-1,5 hour each and had semi-structured nature. The authors began the interview by explaining what the interview is about and that the aim is to understand the reasons why the mutual model was emphasized. After that, the authors gave the interviewees the possibility to describe their views rather freely and every now and then directed the conversation with thematic questions (in a semi-structured way). The results of the interviews are described and discussed next.

3.2. *Analysis, results and discussion of the interviews*

We conducted a thematic analysis for the interview data.[26] Accordingly, the authors worked with the data to identify so called first order concepts. These concepts refer to concrete reasons that were put forward by the interviewees. The first phase of the analysis formed altogether 9 concepts (See Table 1.). After identifying the first order concepts, authors worked together[27] to thematize these concepts under second order themes by finding similarities between the identified concepts.[28] This phase of the analysis produced altogether 3 themes. Throughout the process, authors reflected the data with earlier knowledge on mutual insurers. Thus, the analysis can be described as abductive.

---

[26] Braun, V., and Clarke, V. 2006. Using thematic analysis in psychology. Qualitative Research in Psychology 3 (2): 77–101.

[27] Jonsen, K., and K.A. Jehn. 2009. Using triangulation to validate themes in qualitative studies. Qualitative Research in Organizations and Management 4 (2): 123-150.; Patton, M.Q. 1990. Qualitative evaluation and research methods. SAGE Publications, inc.

[28] Ryan, G.W., and Bernard, H.R. 2003. Techniques to identify themes. Field Methods 15 (1): 85-109.

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 145-163
doi: https://doi.org/10.18543/dec.2889 • https://dec.revistas.deusto.es

The following three subchapters present our analysis in more detail and discuss the results. The additional fourth subchapter is a separate one from our analysis regarding the reasons why the mutual form was emphasized, but sheds light on the fact why the limited company form was not eventually excluded from the legislation. This was also a topic that was brought up during the interviews and was seen by the authors as something that is important to report in this conjunction as well.

Table 1

Tentative framework and results of the analysis

Second order themes	First order concepts
Implementing the legally defined purpose of a pension insurance company	The legally defined purpose of a pension insurance company is stakeholder-oriented and emphasizes the benefits of the insureds (NOT investors of capital, that is the default defined purpose of a limited company in Finland)
	Stakeholder orientation has directed the public discussion towards mutuals as a stakeholder-owned company
Getting rid of the power games of the outsiders and stabilizing the system	Limited pension insurers used to be targets of corporate takeovers that put the assets of the insurers in danger and the pension system under great risk
	A need to diversify power in pension insurance companies effectively and get rid of the harmful power battles
	A need to create a model of pension insurer that does not cause scandals
	The mutual form stabilizes the pension insurers as well as the society in general
Getting the stakeholders involved in official structures	Idea was to officially ensure the voice of the insureds in the administration
	No possibility to ignore employers due to their traditional role in the system (e.g., company-wide funds)
	Efficiency of the system was ensured by offering employers patronage refunds if the annual year is profitable

3.2.1. Implementing the legally defined purpose of a pension insurance company

The refinement of the purpose of a pension insurance company came into force in January 2007.[29] Accordingly, the purpose of a pension insurance company is to "…handle the statutory pension insurance belonging to social security by managing the implementation of the statutory pension insurance in accordance with the laws… and the funds accumulated for the company for this purpose in a way that safeguards the benefits covered by the insurance."[30] By definition, the purpose emphasizes the interests of the beneficiaries, that is, the insureds. This idea is explained by the interviewee 1 who states:

> "The purpose of a pension insurance company is defined in the law and the idea is that the society safeguards the final principle (beneficiary) of the pension system —that is the insured (employee/entrepreneur). The idea is, that the insureds have deserved the pensions during their working life and these pensions need to be safeguarded". (I1)

Interviewee 2 supported this idea and added that pension insurance companies are always evaluated though this clearly defined purpose.

> "Laws on earnings-related pension insurance are not always that clear in everything. That's why the 'purpose' of a pension insurance company [defined in law] is so important and all the supervisory actions are reflected with it. This ensures that earnings-related pensions are seen and evaluated as part of the social security system". (I2)

As such, this strong stakeholder emphasis of the law has directed the focus of the organizational form discussion towards mutuals. The mutual form naturally enables the stakeholders' ownership of the company. It is important to ensure that the organizational governance represents and echoes the nature and characteristics of the law. This is in line with the traditional agency-theoretical thinking where a mutual

[29] Laki työeläkevakuutusyhtiöistä annetun lain muuttamisesta [Act Amending the Earnings-Related Pension Insurance Companies Act], 1125/2006; see Hallituksen esitys 76/2006 vp Eduskunnalle laiksi työeläkevakuutusyhtiöistä annetun lain muuttamisesta [Government Proposal 76/2006 on Amending Earnings-Related Pension Insurance Companies Act], based on the report of the above-mentioned Louekoski working group, see Louekoski (2005).

[30] Earnings-Related Pension Insurance Companies Act, section 2, as amended by Act 1125/2006 (authors' translation).

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 145-163
doi: https://doi.org/10.18543/dec.2889 • https://dec.revistas.deusto.es

model erases the interest conflict of owners and consumers by merging these two roles. [31]

3.2.2. Getting rid of the power games of the outsiders and stabilizing the system

Both interviewees described how the Finnish pension insurance companies used to be targets of corporate takeovers. Potentially hostile and risky takeovers with a background in outside corporate battles might have led to dangerous consequences to the pension system and the benefits of the insureds. In this sort of situation, the system needed stability and independence from the corporate battles going on outside the pension system. The mutual form, with a nature of having all the buyers of the policies as well as the insureds as shareholders, was found as a fruitful solution. As Interviewee 2 put it:

> "By diversifying the power effectively, we were able to get rid of the potentially hostile corporate takeovers in the pension system" (I2)

The importance of this diversification was also emphasized by interviewee 1 who mentioned:

> "All in all, it was important that the power in the companies was effectively diversified" (I1)

Furthermore, the diversification of power was seen to influence to the stability of the pension insurance companies more generally as well. As Interviewee 2 explained, it is important that pension insurers are at least not structurally vulnerable to scandals and negative sensations:

> "It is important that pension insurance companies do not cause any scandals or negative sensations. Pension insurance system needs stability and it maintains its' legitimacy and credibility". (I2)

The stabilizing effect of diversified power and the mutual form was confirmed by the Interviewee 1 who stated:

> "A mutual pension insurer has a stabilizing effect in the society". (I1)

---

[31] cf. Pottier, S. W., & Sommer, D. W. (1997). Agency theory and life insurer ownership structure. *Journal of Risk and Insurance*, 529-543; MacMinn, R., & Ren, Y. (2011). Mutual versus stock insurers: a synthesis of the theoretical and empirical research. *Journal of Insurance Issues*, 101-111; Talonen, A. (2016). Systematic literature review of research on mutual insurance companies. *Journal of Co-operative Organization and Management*, *4*(2), 53-65.

To sum up, diversification of power certainly has the potential to make pension insurers immune to corporate takeovers. The question remains, however, how well the interests of individual buyers of the policies or insureds are understood and taken into account in mutual insurers. As the power of the shareholders is dispersed, the real power in practice is easily centralized in the hands of the operative management. Thus, existing studies suggest that the mutual form suits better in such situations where managerial discretion is limited. [32] In the Finnish pension insurance companies this can be seen to hold, since the pension premiums are fixed by law and managers cannot exercise discretion. This still leaves questions, however, related to the investment operations where operative managers have more freedom to act.

3.2.3. Getting the stakeholders involved in official structures

The main stakeholders of a Finnish pension insurance company are the buyers of the policies (employers) and the insureds (employees/entrepreneurs). Further, as described above, the insureds are seen as the final principal and beneficiary of the pension product. According to this idea, the mutual model has provided a natural way to guarantee the representation of these two stakeholder groups (see quote below). The representation of the employers and employees in pension insurers administration have been mostly delegated to the labour-market parties/unions, whose cooperation has traditionally formed an important institution (independent from the state) in developing and governing the Finnish labour-market related issues. As the Interviewee 2 described it:

> "The labour-market parties had a representation in the pension insurance companies before as well, but it was based on contracts. With a mutual model, this representation was guaranteed via the organizational form". (I2)

Before mutualization of the pension companies in the 1990s, a significant part of the pension institutions were limited companies, where

[32] Mayers, D., & Smith Jr, C. W. (1994). Managerial discretion, regulation, and stock insurer ownership structure. *Journal of risk and insurance*, 638-655; Adams, M., & Hossain, M. (1998). Managerial discretion and voluntary disclosure: empirical evidence from the New Zealand life insurance industry. *Journal of Accounting and Public Policy*, *17*(3), 245-281; Cummins, J. D., Weiss, M. A., & Zi, H. (1999). Organizational form and efficiency: The coexistence of stock and mutual property-liability insurers. *Management Science*, *45*(9), 1254-1269.

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 145-163
doi: https://doi.org/10.18543/dec.2889 • https://dec.revistas.deusto.es

investors had more power, or funds (see chapter 2), where employers (the buyers of the policies) exercised power. Via the mutual model, the power of the insureds' side was enabled as well.

> "The idea was to ensure that the insureds will have a voice in the company via official structures". (I1)

In this conjunction it is important to recognize that it would have been challenging to remove employers' representation. As described, they did have a long history of using power in the pension system, which was well mentioned by the Interviewee 1:

> "Finland had a long tradition of statutory pension insurance organizations were employers were the sole exercisers of power [cf. funds]. That is partly the reason why employers [buyers of the pension policies] needed to be included in the governance of the mutuals as well". (I1)

However, there was one additional benefit for the inclusion of employers (the buyers of the policies). While the premiums and paid pensions are fixed by law, the buyers of the policies have a possibility to receive premium refunds in case the annual year has been profitable enough. As the profit is significantly dependent on the efficiency of the company, the employer's side has an incentive to monitor it:

> "Also, while the pension premiums and paid pensions are defined by law, employers can receive premium refunds depending on the efficiency of the pension insurer. This puts pressure on the pension companies to take efficiency into account". (I1)

All in all, these two stakeholder groups can be seen to have very similar interests when it comes to governing and developing their pension insurance company. This is well in line with the idea of existing literature suggesting that a mutual company functions well when the stakeholder decisions-makers have somewhat homogenous interests and goals. [33] Accordingly, it can be seen natural that Finnish pension insurance companies are mostly organized as mutuals.

[33] e.g. Nilsson, J. (2001). Organisational principles for co-operative firms. *Scandinavian journal of management*, *17*(3), 329-356.

3.2.4. No need to exclude limited liability company

Finally, one may ask, why there is still a possibility to organize and govern a pension insurance company as a limited company as well. In the end, forcing every company into mutual status was considered in the Louekoski working group.[34] The reason seems to be that despite the mutual form having been seen as a better form in this conjunction, the existing limited company was not perceived to cause troubles due to its small size. As Interviewee 2 described:

> "Eventually, there was no need to change the law to deny limited liability company form. This was due to the fact that only one minor pension insurer, the Finnish-Swedes' Veritas, was a limited company. It was too small player to cause troubles for the system as a whole". (I2)

4. **Conclusions**

In this paper, we have described the case of the Finnish pension insurance companies. Specifically, we have shed light on the reasons why the mutual company form was emphasized in organizing these companies, especially in the amendments of the Finnish Act on Pension Insurance Companies in 2006. The empirical interviews indicate that there are at least three themes that capture the main reasons for this: a) need to find a tool to implement the legally defined purpose of a pension insurance company, b) getting rid of the corporate power games of the outsider investors and stabilizing the system, and c) ensuring the involvement of the right stakeholders in the company structures.

The Finnish statutory pension insurance offers an interesting case study since the emphasis of the mutual form has been debated and implemented on the state level. It was the working groups established by the Ministry of Social Affairs and Health who put forward the ideas of the potential of the mutual model, introduced then to government proposals to the parliament for legislative reforms. Thus, the mutual form has been recognized, utilized and accepted on the highest level of the society. Furthermore, this was done in an era when demutualizations were a global trend.

[34] Louekoski (2005).

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 145-163
doi: https://doi.org/10.18543/dec.2889 • https://dec.revistas.deusto.es

Our article, as every study, has limitations that need to be addressed in the future. Firstly, this is descriptive research where the aim was to describe the Finnish case. While the study does not proceed in deep theorization in its' current form, we do believe it offers important insights for scholars from different disciplines who want to understand this organizational form better. Second, the empirical part is based on two interviews. Albeit providing a comprehensive glance at the reasons why the mutual form was emphasized, several additional interviews could further validate our results.

In terms of managerial implications, our results offer a useful report for practitioners to better understand the nature of Finnish pension insurance companies and their development. At the same time, it sheds light on the interpretation of Finnish law. We truly believe that reading of the research will lead to fruitful reflections for everybody working in a mutual insurance company or closely with them and the legal arrangements around them. In addition, this case study provides interesting information for managers and policymakers that aim to develop pension insurance schemes in other countries as well. All in all, Finland's story as organizing statutory pension insurance via private companies, especially mutuals, has been functioning rather well.

Politically, our results begin documenting a truly important part of Finnish economic history. History of the statutory pension insurance is an important part of a wider development story of Finland and its' economy.

5. **Bibliography**

Preparatory works

HALLITUKSEN ESITYS, 255/1996 vp eduskunnalle laiksi työeläkevakuutusyhtiöistä ja eräiksi siihen liittyviksi laeiksi [Government Proposal 255/1996 for an Act on Earnings-Related Pension Insurance Companies and Related Acts].

Literature

ADAMS, M., & HOSSAIN, M. (1998). Managerial discretion and voluntary disclosure: empirical evidence from the New Zealand life insurance industry. *Journal of Accounting and Public Policy*, *17*(3), 245-281.

BRAUN, V., and CLARKE, V. 2006. Using thematic analysis in psychology. Qualitative Research in Psychology 3 (2): 77-101.

CUMMINS, J. D., WEISS, M. A., & ZI, H. (1999). Organizational form and efficiency: The coexistence of stock and mutual property-liability insurers. *Management Science*, *45*(9), 1254-1269.

DAWSON, M. M. (1917). Mutualization of Life Insurance Companies. *The ANNALS of the American Academy of Political and Social Science*, *70*(1), 62-76.

DE JONG, A. (2022). Research in business history: From theorising to bizhismetrics. *Australian Economic History Review*, *62*(1), 66-79.

FLETCHER, L. P. (1966). Motivations underlying the mutualization of stock life insurance companies. *The Journal of Risk and Insurance*, *33*(1), 19-32.

JONSEN, K., and K.A. Jehn. 2009. Using triangulation to validate themes in qualitative studies. Qualitative Research in Organizations and Management 4 (2): 123-150.;

KRIŠTO, J., TALONEN, A., & PAUKOVIĆ, H. (2021). Analysis of community-owned mutual insurers' prospects of development in CEE countries: Outlining research agenda. *Risk Management and Insurance Review*, *24*(3), 243-261.

LOUEKOSKI, M. (2005). *Työeläkevakuutusyhtiölain uudistamistarpeet: Selvityshenkilön väliraportti* [Need to amend the Act on Authorized Pension Insurance Companies: Progress report by the Rapporteur ad int.) (Sosiaali- ja terveysministeriö: Helsinki).

MACMINN, R., & REN, Y. (2011). Mutual versus stock insurers: a synthesis of the theoretical and empirical research. *Journal of Insurance Issues*, 101-111

MAYERS, D., & SMITH Jr, C. W. (1984). Ownership structure and control: the mutualization of stock life insurance companies. *Financial Review*, *19*(3), 90-90.

MAYERS, D., & SMITH Jr, C. W. (1994). Managerial discretion, regulation, and stock insurer ownership structure. *Journal of risk and insurance*, 638-655

NILSSON, J. (2001). Organisational principles for co-operative firms. *Scandinavian journal of management*, *17*(3), 329-356.

PATTON, M.Q. 1990. Qualitative evaluation and research methods. SAGE Publications, inc.

POTTIER, S. W., & SOMMER, D. W. (1997). Agency theory and life insurer ownership structure. *Journal of Risk and Insurance*, 529-543

RYAN, G.W., and BERNARD, H.R. 2003. Techniques to identify themes. Field Methods 15 (1): 85-109.

SORSA, V.-P. (2011). Työeläkejärjestelmä ja finanssoitumisen haasteet [Pension Fund System and Challenges of Financialisation] in Johanson, J.-E., Lassila, J., & Niemelä, H. (eds), *Eläkevalta Suomessa* [Pension Power in Finland] [Elinkeinoelämän tutkimuslaitos ETLA: Helsinki] pp. 92-119.

TALONEN, A. (2016). Systematic literature review of research on mutual insurance companies. *Journal of Co-operative Organization and Management*, *4*(2), 53-65.

TALONEN, A. (2018). Customer ownership and mutual insurance companies: Refining the role and processes of psychological ownership. Tampere University

TALONEN, A. (2023). Valvojat osana arvoa luovaa vakuutusekosysteemiä. In V. Vahtera & K. Rantasaari (Eds.), Yritys, kirjanpito, kestävyys-Juhlajulkaisu Jukka Mähönen (pp. 539-553). Alma Talent.

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 145-163
doi: https://doi.org/10.18543/dec.2889 • https://dec.revistas.deusto.es

TALONEN, Holmlund-Rytkönen & STRANDVIK (2018). Mental models of customer ownership in the executive board. Journal of Co-operative Organization and Management, 6 (1), 1-10.

TALONEN, A., MÄHÖNEN, J., & KWON, W. J. (2022). Examining the investment operations as a derived core function of mutual insurance companies: Research agenda and guide. *Journal of Co-operative Organization and Management*, *10*(1), 100168.

TALONEN, A., TALONEN, H., STENVALL, J., & JUSSILA, I. (2020). Communicating the economic value of customer ownership in insurance: A qualitative analysis of annual reports. *Risk Management and Insurance Review*, *23*(3), 243-267.

TALONEN, H., TALONEN, A., STENVALL, J., & KINDER, T. (2021). Communicating customer ownership in annual reports: Perspective of hedonic value. *FIIB Business Review*, *10*(2), 120-132.

TALONEN, H., TALONEN, A., STENVALL, J., & PRAKASH, P. (2023). Disclosing functional value of customer ownership: analysis of mutual insurers' annual reports. *International Journal of Management Practice*, *16*(4), 515-533.

The Cooperative Sector in the Nordic Countries: The Finnish Example

El sector cooperativo en los países nórdicos: el ejemplo finlandés

Peter Herrmann[1]
Research Fellow at the Human Rights Centre,
Central South University, Changsha, PRC
herrmann@esosc.eu

Juhani Laurinkari[2]
Professor Dr rer. pol., Dr rer. soc. oec., Dr, h.c.
juhani.laurinkari@uef.fi

doi: https://doi.org/10.18543/dec.2890

Submission date: 28 April 2023
Approval date: 19 July 2023
E-published: January 2024

Contents: Orientation.—1. The cooperatives as all-encompassing sectoral organisations.—2. Cooperatives – Results or conditions for another kind of society?—3. Cooperatives in the Nordic Countries – A brief historical view.—4. General characteristics of the cooperative system in the Nordic Countries. 4.1. Mixed economies. 4.2. Economic success – The approach of a different evaluation.—5. Finland – A historic example for innovation?—6. Conclusions and prospective.—References.

---

[1] Peter Hermann holds the degree of Dr. habil. and is Professor at the Human Rights Center of the Law School at the Central South University, Changsha, People's Republic of China where his position is that of a research fellow. The subjects of his teaching and research include social policy, economics and law in different countries across Europe and beyond. He has also a long-standing experience as an advisor, in particular to NGOs.

[2] Juhani Laurinkari is Ordentlicher Professor and holds a PhD (rer. pol.), and a PhD (rer. soc. oec.) and is Doctor honoris causa of the University of Riga.

He served as professor of social policy at the University in Kuopio and was Dean of the Faculty of Social Sciences of that university. His main research topics cover social policy theory and practice, cooperative systems, international comparative welfare state models, civil society, and economic ethics. He has extensive international experience and several honours in teaching and research. His Publications, books and articles, exceed 238.

In 2006 Juhani Laurinkari was awarded the Golden Hannes Gebhard-medal and he was awarded with the First Class Decoration of Finnish White Rose Order of Knighthood.

He is full Member of the European Academy of Sciences and Arts, has been Vicedean of its Faculty of Social Sciences, Law and Economics and Juhani Laurinkari heads the Finnish delegation of the Academy

Contenidos: Orientación.—1. Las cooperativas como organizaciones sectoriales integrales.—2. Cooperativas – ¿Resultados o condiciones para otro tipo de sociedad?—3. Cooperativas en los países nórdicos –visión histórica.—4. Características generales del sistema cooperativo en los países nórdicos. 4.1. Economías mixtas. 4.2. Éxito económico – El enfoque de una evaluación diferente.—5. Finlandia – Un ejemplo histórico para ¿Innovación?—6. Conclusiones y perspectivas.—Referencias.

Abstract: While the cooperative idea can be seen as universal, the concrete features are still highly characterised by national traditions and the general socio-political settings. Reflecting this, the contribution investigates the situation in Finland. These observations are closely interwoven with theoretical reflections around the question if cooperatives and the cooperative sector can be considered as germs or an alternative socio-economic development, overcoming the profit-obsessed, unsustainable capitalist system.

Keywords: cooperatives, political economy, nordic countries, societal organization, economic success, Finland.

Resumen: Si bien la idea cooperativa puede considerarse universal, sus características concretas todavía están muy caracterizadas por las tradiciones nacionales y los entornos sociopolíticos generales. Como reflejo de esto, la contribución investiga la situación en Finlandia. Estas observaciones están estrechamente entrelazadas con reflexiones teóricas en torno a la cuestión de si las cooperativas y el sector cooperativo pueden considerarse como gérmenes o como un desarrollo socioeconómico alternativo, superando el sistema capitalista insostenible y obsesionado con las ganancias.

Palabras clave: cooperativas, economía política, países nórdicos, organización social, éxito económico, Finlandia.

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 165-188
doi: https://doi.org/10.18543/dec.2890 • https://dec.revistas.deusto.es

Orientation

In this text, we shall focus on the development and main features of the Finnish version of the Nordic cooperative sector. We shall begin by giving a general description of cooperative activity in Finland. Even though our aim is not to present a comprehensive historically oriented review; rather the aim is to describe some of the most significant dimensions and phases that have led to the current situation and those which can define the future development of the Finnish cooperative sector. This being said, let us first focus on the most significant numbers that describe the nature of the Finnish cooperative sector. After this, we shall consider the Cooperatives as all-encompassing sectoral organisations, and whether the cooperatives are the condition for some future societal development. After these discussions, we shall provide a brief historical sketch of the co-operatives in the Nordic countries, which will allow analysing the general characteristics of the cooperative system in the Nordic countries and —most of all— Finland as a historical example for an innovative movement. Let us first have a look at some empirical data —they will be discussed later in some detail.

Table 1

Cooperative enterprises, Cooperatives and mutual life insurance and damage insurance cooperatives

Cooperative group	Number of shareholders 31.12.2021	Members (man-year)	Staff 31.12.2021	Turnover million euro	Market share%
SERVICE COOPERATION					
OP-group	118	2 081 341	13 079	4491 (1)	38 (2)
* Change between 2021-20	–15	1,2%	3,8%	6,1%	0,4%
POP bank	23	90 128	822	176,2 (1)	2,1 (2)
* Change between 2021-20	-1	0,3%	4,7%	42,1%	0,0%
LähiTapiola (Local Tapiola insurance and investment cooperative company)	21	1 600 000	3 659	2106,5 (3)	26,5 (4)
* Change between 2021-20	—	0%	2,6%	7,6%	–0,002
Other mutual/cooperative enterprises or companies	4	839 742	1 622	1278,9 (1)	..
* Change between 2021-20	—	1%	–3,0%	20,5%	..
Invest cooperatives	5	249 572	6 767	908	-
* Change 2021-20	—	–3%	15,6%	13,2%	-
CONSUMER COOPERATION					
S-Group in total	20	2 471 637	39 861	12 329	46,1 (5)
* Change 2021-20	—	0,7%	3,3%	6,1%	0,1%
Energy producing cooperatives	8	40 687	141	253,9	..
* Change between 2021-20	—	1,7%	3,7%	32,2%	..
Telecommunications cooperatives	8	47 450	911	167,7	..
* Change between 2021-20	—	0,4%	31,8%	39,6%	..

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 165-188
doi: https://doi.org/10.18543/dec.2890 • https://dec.revistas.deusto.es

Cooperative group	Number of shareholders 31.12.2021	Members (man-year)	Staff 31.12.2021	Turnover million euro	Market share%
PRODUCER COOPERATIVES					
Metsä Group	1	92 534	9 533	6 017	30 [6]
* Change between 2021-20	—	–3,1%	3,5%	19,0%	–5,0%
Meat and prepared foods companies	6	4 178	10 790	3 375	80-90% [7]
* Change between 2021-20	—	–5,0%	–6,8%	2,1%	—
Dairies	18	4 732	5 168	3 092	94% [8]
* Change between 2021-20	0	–7,2%	8,5%	–0,9%	—
Livestock breeding	1	6 465	323	40,4	—
* Change between 2021-20	—	–5,5%	–2,7%	–4,5%	—
Egg-packing companies	2	65	70	39,752	24 [9]
* Change between 2021-20	—	–7,1%	—	–6,2%	–1,0%
Vegetable producer cooperatives	2	178	102	85,7	—
* Change between 2021-20	—	–5,8%	14,6%	6,3%	—
Numbers of the Year-book of Cooperation in total	251	7 528 709	93 901	35 183	—
* Change between 2021-20	–19	0,6%	3,2%	8,2%	—
In the year 2021		78			
New small cooperatives	* Change 2021-20	–14pcs			
Cooperative enterprises total 4.1.2021		3 551			
	* Change 2021-20	–180 (–5%)			

[1] Profits total.
[2] Savings from Finland.
[3] Fennia, Turva, Pohjantähti, Kaleva in total.
[4] Market share of damage insurance.
[5] Share of daily-products.
[6] Share of the production of corrugated cardboard in Europe.
[7] Share of the meat purchases from producers.
[8] Share of the milk in-deliveries.
[9] Share the investments of packing companies.

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 165-188
doi: https://doi.org/10.18543/dec.2890 • https://dec.revistas.deusto.es

1. **The Cooperatives as all-encompassing sectoral Organisations**

It is often suggested that non-governmental organisations —here taken in a very broad understanding— are defined negatively, as implied in the name being "non-organisations": non-governmental, non-profit and non-market organisations, and often non-political. On the other hand, cooperatives are defined by their multiple positive references: They are both, economic entities in the strict sense, i.e., undertaking profit-oriented production or provision of services; at the same time, however, they are more and different than that and claim to explicitly fulfil non-profit objectives as well. This refers both to the production and provision of services, i.e., the type of products and services and to the way production and provision are organised.

Thus, although they certainly do not have a governmental function, they do have a distinctly political function which includes as well regulatory mechanisms. They unite the functional areas of market, state and society, which are often seen as a triad. Moreover, we can assume that in an ideal-typical view, they embody a special understanding of the economy and society. The concrete form this takes depends very much on the respective study of national developments and conditions. Thus, methodologically, we are faced with a special challenge: in temporal terms, history as a condition for the present must be worked out; at the same time, we must analyse general forms of soci(et)al cooperation and the cooperative sector in connection with the specific national characteristics of the political economy and the societal political politics of governments. This links well into the analysis of Karl Polanyi who emphasises a major shift characterising the establishment of capitalism, namely the orientation on gain as the main determinant of soci(et)al action, and as one that is detached from all other mechanisms of regulation and control. He wrote in his Magnum Opus:

> "The assertion appears extreme if not shocking in its crass materialism. But the peculiarity of the collapse which we have witnessed was precisely that it rested on economic foundations. Other societies and other civilizations, too, were limited by the material conditions of their existence-this is a common trait of all human life, indeed, of all life, whether religious or non-religious, materialist or spiritualist. All types of societies are limited by economic factors. Nineteenth-century civilization alone was economic in a different and distinctive sense, for it chose to base itself on a motive only rarely acknowledged as valid in the history of human societies, and certainly never before raised to the level of a justification of action and behaviour in everyday

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 165-188
doi: https://doi.org/10.18543/dec.2890 • https://dec.revistas.deusto.es

> life, namely, gain. The self-regulating market system was uniquely derived from this principle." (Polanyi 1957, p. 31.)

If we remain for the time being on the general level, this form of organisation of economic activity refers in part to a certain form of resolving the fundamental social conflict between classes.

At the same time, however, Polanyi pointed out that a countermovement was developing, which he saw in the fact that a subsequent balancing of the many social forces was taking place and that the "hidden facets of social life" and the resulting disadvantages and exclusions were being dealt with retrospectively and, as it were, peripherally —one could say: reintroducing a little sociality through the back door. This is particularly virulent in discussions under the heading of social policy (see, for example, Fraser 2012.)

Frazer, who argues from a feminist perspective, criticises that what remains substantially underexposed is that women have always played a special role in the overall process of economic activity. As important as Fraser's elaborations are, another aspect must be pointed out. Cooperatives, or the cooperative sector, are by and large as much ignored as the social question, and as part of it: women, are ignored. This may be because cooperatives are both economic enterprises and social enterprises in the sense of socio-political organisations. The characteristic feature is that they do not exist on a borderline, but unite the different areas in an integrated way —at least that is the claim. However, this also means that on the one hand, the cooperative system can be seen as a kind of resistance movement, but at the same time it cannot do without the support of the system itself. As a result, many of the cooperatives play an outsider role, whereby the following focal points can be identified in particular:

- There are cooperations in otherwise strictly excluded areas of production or consumption —as far as the production or provision of services and consumption in the area of protection/defence is concerned, the sector played an essential role by merging the different socio-economic areas at least to some extent; consequently, one can also speak of certain forms of self-help.
- Another important factor is that this form of organisation, as far as it is judged from the perspective of the normal capitalist enterprise, is not competitive. This is countered by the fact that these organisations can survive almost only as start-ups, in small niches, or else through grants from other sources. Last but not least, the sector plays a role by depending on the state promo-

tion (various measures can be mentioned, for instance, tax concessions, provision of certain infrastructural facilities and more —direct subsidies are also used in this context.

— This also characterises a newly emerging space of activity, namely that which is filled by start-ups. Although alternative forms of investment and thus also cooperative approaches can be found in this area, in the end, it remains that no state can be made with this. This formulation, however, points to a fundamental problem of understanding: if one understands economics in the narrow sense of today's mainstream, referring to a form of business management, it can indeed be said that cooperatives are unsuitable as elements of a monetary profit-oriented economy. If, on the other hand, one understands economics as a way of doing business following the definition put forward by Engels —there it is about the production and reproduction of daily life, and thus cannot be reduced to the accumulation of goods as objects of exchange, suggesting that wealth is the accumulation of commodities— things look quite different: In such a perspective, niches, spaces of innovation etc. and the movements taking place within such realms, they present themselves as holistic fields of complex economic activity, which are precisely not cut off from their sociality. It then becomes precisely here to act in terms of the national economy as a process of production and reproduction of social life.

Accordingly, it will be seen that cooperatives are substantially active in areas that are relatively close to consumption. At first glance, it may seem surprising that the financial services sector is also often organised as a cooperative; this can be explained by the fact that activities in this sector are in principle not or less speculative and investment-oriented; instead, they are geared towards helping consumers or even small producers.

2. **Cooperatives - Results or conditions for another kind of Society?**

Earlier, it had been pointed out that we are dealing with a rather truncated view in traditional analyses. Economic science itself repeatedly tries to transcend the limits it has set for itself, but in doing so it neglects two essential principles: first, economics must be directed essentially towards the fact that it is about the daily life of people in society, being in each case unique. This also means that economic analysis from a political economy perspective must always focus on the distribution of time:

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 165-188
doi: https://doi.org/10.18543/dec.2890 • https://dec.revistas.deusto.es

> "Assuming communal production, the determination of time naturally remains essential. The less time society needs to produce wheat, cattle, etc., the more time it gains for other production, material or spiritual. As with a single individual, the all-roundness of its development, its enjoyment and its activity depends on saving time. Economy of time, in this all economy finally dissolves." (Marx 1857/1858, p. 105.)

While mainstream economics refers to managing scarcity —and the distribution of scarce goods, many other factors are equally important. Such wider assessment begins with locating activities concerning the "outer nature" which implies the definition of needs and is not least also a matter of valuing non-gainful activities.

This can be represented with a simple equation:

— Production and reproduction of everyday life are subdivided into the production of

- Means of simple production and reproduction
  - — Means of production
  - — Means of consumption
  - — "Circulatory means"
- Means of production and consumption of extended production/reproduction
  - — extended production
  - — facilitated production
    - Working conditions
    - Working time
- Costs
  - — social - monetary
  - — individual - monetary
  - — social - non-monetary
  - — individual - non-monetary
- of extended reproduction
  - — social - monetary
  - — individual - monetary
  - — social - non-monetary
  - — individual - non-monetary

- of the socially necessary goods produced and services rendered
  - — social - monetary
  - — individual - monetary
  - — social - non-monetary
  - — individual - non-monetary
- of the expenses through which time-saving in the area of necessary production and reproduction takes place
- the saved costs resulting from unproductive or counterproductive activities (such as environmental pollution)

= Total income of the national economy[3]

Of course, this is a complex field, requiring in theory and in respect of suitable methods in-depth research on indicators. Works such as those of Frigga Haug on the four-in-one perspective, the approach to Social Quality or also the multiple experiences from the spectrum of activities of cooperatives can be referred to —empirical investigation without losing sight of the qualitative aspects is certainly a major task for the future.

Thus, evaluation is not about monetary values; instead, a different set of indicators is required. More important is, however, that social criteria and valuations of activities are redefined: in addition to quantitative measurement, more or less reduced on allowing an insight at a chronologically fixed point, we need a process analysis, allowing a continuous discussion and further conceptualisation of values. Cooperatives can play an essential role at this point, not least because their role and function are part of the question concerned with the kind of society we are living in.

Emphasising that the production of commodities is only one part of socio-economic activities requires investigating whether the type of society as a framework also determines economic activity, albeit economic activity forms the basis of society. Some conditions can be identified for Nordic societies that favour cooperatives and a cooperative sector as a particular form of soci(et)al organisation – a fact that requires acknowledging that economic activities cannot be limited to the production of more and different goods and provision of services; in fact, it would be more appropriate to speak of the soci(et)al organisation of life and the localisation of the social. Analytically, we are dealing with processual relationalism: on the

[3] Self-help", DIY activities, flea market trade etc. should also be included at appropriate points.

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 165-188
doi: https://doi.org/10.18543/dec.2890 • https://dec.revistas.deusto.es

one hand, complex set conditions evoke certain organisational forms of economic activity, on the other hand, the respective organisational forms also shape the entire economic process. These are fundamental aspects and not just details of the use of a general model.

In addition, the low population density played a very important role too: especially the periphery within the periphery, i.e. the rural regions of these countries confronted the population with the need of surviving with spare resources, making use of what is locally/regionally available. —It would be wrong to interpret this as confirmation of the classical economic theory, suggesting that managing scarcity is the central point. Scarcity here meant in the Nordic countries "a natural notion of sustainability".

Against this background we propose a somewhat unusual classification of cooperatives:

- on the one hand, we find cooperatives that are born out of necessity, protecting the members in an otherwise hostile economic world —this way they are opening up spaces for action (in economic terminology, exploring new ranges for economies of scale);
- on the other hand, cooperatives are emerging from a completely different background, namely the basic idea of optimising inputs, results/output and the relationship between the two. It seems obvious to assume an underlying cost-benefit analysis which is from a very general point of view correct; however, it must be borne in mind that both the input and output criteria are not least in part of a non-material nature.
- Thus, a formula must be sought that forms a modification of Marx's statement at the beginning of his book entitled Capital and allows its application to non-capitalist conditions. Marx wrote in the Capital:

> "The wealth of those societies in which the capitalist mode of production prevails presents itself as "an immense accumulation of commodities,"[…] its unit being a single commodity." (Marx 1857/1858.)

- If we take this together with Marx's other statement, namely that all economy is an economy of time, we arrive at the following working hypothesis for further research:
- The prosperity of such societies, which are no longer purely capitalist, is reflected in the time gained for free activity. Taking it from Friedrich Schiller we have seen that

> "Man plays only where he is the man in the full meaning of the word man, and he is only fully man where he plays." (Marx 1857/1858.)

This does not transform cooperatives into a playground; however, it does take away the character of work as a directly purposeful activity in a narrow sense of commodity production and relocates it once again in the overall social order. This means as well that output orientation is not the sole decisive factor —instead, the process of overall production plays a central role. This includes the choice of means, the organisation of work, the combination with other factors such as environmental requirements in the sense of nature conservation or the integration of family demands and services. With this we return to the earlier explanation given with the Polanyian perspective as well as the mentioned extension by Nancy Frazer; extending this, we interpret cooperatives and similar economic activities as an attempt to overcome the amputation of soci(et)al organisation that occurred during the

> "nineteenth-century civilization alone […] as economic in a different and distinctive sense" (Polanyi, 1957.)

Although the existing capitalist system remains untouched, we find for this array and this form of enterprise a redefinition of use value, and at the same time, a redefinition of the relationship between use and exchange value: exchange value is now understood as a comprehensive and meaningful exchange of social and individual (labour) time. —This includes working time in the traditional sense, the quality of work, the possibility of controlling working time and the location of working time, educational time, various dimensions and areas of care activities, and even leisure activities that can be understood in a trivial sense.

This gives cooperatives a lifeworld dimension and puts them in the paradoxical situation of representing both the lifeworld and system world. As far as the cooperative idea is in the foreground, we are dealing with a dominance of use-value-oriented labour.

3. **Co-operatives in the Nordic Countries - A brief historical View**

The Nordic countries in question have been able to create a unique position for themselves in the globalising world by defending certain characteristics. However, it should not be concealed that this "Nordic model" has come increasingly under pressure.

The guiding hypothesis is that in northern societies cooperatives are essentially characterised by the fact that they correspond to the second type mentioned above, i.e. they aim at the bundling of resources, lowering competitive pressure. Scarcity of resources, a relatively low popula-

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 165-188
doi: https://doi.org/10.18543/dec.2890 • https://dec.revistas.deusto.es

tion density, and the peripheral location as well as the resulting relatively limited access to world markets can be roughly described as determining characteristics. While this relative distance to the world market is increasingly undermined, path dependency is slowing this process down.

More fundamental for assessing the role and function of cooperatives is a changed understanding of time. In mainstream economics, everything is geared toward converting performance into monetary values. As shown above, the only criterion is profit and profit is understood as a monetary quantity, calculated as a matter of average time needed to perform certain tasks —on this basis the value of the workforce is also determined: in other words, working time is the core of all measurements within this framework —initially purely seen in quantitative terms: seconds, minutes and hours can be counted. But already here a restriction is necessary, because it is not solely about chronological time but also about the quality, expressed by reference to the societal average.

However, the profitability of cooperatives and the cooperative sector needs other criteria, and other standards. It is not about monetary profit (alone) —neither by individuals nor in business terms nor in terms of society as a whole, i.e. in the narrow sense of the prevailing opinion. Instead, it is about the value of activities in a more general sense, namely that which reflects an integrated way of life. It is about a complex field of this valuation; it includes the production of the material as well as immaterial values and likewise the mode of production; furthermore, it also includes relationality, i.e., the relations between the members of society and the relation to the so-called external nature.

This also means that many of the traditional measures and indicators of success —productivity, the number of people in work, gross domestic product, etc.— say very little and are sometimes even misleading.

4. **General Characteristics of the cooperative System in the Nordic Countries**[4]

4.1. *Mixed Economies*

It would be foolish to describe any economy today as closed. Nevertheless, there are remarkable differences not only in the degree of openness but also in their structure. Every society is characterised by

[4] For more detailed description of the Finnish model, see, for example Gubon-Kilke & Laurinkari (2023), Laurinkari (2017), Laurinkari (2021) and Laurinkari (2022).

the specific profile of production and the ownership orientation as it is defined by the political system. The respective mix essentially determines the role of cooperatives in the economic structure in question. The guiding idea, however, is not so much concerned with the various management approaches as they are described in the works on the varieties of capitalism. In the present contribution, another thesis is put up for discussion, starting from a two-dimensional analytical grid, referring to the understanding of all economic activity as being concerned with the production and reproduction of daily life, thus always about the economy of time. These two core views have already been mentioned above. This is shown in the following as an analytical model.

Table 2

Time and property

Societal and social time		Individual-social time
Production for immediate consumption or human reproduction	⇔	Production of the means of production required to increase productivity
Time off for non-essential activities	⇔	The time that must be spent to ensure production or reproduction

In both cases, it is a matter of social time. This means that in one case the individual is directed towards reproducing himself as a social being, and in the other case it is directed towards reproducing himself in the social. In other words, if we take social and social time, it is a matter of action being directed towards self-realisation in and through the social. Production takes place to unfold and realise itself as the social process within the respective community.

An arguably justifiable simplification suggests that this mode of organisation or production is also in a particular way sustainable. Ideally, then, it is an integrated socioeconomic and socio-political activity in an appropriately designed space, whereby at the same time the power of space and time is not only background but an elementary component of the overall setting.

In conclusion, an analysis of the national level is only of heuristic character, and individual case studies remain just that: individual case studies. Nevertheless, one must try to understand the respective picture from the overall socio-ecological constellation.

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 165-188
doi: https://doi.org/10.18543/dec.2890 • https://dec.revistas.deusto.es

4.2. *Economic Success - The Approach of a different Evaluation*

Generally, economic success is measured with a few simple indicators. This is characterised by a distinction between economy and society, in other words, economic performance is aligned abstractly with certain ratios. When we propose in the present contribution to speak of cooperatives in a cooperative society, this simultaneously raises the question of measurement in a new way. Finally, it means that the micro- and macro-levels are brought together in a new way.

In Table 2 we showed how different dimensions are interlinked. This is specifically important within various discourses on use-value versus exchange-value, work and life, custom work versus mass production, locally-integrated production versus production for the global market, etc. Here, we propose another possible interpretation, emerging from a changed perspective: instead of measuring output we direct our attention to the input of the activities understood as a gain of society and the social individuals. Activities, however, are not only about producing goods; more important are factors determining the work process itself and the socio-environmental embedding. Allegedly African wisdom says: if you want to go fast, go alone, but if you want to go far, go together. With this expression, we have an image that enables us to understand the juxtapositions mentioned earlier in a different way, namely as supplements.[5]

It should be consciously refrained from looking for ways to include this in the general productivity model —certainly, arguments can be found that, for example, a work-life balance leads to enhanced productivity; nevertheless, this should be seen as a value in and for itself, and not be put in the service of another moment of social existence. Contradicting the segmentary view, we suggest working towards an integrated approach.

5. **Finland - A historic example for innovation?**

Finland has been for decades one of the world's leading countries in terms of membership in cooperatives.[6] Its significance for the devel-

[5] One mistake that is often made is given by using the term "work" as quasi all-encompassing. However, as long as work is primarily associated with gainful employment or negative activity, this quickly leads astray.

[6] See for more details: Cooperatives Europe key figures (2015); Facts and Figures: Mutual and cooperative insurance in Europe: Measuring the Size and Scope of the Cooperative Economy: Results of the (2014); and Measuring the impact of the cooperative sector (2019).

opment of cooperatives is extremely significant. Nowadays, as many as 86 % of Finns are members of at least one cooperative. The SOK group (multi-functional producer of several fields of consumer services, i.e., production and delivering daily products, insurance, restaurant and hotel services etc.) is dominant among all the cooperative groups in terms of memberships and sales. As many as 35% of Finns are members of the SOK group. The second largest group is the OP Group, a group of local cooperative banks —approximately 25% of the total population are members of this group. The minor operations in the fields of cooperative activity are Lähivakuutus (locally based insurance cooperatives) with 7% of the adult population as members and Metsäliitto (locally based forest owners cooperatives) with four per cent part form the total population.

Currently, the entrepreneurial future of Finnish cooperative enterprises seems positive. Members appreciate in particular discounts on purchases, low-priced products, the continuous development of the company, modernity and good service —as well as the bonus payments. The prospects of the cooperative enterprises are also unanimously assessed as positive.

Among the new cooperative forms, community food cooperatives, selling products of local rural suppliers without intermediaries, the use of household services offered by production cooperatives and community work for the development of residential areas or villages attracted the greatest interest among the population.

Cooperatives can be a possibility to develop the local economy, as they are geared to address directly local needs. They emerge particularly in times of poor economic conditions and/or strong competition. In the course of a few years, almost 800 new cooperatives were founded. The cooperative has proven to be an appropriate and modern form of enterprise for an increasingly interconnected society. At the local level, it translates into providing an excellent tool for self-determined job creation. Socioeconomic problems in both rural and urban areas could be addressed with a strengthened cooperative movement.

Looking at the supply side, cooperatives are in Finland especially meaningful as the bridge, overcoming the tension between the low density of the population in many regions and the need to secure a sufficient supply of goods, doing so by way of offering affordable goods. Thus, cooperatives provided an opportunity to address the problems emerging from insufficient economies of scale.

In this sense, the political dimension it is not about uniting against powerful providers; instead, the goal is to join forces in the sense of pooling resources. Cooperatives that had been founded during the last

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 165-188
doi: https://doi.org/10.18543/dec.2890 • https://dec.revistas.deusto.es

few years must be seen in this light —a provision of solidarity communities. Thus, cooperatives and the cooperative movement became topical again.

The "silent revolution" surely played as well a role, though it is difficult to assess the role of changed values. The genuine, ethically superior cooperative values of self-help, self-responsibility, democracy, equality and solidarity, which are based on everyday needs, have experienced a resurgence; cooperative members believe in basic ethical values such as honesty, openness, social responsibility and caring for others. However, such a statement is in this generality problematic, because there can never be any question of ethics per se. Instead, we are talking about ethics that reflect the concrete conditions of social relations. Broadly, four such ethics can be distinguished: i) the standard ethic that corresponds to the respective state of capitalism; ii) next to it are two other types, each of which develops further within the capitalist system, but sees it as "ethically purer" on the one hand in retrospect and iii) on the other in foresight, but precisely without questioning the system boundaries. This is about starting from a pure model, but seeing deviations in reality – from here it is then a matter of (re)realising the forms of the pure in reality; iv) the fourth ethic can be seen in principle doubts raised against the boundaries of the system, feeding into demands to overcome it.

Mass unemployment, upheaval in economic structures, especially in agriculture and in rural areas in general, regional and local development problems, as well as cutbacks in services financed by the municipalities are other generally comprehensible explanations for the popularity of cooperatives. Active work to disseminate information about cooperatives and an increase in advisory services certainly also contributed to the success, as the need for information at the local level.

In short, cooperatives are particularly well suited to address local challenges and achieve sufficient economies of scale despite their small size. In this way, they hardly compete with multinational corporations or large enterprises, because on the one hand, the latter is not in a position to decentralise or localise responses; on the other hand, cooperatives can bridge between local needs and knowledge and the national or even world market. Admittedly, we must see that further technological development —especially connected with the concept of digitalisation and artificial intelligence— will also enable large enterprises to act flexibly and on a small scale.

While these are general, secular trends, they are, however, particularly meaningful for a country like Finland, where the population structure has a considerable influence, which can be defined as a spe-

cific structure in space: we find high qualification and great independent capacity to act on the one hand; on the other hand, through globalisation, we find not only a penetration of global market actors into the periphery but equally a movement of forces from the periphery towards the centre, by way of defying (partly) the rules of the centre.

Cooperatives that have emerged in recent years, often in completely new sectors, are called New Cooperatives. Most of their members have no experience with cooperatives and their economic interaction. Immigrants, agricultural producers and special consumer groups, cultural heritage groups, collectors of natural products, disabled, special occupational groups and well-educated, unemployed professionals form the membership. Typical areas of engagement are the following:

- Processing and marketing of own products (e.g. special agricultural products, collected items, handicrafts, mechanical wood processing, organic products)
- Marketing know-how and expertise
- Construction, conversion and cleaning work
- Office work, IT services, accounting
- Health care and social welfare tasks and welfare services (including home services and home nursing, care for children, the elderly and the disabled, and complementary health services)
- Intensifying and developing the activity in villages and districts)
- Production and marketing of services in the tourism industry (e.g, adventure and sustainable tourism)
- Procuring production equipment and machinery and sharing machinery (e.g., in agriculture)
- Electricity production
- Water management in rural areas (water cooperatives)
- Environmental services (e.g. waste disposal, recycling, landscape management, quality standards)

The new cooperatives that have emerged in Finland are usually small or medium-sized enterprises with an average of 24 to 30 members. To support their development, short (half-day) seminars were organised in different places. The necessary information and other practical questions were taken care of either by an unemployment association, the labour office or another local body. Representatives of the Ministry of Labour, the Ministry of Health and Social Welfare and the universities acted as lecturers. Later, representatives of the Coop Center Pellervo, the Finnish Confederation of cooperatives, i.e., also participated in providing a supportive infrastructure. From these beginnings, the supra-regional state project New Cooperatives developed under the leadership of the Coop

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 165-188
doi: https://doi.org/10.18543/dec.2890 • https://dec.revistas.deusto.es

Center Pellervo. The media were interested from the very beginning and ensured the publication of relevant articles and further dissemination, reaching other potentially interested parties.

Since the corresponding figure for the other types of enterprises was around 40%, it can be assumed that the new cooperatives are doing well. Their success is, among other things, based on the possibilities that they help individuals to react to changes. One of these changes, especially meaningful in the Nordic countries, and in particular in Finland is the increasing prevalence of temporary, transient and short employment relationships. Working relationships, that had been previously rather untypical, are now almost the norm. While some companies complain about labour shortages, permanent employment contracts are becoming nevertheless rare. Work cooperatives are a possibility and a legal means for short-term work and thus create a counterweight to undeclared work.

In addition to the well-educated, active and entrepreneurial founders of *work cooperatives*, those who have no opportunities in the labour market because of their age, often find employment possibilities for themselves with cooperatives —maybe even more in third sectors. In addition, a production cooperative can also be a so-called social enterprise that actively rehabilitates those who are excluded from the labour market or threatened by exclusion.

Being employed in a cooperative, a previously unemployed person will gain a goal and a fixed point in life again. At best, it is also an alternative way outside.

Whether this can be driven into sustainable cooperative development is difficult to foresee. In addition to financial and general economic aspects, political aspects play an important role —especially the legislature can have a decisive impact. This way, quasi-economic aspects also play a role —the difficulty is, however, that law is an instrument, depending on and establishing formal equality, but neglects the fact that such an approach is limited: cooperatives are on the one hand participants on the market, and as such tied into the system of formal equality, finding its utmost expression in the rules of the contract. On the other hand, the terms and conditions of the contracts are very different, sometimes this can lead beyond the formal terms and conditions.

6. **Conclusions and prospective**

The compulsion to a certain kind of globalisation means not least that the cooperative societies come under pressure —mind: the coop-

erative societies, not the cooperatives alone, enter into a new context; the direction and kind of the movement is by no means clear. We find the opening of perspectives for cooperatives as a form of enterprise and for production, consumption and finance: to the extent to which globalisation is a movement to further unification and standardisation, it breaks up niches for goods and services that remain —or newly emerge— outside the box. As such they deal with distinct economies of scale and also with a distinct understanding of innovation. Open is if new technologies and AI, with this for instance the reduction of setup times, the "miniaturisation" of office and/or work bank, the increased mobility and flexibility to name but a few, allow maintaining this competitive advantage.

The current situation can be compared to a socio-individual overdrive: the actual socialisation has taken on dimensions that the individual can no longer keep up with. To use the famous image of the hamster wheel, one can say that the wheel turns faster than the hamster can run. First of all, the default option is set up in such a way that the individual is expected to cope with the challenges on his or her own —this is one of the fundamental contradictions of the capitalist economy because socialisation and forced individualisation go hand in hand: socialisation in its prevailing form depends on isolating individuals from each other, this way stimulating a two-track process: social mechanisms that define such mutual isolation as advantageous are structurally predetermined. At the same time, everybody aims on establishing him/herself precisely as individuals —as singularity if we follow Andreas Reckwitz.

This opens as well a new perspective for the cooperative as an organisational form of the individual enterprise.

The peripheral location of the Nordic countries in no way shields them from the need to address the issues that dominate the international debate. These include the central issues of social investment and economic efficiency in socio-political research. More fundamental is, however, the underlying premise that gain is a predominant or even separated mode of regulation —earlier this had been outlined concerning Karl Polanyi.

> "While it is common to agree with the title of the first chapter of Mark Fisher's book, suggesting that it's easier to imagine the end of the world than the end of capitalism, one should not overlook that the capitalist formation is coming again and again under severe threat, hinting at a system crisis: the cyclically reoccurring rejection of a perceived dichotomisation of the process of socialisation. While the

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 165-188
doi: https://doi.org/10.18543/dec.2890 • https://dec.revistas.deusto.es

> disintegration of use value and exchange value stands at the centre, the disintegration of economic and political life plays a role as well. Points of reference in social science are for instance the juxtaposition of system and lifeworld, mechanical and organic solidarity, community and society, and closer to economics the complementarity of accumulation regime and mode of regulation." (Polanyi, 1957)

In all cases, we are dealing with basic tensions that can hardly be resolved as a contradiction but must nevertheless be dealt with. Currently, the existing technical possibilities provide the foundation for processes of enormous socialisation in the field of material production —the production of any good is connected to the production of all other goods, and the production in one place has direct connections to what happens in other places; nevertheless, human activities are on the other hand still, and perhaps even more than ever before, limited to individual development and action and development or action in a small space.

In the "modern economy", shaped by extreme forms of division —and even separation— of labour, any sense of meaning in the activity is removed; work-related communication is reduced to a somewhat extended formula of the 0-1 principle of digitality —including short-termism. Targeted social interventions can be developed, and efficiency and effectiveness are not a problem —realistically, however, we are dealing with a production of gaps and voids. Paradoxically, we find with the increasing distancing of productive processes both, from nature and use value —amongst others the sector model as it is presented by Fisher, Clark and Fourastié is presenting this process of distancing— an increasing meaning of communicative action and "free spaces for creation" as part of the productive processes. It is the world of design and shine, economically moving along the abyss, being permanently exposed to the impending demise in a bursting bubble.

But this constellation is also opening spaces for cooperatives and a revival of cooperative societies: the principles of cooperative organisation —understood as principles of living are the often asked-for lines of a new renaissance. As such this goes beyond the negative orientation of many civil society notions —being non-governmental and non-profit— and aim on providing a positive alternative.

One of the big disadvantages is that financing is under the given conditions problematic. Striving for competitiveness in the market is not readily an option. At the same time, the notion of competitiveness is not applicable in the simple form as both, the character of the products, the relation between the product, producer and customer

and the market are going to change. Examples are "inclusive value" as a higher environmental standard and special distribution rules or additional "productive value" by way of different working conditions and the workers' control over the working process. Part of this changed constellation is given by the fact that today's cooperative agencies are not defined as communities of necessity; instead, they are pools of creativity, the will and ability to innovate, the willingness to experiment and question, to take up challenges and new technologies, etc.

A very important part of this change is given by the fact that a way of life, which is summed up in the words of the slogan: the private is political, the political is private, is taken seriously.

In the end, it is important to mention the danger of instrumentalization and appropriation by politics as a concern. The classification of two forms of cooperatives as it could be found in Italy is highly problematic as the criteria had been given by the proximity to the mainstream economy: cooperatives had been welcome as auxiliary forms but not as independent alternatives. Related problems can also be seen in Finland: financial and/or political manipulation and instrumentalization play a major role today with the new type of cooperatives. It cannot be denied that the leading functionaries of these cooperatives often have a certain affinity with the state bureaucracy.

As mentioned before, cooperatives have often been seen as a solution to many capitalist upheavals, such as rising incomes. However, even in Finland, cooperatives are not growing their share in the field of business forms. Even though various arguments, like the inequality of wealth distribution, overuse of natural resources, ecologically unsustainable agriculture and unsustainable housing construction, speak for cooperative business forms. The advantages of cooperatives are also emphasized by referring e.g. to the positive moral effect of cooperative activities and the increase in willingness to cooperate.

Despite the ups and downs in Finland, cooperatives have not remained a marginal phenomenon, but they represent an internationally established form of business activity. Since the 1990s, Finnish cooperative activities began to regain popularity and recognition as alternative business activities. Although here too, a certain kind of growth towards the original idea of novelty activities can be observed; there are significant large cooperatively organized operators in Finland, but many of the new cooperative enterprises are, by the original idea, small and regionally limited operators. This does not reduce the importance of cooperative activity and its examination, but on the contrary, it emphasizes it.

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 165-188
doi: https://doi.org/10.18543/dec.2890 • https://dec.revistas.deusto.es

The most significant matter in cooperatives is the democratic community, creating a model of joint responsibility, experiencing togetherness and the mental commitment to the common values and principles of the social community, which holds the community together. If a cooperative wants to reform and develop, it must first find itself, know its past and honestly evaluate its future path. Otherwise, cooperative activity stands on the old foundation, that is, on the foundation that has perhaps already changed to such an extent that our interpretation backwards and at the same time proactively forwards, has become blurred.

The world of values influencing the background of the economy is at the moment, a fascinatingly current and thought-provoking set of topics. The most innovative and firmly in tune with the present the latest Finnish speech is economist Sixten Korkman's latest book "Economy and Humanism" (2022). Korkman believes that economists talk too little about values. He focuses on his examination of the roots of the market economy and capitalism, i.e., specifically the core issues when talking about the values of cooperative activity and human perception. Korkman refers to Hegel's dialectic, emphasizing how humanity has moved from one insight to another in the values and human image of cooperative activity. ICA started in the year 2022 a process, of renewing the values and principles of cooperative activity that will last until the end of the year 2023.

References

Exploring the cooperative economy report (2019) https://www.ccw.coop/uploads/Publications/World%20Co-op%20Monitor%202019.pdf

Facts and Figures (2014): Mutual and cooperative insurance in Europe. https://www.icmif.org/publications/other/facts-and-figures-mutual-and-cooperative-insurance-europe; Measuring the Size and Scope of the Cooperative Economy: Results of the 2014 Global Census on Co-operatives. https://www.un.org/esa/socdev/documents/2014/coopsegm /grace.pdf.

Fraser, Nancy (2012): Can society be commodities all the way down? Polanyian reflections on capitalist crisis. https://doi.org/10.1080/03085147.2014.898822

Gubon-Kilke, Gisela & Laurinkari, Juhani (2023): Democracy and Participation in Cooperatives and Labour Managed Firms: Institutional economic and socioeconomic analyses from an international comparative perspective. Vienna Academic Press Verlag: Bad Vöslau, Austria.

Korkman, Sixten (2022): Talous ja humanismi. Otava. Helsinki. [Economy and Humanism. Otava Helsinki.]

LAURINKARI, Juhani (2017); Yhteinen hyvä vai yksityinen etu? Yhteisötalous hyvinvoinnin rakentajana. Osuustoimintakeskus Pellervo. [Common good or private interest? Social economy as a builder of well-being. Coop Center Pellervo.]

LAURINKARI, Juhani (2021): Kansalaislähtöinen sosiaalipolitiikka kilpailuyhteiskunnassa. Osuustoimintakeskuis Pellervo ry. Kirjapaino Punamusta. [Citizen-oriented Social Policy in Competition State. Coop Center Pellervo. Punamusta.]

LAURINKARI, Juhani (2022): Osuustoiminnan arvot ja ihmiskuva. Ajatushautomo Kompassi ry. Copy-Set, Helsinki. [Cooperative values and human concept. Think-tank Kompassi. Copy-Set. Helsinki.)

MARX, Karl (1857/1858): Grundrisse: The Grundrisse der Kritik der Politischen Ökonomie (Foundations of a Critique of Political Economy) (An unfinished manuscript by Karl Marx. The series of seven notebooks was roughdrafted by Marx, chiefly for purposes of self-clarification, during the winter of 1857-8. Left aside by Marx in 1858, it remained unpublished until 1939.

MARX, Karl (1857-61): Economic Manuscripts of 1857-1858. [First Version of Capital]; In: Karl Marx Frederick Engels: Volume 28: Marx 1857-61; London: Lawrence & Wishart, 2010: 109.

Measuring the impact of the cooperative sector (2019): https://www.democracyatwork.info/measuring_impact_cooperative_sector; Exploring the cooperative economy report 2019 https://www.ccw.coop/uploads/Publications/World%20Co-op%20Monitor%202019.pdf.

POLANYI, Karl. (1957): The Place of Economies in Societies, in K. Polanyi, CM Arensberg and H.W. Pearson (eds): Trade and Market in the Early Empires. Glencoe, pp. 239-42.

The power of cooperation – Cooperatives Europe key figures (2015): https://coopseurope.coop/sites/default/files/The%20power%20of%20Cooperation%20-%20Cooperatives% 20Europe%20key%20statistics%202015.pdf; Facts and Figures: Mutual and cooperative insurance in Europe https://www.icmif.org/publications/other/facts-and-figures-mutual-and-cooperative-insurance-europe;

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 165-188
doi: https://doi.org/10.18543/dec.2890 • https://dec.revistas.deusto.es

Relación de evaluadores

- Marina Aguilar Rubio (Universidad de Almería)
- Eva Alonso Rodrigo (Universidad de Barcelona)
- Vega María Arnáez Arce (Universidad de Deusto)
- Francisco Javier Arrieta Idiakez (Universidad de Deusto)
- Baleren Bakaikoa Azurmendi (EHU-Universidad del País Vasco)
- Aitor Bengoetxea Alkorta (EHU-Universidad del País Vasco)
- Dante Cracogna (Universidad de Buenos Aires)
- Renato Dabormida (Universidad de Génova)
- Javier Divar Garteiz-aurrecoa (Universidad de Deusto)
- Marta Enciso Santolcides (Universidad de Deusto)
- Antonio Fici (Universidad de Molise)
- Enrique Gadea Soler (Universidad de Deusto)
- Eba Gaminde Egia (Universidad de Deusto)
- Belén García Álvarez (Universidad de Deusto)
- Alberto García Müller (Universidad de los Andes)
- Gotzon Gondra Elguezabal (abogado)
- Orisel Hernández Aguilar (Universidad de Pinar del Río)
- Martha E. Izquierdo (Universidad Autónoma del Estado de México)
- Javier Larena Beldarrain (Universidad de Deusto)
- Santiago Larrazabal Basáñez (Universidad de Deusto)
- Aida Llamosas Trápaga (Universidad de Deusto)
- Josune López Rodríguez (Universidad de Deusto)
- Alejandro Martínez Charterina (Universidad de Deusto)
- Gonzalo Martínez Etxeberria (Universidad de Deusto)
- Francisco José Martínez Segovia (Universidad de Castilla-La Mancha)
- Deolinda A. Meira (Instituto Politécnico de Porto)
- Natacha Teresa Mesa Tejeda (Universidad de La Habana)
- José Eduardo Miranda (FMB)
- Marta Montero Simó (Universidad Loyola Andalucia)
- Alfredo Muñoz García (Universidad Complutense de Madrid)
- Iñigo Nagore Aparicio (abogado)
- Miren Josune Real Flores (Universidad de Deusto)
- Sergio Reyes Lavega (Universidad de la República de Uruguay)
- Orestes Rodríguez Musa (Universidad de Pinar del Río)
- Tulio Rosembuj (Universidad de Barcelona)
- Fernando Sacristán Bergia (Universidad Rey Juan Carlos)
- Roxana Sánchez Boza (Universidad Nacional de San José de Costa Rica)
- Francisco Javier Sanz Santaolalla (abogado)
- Lenio Streck (Universidad de Unisinos)
- Isabel Tur Vilas (Universidad de Barcelona)
- Carlos Vargas Vasserot (Universidad de Almería)

Deusto Estudios Cooperativos

Normas de publicación

Deusto Estudios Cooperativos publica trabajos originales de investigación que contribuyan a dar a conocer estudios de investigación en materia de Cooperativismo y Economía Social. Los trabajos deben ser inéditos y no estar aprobados para su publicación en otra revista.

Los originales, que deberán ser enviados por correo electrónico a la dirección iec.derecho@deusto.es, serán sometidos al criterio de evaluadores externos anónimos (doble referee). Una vez evaluados, los trabajos podrán ser aceptados, sujetos o no a revisiones, o rechazados. La decisión editorial será comunicada a los autores, indicando las razones para la aceptación, revisión o rechazo del artículo.

Los trabajos tienen que ajustarse a las siguientes especificaciones técnicas:

1. En la primera página se incluirá el título, el nombre del autor y su filiación académica. Asimismo, recogerá dos resúmenes, en castellano e inglés, de unas 120 palabras cada uno, y las palabras clave del trabajo (entre 3 y 5 palabras), también tanto en castellano como en inglés.
2. El artículo, redactado con letra de tamaño 12 y en interlineado simple, tendrá una extensión entre 15 y 25 páginas. Las citas a pie de página se escribirán con letra de tamaño 10.
3. La bibliografía, tanto a pie de página como al final del estudio, se citará de la siguiente manera:

   Monografía: Autor: Titulo de la obra, Editorial, Lugar, Año y página.
   Ejemplo: Divar , J.: *Las Cooperativas. Un alternativa Económica,* Dykinson, Madrid, 2011, p. 37.
   Artículo: Autor: «Nombre del artículo», *nombre de la revista,* número, año y página.
   Ejemplo: Martínez Segovia, F.: «Primera aproximación al Estatuto de la Sociedad Cooperativa Europea», *REVESCO,* núm. 80, pp. 61 y ss.

La cita a pie de página podrá sustituirse por la indicación en el texto y entre paréntesis del autor, el año de publicación y las páginas. Ejemplo: (Paniagua, 1977: 167).

Al publicarse cualquier artículo el autor cede los derechos a Deusto Estudios Cooperativos, por lo que debe firmar una carta de cesión de derechos que será enviada en el momento en que su artículo sea aceptado para su publicación, y no puede reproducir el texto sin previa autorización.

Deusto Estudios Cooperativos

EUSKO JAURLARITZA
GOBIERNO VASCO

ENPLEGU ETA GIZARTE POLITIKETAKO SAILA

DEPARTAMENTO DE EMPLEO Y POLÍTICAS SOCIALES

Deusto
Facultad de Derecho
Universidad de Deusto