



# **MSc Co-Operatives, Agri-Food and Sustainable Development**

## **Practice-Based Research Report**

**Title:** The challenges of emerging co-operatives at early-stage lifecycle and their potential solutions: Examination of co-operatives in Northern Ireland

**FE6308 Practice-Based Research Method**

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## Table of Contents

|  |                                     |
|--|-------------------------------------|
| Executive Summary .....                                  | iii                                 |
| <b>1. Introduction .....</b>                             | <b>1</b>                            |
| <b>2. Literature Review .....</b>                        | <b>4</b>                            |
| 2.1. External Factors .....                              | 4                                   |
| 2.2. Internal Factors .....                              | 5                                   |
| 2.3. Conclusion .....                                    | 7                                   |
| <b>3. Background and Description of the Company.....</b> | <b>8</b>                            |
| 3.1. Description of Company.....                         | 8                                   |
| <b>4. Research Question .....</b>                        | <b>10</b>                           |
| <b>5. Research Methodology .....</b>                     | <b>11</b>                           |
| 5.1. Primary Research - Interviews .....                 | 11                                  |
| 5.2. Secondary Research .....                            | 13                                  |
| 5.2.1. Document Review / Desk Research.....              | 13                                  |
| 5.3. Data Analysis .....                                 | 13                                  |
| 5.4. Ethical Consideration .....                         | 14                                  |
| 5.5. Limitation to the Research.....                     | 14                                  |
| <b>6. Findings and Analysis .....</b>                    | <b>16</b>                           |
| 6.1. Legal Framework .....                               | 17                                  |
| 6.2. Financial Support.....                              | 19                                  |
| 6.3. Development Strategy and Awareness .....            | 21                                  |
| <b>7. Recommendation and Conclusion .....</b>            | <b>23</b>                           |
| 7.1. Conclusion .....                                    | 24                                  |
| <b>Bibliography.....</b>                                 | <b>26</b>                           |
| <b>Appendix.....</b>                                     | <b>Error! Bookmark not defined.</b> |
| <b>Interview Guideline.....</b>                          | <b>Error! Bookmark not defined.</b> |
| <b>Information Sheet .....</b>                           | <b>Error! Bookmark not defined.</b> |

## Executive Summary

Co-operatives are business enterprises that are democratically controlled and owned by their members and which work in the interests of their members. The cooperative business model plays a significant role in the modern economy, primarily in building a strong local economy. Nonetheless, despite the advanced development of co-operatives, many emerging co-operatives fail short of their full potential and sometimes do not succeed in achieving their business objectives. Co-operatives encounter challenges down the business wire due to factors originating from both internal and external environments. Additionally, the limited availability of literature to provide adequate prior knowledge of potential barriers and challenges to emerging co-ops has also contributed to the struggle of many co-ops. To this end, this study is intended to systematically explore the challenges encountered by emerging co-operatives and draw potential strategies to tackle them. Therefore, the qualitative study was conducted involving seven emerging co-operatives operating in different sectors in Northern Ireland. These seven co-operatives are/were receiving facilitation and consultancy from Co-operative Alternatives, the leading co-operative development body in Northern Ireland. Furthermore, interviews with representatives of these seven co-ops were conducted to collect primary data, and the resulting data were thematically analyzed to illustrate key themes for the challenges encountered. Consequently, the study identified key themes on highlighted challenges due to external factors originating from the business environment in which co-operatives function.

The qualitative research has attempted to contribute to the literature surrounding the development of the co-operative business model with potential strategies to tackle these challenges. The study also enables Co-operative Alternative to provide tailored support to emerging co-operatives in line with the potential challenges. On the other hand, it also potentially gives heads-up information to emerging co-ops to draw a strategy for potential challenges to the type of co-op they intend to establish.

## 1. Introduction

According to the International Co-operative Alliance, co-operatives are defined as jointly owned and operated businesses by a group of individuals to meet their shared economic interests, and social and cultural requirements (ICA, 2015). Moreover, co-operative businesses are democratically controlled offering their members and users a stake in their enterprise and sharing in the wealth they create. The co-operative business model is managed with principles adopted to ensure that the members collectively and collaboratively strive to achieve the business aim together (Ethan, et al., 2019). Nevertheless, this seemingly alternative and effective business model faces increased challenges from a variety of angles as a business entity (Co-opUK, 2019).

There has been a rise in the number of new organizations opting for the co-operative business model to set up their enterprise as a response to austerity and societal challenges. Hence, new co-ops have been set up across a range of business activities providing members with more control of the enterprise, sharing skills and knowledge among communities, and sourcing new ways of raising finance through community shares. Intending to build a long-term resilience, co-operatives rely on a collective sharing of resources with the members and their community at the center of business goals. Moreover, the co-operative business model is flexible and works across many business sectors. As a result, emerging enterprises with ambitions greater than pursuing financial gains are predominantly establishing co-operative businesses. To this effect, all over the world, there is a pattern of new alternative economic models aiming at realizing greater social impacts, more environmental returns, or more participation in decision-making (Buglione & Schlüter, 2010).

Co-operatives are businesses that are operated democratically with collective ownership having the goal of "meeting common economic, social, and cultural needs and ambitions" (EuroFound, 2019). In the wider context, the co-operative business model follows internationally agreed-upon principles that infuse ethical concerns including independence, inclusivity, solidarity, profit redistribution, and concerns for the community into the business activities (ICA, 2015). Moreover, co-operatives embed approaches to help communities get socio-economic benefits from the business activities while resolving problems that were left unaddressed under the typical business structures. Hence, the co-operative business model is offering an alternative way of doing business while alleviating existing socio-economic inequalities. Furthermore, the co-

operative business model has enabled its member to collectively gain economies of scale, access to technology, pool their capital resources to invest in value-added activities, and gain bargaining power (Sanjaya, et al., 2021).

Co-operatives are well-embedded in the modern economy with a massive number of socio-economic organizational forms (Ke, et al., 2021). Co-operative organizations are believed to have more than one billion members in more than three million co-operatives worldwide (ICA, 2022). The co-operative business model offers an alternative business platform to strategically intervene in a specific marketplace in the interests of members and the community of members (Byrne, 2022). Co-ops provide a business platform for communities confronted with social and economic injustice. Subsequently, attempt to transform marketplaces to the best interest of their members whilst achieving the demands of the people rather than making profits. With the co-operative business model as an alternative way of doing business, people were able to improve their quality of life and reduce poverty by creating jobs, increasing food production, and building strong social cohesion and integration. Moreover, bringing members of the community together has contributed to empowering marginalized members. To this effect, the ownership co-ops offer as member-owned business enterprises has played a significant systematic role (Birchall, 2011).

Nonetheless, despite the advanced development of co-operatives, emerging co-operatives in every jurisdiction entertain a conducive and supportive business environment. As a result, many emerging co-operatives fail short of their full potential and sometimes withdraw their business. Co-operatives encounter challenges due to factors originating from both internal and external factors. Therefore, building knowledge and adequate literature to support co-operatives and stakeholders regulating the business environment is of paramount importance. Therefore, the research has attempted to examine the challenges endured during the early-stage lifecycle of emerging co-operatives in Northern Ireland and explored the success factors of start-up co-operatives. To this end, the study has involved seven emerging co-operatives in Northern Ireland and has taken a closer look at the journey of these co-operatives engaged in a range of business sectors. These co-operatives are also being supported by Co-operative Alternatives providing a common background and similar pathway into their journey. Despite receiving similar assistance and facilitation, co-ops upon establishment still face challenges that are hindering them to attain steady growth and successful operation of their business activities. The main goal of the research

was to investigate the early-stage co-operative journey to disclose challenges encountered and develop a deeper understanding of how to support emerging co-operative businesses effectively and develop tailored aftercare support to enable them to run the business successfully. Furthermore, the findings could also help the relevant stakeholders understand what more is required to create a conducive business environment for the development of co-operatives.

## 2. Literature Review

Many studies and success stories indicate that the co-operative business model is proven to be suitable for the contemporary economy and for community wealth development providing a business platform for infusing democratic principles and inclusive process into the global economy. Regardless of the type, co-operative businesses (worker co-ops, producer co-ops, consumer co-ops, and marketing co-ops) are primarily set up to serve the needs of their members and/or users of their services. Nevertheless, due to external and internal barriers, many co-ops have fallen far short of expectations. To this end, several studies have attempted to investigate how certain either external or internal factors could affect the progress of an emerging co-operative business. In the following section, a review conducted on related studies is presented to assess the current literature on similar topics under two subheadings presenting studies on external and internal factors.

### 2.1. External Factors

Like any other business, co-operative organizations operate under an environment that might have different status quo dimensions. Hence, their progress could be affected by the legal, political, economic, social, cultural, and international environment. To this end, researchers have attempted to investigate factors related to these environments to determine the success of a co-op enterprise.

Monica (2014) argued that public policy and legislation play an integral role in fostering co-operative businesses as it lays the foundation for financial mechanisms, technical assistance, and sector-supporting infrastructures. The author also argued how the lack of comprehensive public policy strategy affects the development of co-operatives and community-based enterprises. The paper narrated how co-operatives best strive under a highly conducive policy environment with a comparative experiment between a conducive environment and no preferential conditions. Despite presenting the relevance of favorable policy frameworks, the paper didn't highlight the key policies that would potentially determine the success of a co-operative enterprise and emphasized the need for further research in the area. Similarly, co-operative businesses in every jurisdiction operate under a legal framework enacted by the relevant authorities. Therefore, these legal frameworks in place play a critical role in the viability and existence of co-operatives. As a

result, the international co-operative movement has prioritized the promotion of supportive legal frameworks as a key constituent of co-operative growth (ICA, 2013).

Several studies also indicated that an enabling legal framework assists co-ops and their membership to develop their business potential including entrepreneurial and managerial capacities (Münkner, 2014). Moreover, it strengthens competitiveness while providing access to markets and institutional finance and establishes a viable and dynamic sector of the economy that responds to the economic needs of the community. Besides, an analysis report on UK's legal framework governing co-operatives has suggested that its law contains very little substantive legislation specifically relating to co-ops despite the long history of co-operative movement in the UK (Mills, 2020). Although the first modern co-operative enterprise was established in Rochdale in 1844, the legislation only recently included aspects of co-operatives (Mills, 2020).

## 2.2. Internal Factors

On the other hand, studies show internal factors could also hinder the development and performance of co-operatives resulting in performance below full potential (Franquesa, et al., 2009). Gray (2016) identified building members' satisfaction through performing its function and providing the required services as key factors to being a successful co-operative. To this end, the study examined the satisfaction of members of a dairy co-operative identifying variables that affect the satisfaction of the members with the co-operative. The paper also presented the implications of members' satisfaction on the success of the co-operatives. The author conducted a meta-analysis to reveal factors whereby member satisfaction could be determined. However, the study didn't address what challenges affect the success of these crucial variables to attain the needs of its members. Pesamaa, et al. (2013) explained the dilemma that co-operative members deal with between immediate survival and pursuing long-term shared objectives. The authors highlighted the roles of trust and reciprocity as building blocks to commitment and ultimate guarantors of inter-firm co-operations in a small-business co-operative development. Furthermore, certain variables determine the degrees of intensity of trust and reciprocity in co-operatives. Hence, these factors strongly define the trust and reciprocity among members in big co-operatives with a huge number of members. Nonetheless, this study focuses on emerging co-operatives and the seven co-operatives studied under the study only have two to ten members that are the founding members. Accordingly, since these members were part of the co-operative

journey from the start has helped the co-ops to have a strong trust and reciprocity among members.

Dhananjay, et al. (2019) examined non-conventional factors, such as commitment, heterogeneity among members, and social capital, which play a significant role in the development and performance of co-operative businesses other than conventional economic factors. The authors discussed how commitment is important for co-operatives since the willingness and dedication of members would help run the business activities of the co-op through the supply of raw products, capital, and managerial inputs. Hence, the paper explained a strong member's commitment with regards to the affective, continuance and normative aspects stimulates the performance of the co-operative. Similarly, Membership heterogeneity has been identified as having an impact on cohesiveness and collective decision making thereby creating a vibrant internal environment and social capital to smoothly run the co-op.

Moreover, Ermanno (2021) discussed the negative impacts of capital indivisibility in most co-operative enterprises on the financial strength of their business. Given co-operatives are intended for collective ownership, resources are pooled to fund the business and benefit the entire membership fairly and equitably. However, as discussed in the paper, difficulties in obtaining and investing equity capital from both members and external investors represent notable obstacles to emerging co-operative ventures, as they lack access to equity financing from external investors given external investors do not have control over the business (Ermanno, 2021).

On the other hand, Myriam & Luc (2021) demonstrated that governance characteristics give rise to issues and tensions that are highly specific to co-operatives. According to Myriam & Luc (2021), good governance in co-operatives cannot be fully attained by simply importing the structures, practices, and tools of investor-owned businesses. Co-operatives are established based on the principles that gave them a distinct identity from conventional business firms. Therefore, as a member-owned, member-controlled, and member-benefiting organization, the governance of co-operative would have to face specific tensions and issues that arise due to its unique nature. Hence, the authors argued the need for the creation and adaptation of theories, standards, and methods that fit the unique identity of co-operatives to successfully run the co-op.

### 2.3. Conclusion

Co-operatives endure challenges ranging from internal to external factors that impact the competitiveness, stability, and success of the co-operative. The existing literature signals out potential internal challenges including both management-related and membership with regards to trust and active participation. On the other hand, external factors such as the legal framework rectified by governing authorities limiting the business environment for co-operatives, and availability and access to financial resources constrain their operations. To this end, the study attempted to explore challenges affecting the growth of emerging co-operatives in Northern Ireland. Additionally, the study examined the journey of emerging co-operatives to validate the potential challenges in the literature from the experience and perspectives of co-operatives in Northern Ireland. The study, having identified the major challenges presents recommended initiatives and potential strategies to tackle these challenges.

### 3. Background and Description of the Company

Northern Ireland, with a population size of 1.89 million, has an economy predominantly sustained through foreign direct investment. However, this phenomenon has posed challenges to certain business sectors concealing the rise of indebtedness, the degradation of working conditions, enduring unemployment, and poverty levels (Kelly, 2012). Despite being closely bound to the rest of the United Kingdom, Northern Ireland's economy has long suffered mainly because of political and social turmoil. Moreover, building a shared wealth and tackling structural inequalities in the economy were overlooked for many years as the co-operative business model was left behind in the economic development strategies favoring only private businesses and social enterprises. Nevertheless, co-operatives have offered alternative ways of doing business involving the local community presenting the opportunity for root wealth creation, social cohesion, and fostering economic resilience (Ranis, 2016). Furthermore, the economic phenomenon paved the way for a growing co-operative movement. However, many emerging co-operatives have failed to serve their maximum potential and attain their business goals due to challenges arising both from external and internal factors.

The level of awareness with regards to a co-operative journey and the challenges faced has contributed to the sluggish growth of emerging co-ops (Johnson, 2018). Limited and little research on hints and head-up information on early-stage lifecycle and potential challenges has been published (Courtney, 2013). Even though many successful and well-established co-ops share their best practices through anecdotes, case studies, and experiences, systematic studies to identify challenges and potential strategies to tackle them in advance should be further conducted. Hence, understanding of barriers to co-operative development with the realities and perception of co-operatives within different countries' contexts also contributes to the advancement of the co-operative's movement. As a result, this study aims to reveal the challenges of emerging co-operatives in the business and legal framework context of Northern Ireland.

#### 3.1. Description of Company

Co-operative Alternatives was incorporated in 2013 to support the development of co-operatives and community benefit societies and contribute to the creation of a co-operative economy in

Northern Ireland. Hence, it provides information and shares relevant resources to promote the co-operatives business model through education and research. Additionally, Co-operative Alternatives strives to encourage co-operation among co-operatives nationally and internationally. Co-operative Alternative is guided by the co-operative values of democracy, equality, equity, and solidarity. It's led by board members who are appointed to perform the duties of directors of the society and conducts general meetings annually involving all members. The company admits any individual, corporate body, or nominee of an unincorporated body, firm or partnership that wishes to use the services and agreed to pay any subscription fee to membership. Besides, Co-operative Alternatives generate money through subscription fees paid by members and external funding programs co-designed to support co-operatives. Additionally, service fees are charged for the facilitation, consultation, and training provided to cooperative enterprises.

Co-operative Alternatives is the only organization dedicated to the development of successful co-operatives and community benefit organizations in Northern Ireland. Moreover, Co-operative Alternatives provide high-quality legal, financial, business, and democratic governance advice. Co-operative Alternatives has remained the main first point of contact for organizations who desire to do business in a co-operative way through business support and training. Co-operative Alternatives has made significant progress in recent years in energizing local groups and individuals to form new co-operatives in new areas such as renewable energy, recreation and sports, community development and housing, creative businesses, and craft and artisan food and drinks. Furthermore, Co-operative Alternatives in collaboration with the Belfast City Council through the Go Social Programme have recently supported several co-operatives. As part of the initiative, Co-operative Alternatives has provided facilitation at start-up and early-stage growth of emerging co-operatives.

According to a recent report by Co-op Alternative, there are more than 214 independent co-operatives in Northern Ireland with credit unions accounting for as many as 145 of the total whilst well-established and emerging co-operatives account for the remainder (Co-opAlt, 2022). From the first credit union to the long-established agricultural co-ops, co-operatives have a long and vital history in Northern Ireland. A new wave of co-operatives is growing at a faster rate now (Co-opAlt, 2022). In today's economic climate, establishing a co-operative enterprise has

become the way of doing business to numerous organizations helping communities provide much-needed goods and services. To this end, Co-operative Alternatives plays an integral role in providing support to emerging co-ops. Additionally, Co-operative Alternative conduct studies to further understand the journey of emerging co-operatives and identify potential bottlenecks to make strategic interventions and further assist the co-operative movement.

#### 4. Research Question

The research has attempted to address the following broad question.

What are the challenges of emerging co-operatives in Northern Ireland?

Throughout the process of exploring the challenges of emerging co-operatives, the study has researched the early-stage lifecycle of newly established co-ops in Northern Ireland. These emerging co-operatives are licensed and registered under the Financial Conduct Act and have lived ranging from six months to two years.

## 5. Research Methodology

The following section details the research methodology, theories, and principles employed to generate the research data and analyze the data to draw the findings. An explanatory qualitative research methodology was applied to focus on the phenomenon that transpired and examine the nature of the outcomes of those events from the perspectives of the co-operatives involved (Arianne, et al., 2015). In doing so, the study has explored the main sources and nature of the challenges that hinder the operations of emerging co-ops in the chosen context. Hence, this qualitative research is geared towards creating a complete and detailed description of the analysis of the data gathered by the researcher (MacDonald & Headlam, 2008). The qualitative research has attempted to contribute to the literature surrounding the development of the co-operative business model with potential strategies to tackle these challenges. The study has involved emerging co-ops in Northern Ireland operating in a wide range of business sectors as described in the next section. These co-operatives were/are under the support scheme of Co-operative Alternatives receiving consultancy and facilitation support.

Consequently, primary data were collected from selected emerging co-operatives and analyzed thoroughly to develop the findings. To this end, primary data to understand the journey of emerging co-operatives were gathered through interviews with representatives of co-ops operating in different business sectors were conducted. On the other hand, documentary analysis was also conducted to help improve the set of qualitative data.

### 5.1. Primary Research - Interviews

To better understand and explore the journey of emerging co-operatives and discover how their businesses have been challenged, interviews with representatives of seven co-operatives were conducted. The criteria used to select participating co-operatives in the interview process were having less than two years of incorporation, with a membership size of less than 15, and receiving similar facilitation and support. To this effect, the co-operatives responding were only 6 months to 2 years old with a membership size ranging from 2 – 10 founding members. Besides, the ambition to expand and challenges pertaining to expanding membership also provide a shared profile to the co-operatives interviewed. These co-operatives were picked on the basis of receiving a common support scheme from Co-operative Alternatives. More than 14 emerging co-

operatives are receiving early-stage support from Co-operative Alternatives at the time of the research. Hence, it has helped the researcher to study the journey of various co-ops that have received a similar set of facilitation and support. To this end, interviews have played a crucial role in getting less measurable data from direct sources with different experiences. In addition, this has allowed the researcher to provide relatable stories and perspectives.

There are different types and sizes of co-operatives in Northern Ireland ranging from producer and banking co-operatives to alternative co-operatives. Despite the difference in types and sizes, international co-operative principles maintain commonality among these diverse co-operatives. Although common traits and challenges apply to all co-ops, perspectives and business operations can be unique to each type of co-operative. To this end, the study has considered a different type of co-operative in the data collection and interview process. Therefore, the interviews were conducted with representatives of consumers, producers, community benefit society, workers, and housing co-operatives.

The interview has assisted the researcher to understand the experiences of the co-ops phenomenon while considering the opinions of the interviewees. The interviews were prepared and rendered through a semi-structured approach with several open-ended questions and follow-up questions guiding the conversation with the participants. Hence, semi-structured, in-depth interviews were conducted with founding members of each of the co-operatives that have shown willingness to take part in the study. The participants were all board members of their respective co-ops playing a crucial role in the journey of their co-op starting from breeding the idea of establishing a co-op business. Furthermore, for this qualitative research, the participants were well suited to collect the desired data to explain and explore the challenges of emerging co-operatives from the experiences and phenomena the respondents have been through.

For this study, semi-structured interviews were preferred as they allow to diverge to pursue an idea in more detail with guidance on what to talk about (Gill, et al., 2008). Moreover, the flexibility of this approach allows the discovery of information that is essential to the respondents but was previously overlooked at this stage.

Subsequently, interviews were conducted through a video call using Zoom Meetings technology, with approximately every interview taking half an hour. The video calls were recorded to ensure

accurate utilization of the information and precise quotations, having received the permission of each participant at the beginning of the interview sessions.

## 5.2. Secondary Research

An in-depth literature review has also been conducted to supplement the exploration of key themes identified from the interview data. Hence, a detailed review of materials from different sources such as books, published journals, articles, conference presentations, and the internet has been conducted. Related works from the abovementioned sources were carefully reviewed to further understand the co-operative business and best practices from case studies of renowned co-ops. Moreover, the interview questions were extracted and formulated from the insight on existing literature on the areas of success factors and conducive business environment for co-operatives. The secondary research has also helped the author to have a clue on suggesting the appropriate strategy and governance structure to address the identified challenges of emerging co-ops.

To this effect, the conducted literature review has identified potential factors that could determine the development of a co-operative enterprise. These factors could originate from either internal or external phenomena. As a result, co-operatives encounter obstacles originating from their internal characteristics as well as the nature of the relationship the co-operative would have with other stakeholders in the socio-economic environment. Therefore, this study attempted to explore whether the case of emerging co-operatives in Northern Ireland reinforces the findings of existing literature.

### 5.2.1. Document Review / Desk Research

To further understand each co-operative business participating in the study, documents/articles about their business and lifecycle have been reviewed to build knowledge and understanding of the early-stage lifecycle of emerging co-operatives. Hence, the resulting data were used to contrast the information with the data gathered through the interviews.

## 5.3. Data Analysis

The data collected through the interviews and document reviews were analyzed using inductive qualitative analysis. Following the interviews, the recordings of the interviews were transcribed

and anonymized to ensure data security and smooth analysis. These anonymized data were systematically and thoroughly analyzed to identify the insights from the interviews and document reviews. To this effect, thematic content analysis was employed to identify common themes in the data. A thematic approach was selected due to its iterative process to go from messy data to a map of key themes across the data set. Also, thematic analysis helps analyze the qualitative data collected through interviews thereby exploring and identifying the challenges and constructing themes searching across the data set (Michelle, 2020). Hence, indicative codes claiming a threat or a phenomenon that has posed a challenge to the co-operatives were identified across the transcripts of the interviews. Then, common themes of challenges were identified.

#### 5.4. Ethical Consideration

Ethical considerations were taken into account while conducting the research. Therefore, full consent from the respondents prior to conducting the interviews was obtained to ensure voluntary participation. Additionally, a detailed information document outlining the purpose and scope of the study was also shared to confirm acceptability and help the respondents make an informed decision. Similarly, the identity of the participants was kept anonymous while analyzing the interview data. The research was conducted by prioritizing respect for the dignity of the participants. Thus, participants will not be subjected to harm in any way whatsoever. Therefore, to ensure confidentiality and anonymity of the interview information, the interviews were transcribed, and any identifying information was removed. Thus, the researcher has only worked on the anonymized transcript. Besides, data obtained as part of the study will be securely held after the completion of the research in line with the applicable code of research conduct.

#### 5.5. Limitation to the Research

The study was planned considering the participation of fourteen co-operatives that are under the Co-operative Alternative's support scheme to gather primary information on their journey and understand the nature of potential challenges encountered. However, due to the lack of response and unavailability, it was only managed to collect primary data from seven emerging co-operatives. Hence, the study results are based on the journey of seven emerging co-operatives within six months to two years of incorporation. Similarly, due to the limited time to undertake the study, the findings are limited to certain key themes as presented in the next section.

Therefore, the study has only focused on the challenges originating from the external socio-economic environment in which the co-operatives operate. Hence, there were themes overlooked that relate to an internal phenomenon in the co-operative.

## 6. Findings and Analysis

Numerous co-operatives are emerging putting members at the heart of their business and with the aim of giving back to their community. Largely, there are factors triggering people working in various business disciplines to come together and establish a business in a co-operative way to render services with improved working conditions and benefits to the people running the businesses. Many studies have also indicated that challenges and gaps that can't be addressed through the conventional business model have catalyzed the development of co-operative movements worldwide (Stephen & Jonathan, 2013). Moreover, agendas overlooked by government initiatives have also provoked people to work together for mutual benefits and shared visions of changing the livelihood of their community.

Co-operatives that participated in this study also share a common path whereby people who used to work in related professions, who studied together, or who have noticed the cracks in the system join hands to explore alternative business models to address longstanding issues that have been frustrating. Subsequently, they established a co-operative business intending to provide improved working conditions and a platform whereby members can be their employers fulfilling business goals and giving back to their community in various shapes and forms. Hence, during the early stages of the co-op's formation, founding members have been through periods of ideation exploring new ways of doing things, getting like-minded people together, studying the feasibility of the business activity they envisaged engaging in, and preparing documentation for registrations. Having incorporated the co-operative, they have developed commercial activities and put in place finances to establish sources of income.

Despite similarities in the early-stage processes, depending on the type of the co-operative, businesses have unique business goals and ambitions instilled among members. For instance, workers' co-ops could be triggered by previous working conditions resulting from being managed by people who did not understand how the work should be done. Thus, workers organize themselves to establish a co-operative and be their employers thereby would be led by co-workers who are as close to the work and understand how they complete that work. Similarly, producer co-ops, consumer co-ops, community benefit societies, and others also have specific business goals and ambitions driving the formation of the co-op.

Furthermore, the study has investigated the journey of seven co-operatives to explore challenges that have made it a rough road to emerging co-operatives. In the following section, the report outlines the findings from the analysis of the data collected through interviewing founding members of seven co-operatives operating in Northern Ireland.

The interviews focused on the journey of the co-ops from the establishment to this date to understand bottlenecks throughout. Analysis of the data collected has identified key codes implying the challenges endured by emerging co-operatives. Moreover, the study results confirm that the factors discussed as a conducive environment for co-operatives to flourish are essential for the smooth growth of co-operatives. The study also noted that the lack of these factors has impeded numerous co-ops. To this end, the study evidently from the experiences of interviewed co-ops has highlighted a range of challenges that concur with existing literature. Accordingly, the study identified three themes of highlighted challenges relating to the legal framework in which co-operatives operate, financial support required to enable them, and a strategy to build a co-operative movement and create awareness. Hence, the findings are presented in the following section.

### 6.1. Legal Framework

**The legal framework** governing co-operatives in Northern Ireland is not comprehensive and drawn by all the relevant stakeholders rendering services to co-ops. Without grounding in comprehensive legislation, a partial picture of a co-operative phenomenon prevents the effective promotion of co-op development. Despite the long-lasting presence and significance in the UK economy, co-operatives don't benefit from a comprehensive and inclusive legal framework. For instance, emerging co-ops in Northern Ireland have struggled to open business bank accounts as a co-operative. Since co-operatives are registered and documented under the financial conduct authority whereas most banks only have their systems linked with the company's house to pull through information on businesses to proceed with the banking services. The interview data confirms the extent to which some emerging co-operatives struggle to get services from stakeholders in the socio-economic environment. A respondent pointed out “...most banks only link to company's house to pull registration information but as a co-operative, official documents are on financial conduct authority website which the banks don't link to”

Getting the best out of co-operatives in economic development requires creating a strong, stable, and full-fledged legal environment for business. If they are to grow, co-ops need predictable rules with intertwined systems all around among stakeholders and regulatory bodies. Moreover, practitioners and academics are increasingly in consensus that a nation's long-term economic performance is significantly influenced by its legal framework for businesses and the institutions that make it up (OECD, 2021). Similarly, the experience of emerging co-operatives in Northern Ireland confirms that the lack of a comprehensive legal framework prevents co-ops from fulfilling their potential and contributing to the local economy. A strong legal environment can stimulate private sectors and community engagement in local economic activities by creating regulatory stability promoting long-term business decisions and effective utilization of local resources. Notwithstanding, co-operatives have long been governed under legal frameworks designed for other types of business models which have made co-ops amiss to get certain services from stakeholders.

The legal requirements aren't simple and easy to navigate given the long process and additional requirements labeled on co-operatives, unlike other business models. Furthermore, people with no prior engagement in co-operatives have found the legal procedures to register a co-operative business difficult. Without the facilitation and consultancy support received from Co-operative Alternatives, they wouldn't be able to navigate through the procedures and requirements. Several interviewees spoke about their experience with the procedures and requirements claiming that *"...Without that, we wouldn't have been able to set up. And that's only because none of us had set up a co-operative before"*. Moreover, the absence of simple and straightforward legal conditions to register a co-operative business has been a bottleneck to promote a co-operative movement. Despite having the ambition to build resilient and inclusive growth, people would be compelled to look for other options leaving the issues unresolved that made them have the desire to cooperate with others in the first place.

There is a lack of supportive and preferential legal framework in Northern Ireland to help emerging co-operatives establish a strong foundation for their business activities. A respondent was concerned that *"There is not any sort of follow up and providing opportunities"*. As a startup business with a good cause of building a local economy aiming to resolve societal issues, emerging co-operatives require support to establish their commercial activity and sustain the

business activity. The lack of development strategies taking co-operatives onboard has left emerging enterprises striving to lay a firm foundation for sustainable growth. For instance, supporting and preferential treatments to assist co-ops in smoothly establishing their commercial activities are essential to the growth of these co-operatives. Hence, supports including the provision of seamless acquisition of land for co-housing co-operatives and community farms to avail site, and preferential treatment for workers co-operatives rendering services as to bidding for contracts launched by government institutions would encourage them to hit the ground running. Nevertheless, missing this strategic support and plan to view co-operatives as an engine to the development of social and economic and tackling societal issues has remained to be a challenge to emerging co-operatives. Furthermore, most support schemes also exclude co-operatives that would have enabled them to fulfill their potential. A respondent described the registration process as compared to the process for private companies as "*The system is not friendly to co-operatives as it is too private companies*".

## 6.2. Financial Support

The lack of a structured **financial support scheme** is one of the major challenges facing emerging co-operatives in Northern Ireland. The development of specific business and financial support services for co-operatives in Northern Ireland hasn't been to the level required for emerging co-op enterprises to build the foundation for what they have to offer to the country's economy. The recent economic crisis has had a significant negative impact on the majority of conventional enterprises (Birchall & Ketilson, 2009). Accordingly, credit unions remain has remained financially sound; consumer co-operatives were able to record increased turnover; worker co-operatives have seen an increased interest from many people in the workforce choosing to join them. Despite having proved to be resilient to crises during the financial and ensuing economic crisis, emerging co-operatives require financial support and funding to kick start their journey.

Although the Belfast City Council, through its Go Social Program which was primarily designed to support social enterprises in partnership with Co-operative Alternatives, has been supporting emerging co-ops with consultation and assistance during the early stages of formation, there is no specific financial and business program designed to support co-ops. The lack of adequate financial support from the relevant stakeholders has left emerging co-ops to fully depend on

members' contributions which have slowed the growth of their commercial activities. Furthermore, depending on the nature of the business activity the co-op is engaged in, there would be demand for financing upfront to establish commercial activity with a very low running cost afterward. Hence, the lack of access to finance is a huge challenge to co-ops engaged in such areas. A respondent pointed out the need for financial support as an emerging co-operative stating that *“The biggest support that we could get would be in the finance. The nature of what we want to do is something that has very high capital costs upfront but low long-term costs”*.

On the contrary, there are co-ops involved in business activities where initial investments could be funded by member contributions. However, future expansions would still require a lot of investment throughout the journey of the co-op which still begs for access to finance with conditions favorable and attainable to the co-ops. Nonetheless, investor-owned financial institutions aren't well suited to provide loans to these co-ops as they are mostly focused on generating profit as a conventional business. Hence, the lack of structured intervention from the relevant stakeholders has neglected co-operative enterprises from adequate access to finance. In Northern Ireland, there is not any notable facilitation by concerned stakeholders to provide alternative funding sources and debt instruments to expand members' investments in co-ops. Another respondent also stated that *“No, they (financial supports) don't officially exist yet. There's a discussion about setting up one as a pilot project, but there's no formal scheme in place yet”*.

Initial capital underpins start-up co-operatives. To this effect, in most cases, members come together to pool funds to enable them to establish and run a business activity more than they could individually. Historically, co-operatives have been funded mainly through withdrawable share capital from members and retained earnings. Nevertheless, there are also many cases where the co-operatives can't raise enough capital, they get bogged down and fail to get off the ground in the first place. Additionally, at the early stage of emerging co-operatives, they are only comprised of a few founding members making it difficult to raise initial funding through members' contributions only. Hence, this phenomenon underlines the need for facilitation to access financial resources on top of any form of technical support provided.

### 6.3. Development Strategy and Awareness

Even though the co-operative movement has been there for more than 100 years in the making, it's still **viewed as a new territory by policymakers**. Therefore, the level of appreciation for the co-operative business model isn't yet up to the standard necessary to encourage and create sufficient awareness among the community. Furthermore, the co-operative movement remains largely confined to the dairy industry. However, emerging co-operatives in Northern Ireland are largely involved in numerous types of business activities including co-housing, community farming, information technology, consultancy, renewable energy, construction and maintenance, and horticulture. These involvements in various sectors highly affiliated with social context suggest that co-operatives could play a greater role in building the local economy and solving societal issues.

Furthermore, to further strengthen the co-operative movement and be able to build a strong local economy, there needs to be an increased awareness of the co-operative business model as a distinct form of organization. An interviewee claimed that *“I don't know if there's a lot of background education on what a co-op is and the benefits of it. it's not a wide thing across society. I don't think there's a great awareness about it”*. Additionally, building a strong understanding of the benefits of the business model to the community and building a resilient local economy is of utmost importance. On the contrary, startup co-operatives coming into new areas of activities are entering into business environments without specific readymade development strategies and full-fledged support. Subsequently, emerging co-operatives might fail to utilize their full potential due to the lack of understanding of the sectors by stakeholders.

Moreover, a development strategy that doesn't promote a co-operative movement has created a weak level of awareness and knowledge among the community. A respondent claimed that *“I don't think the education is there as to why it might benefit them to be a co-op. .... People aren't aware of how being a co-operative could help”*. Since the primary purpose of a co-operative is to serve the community in which it operates, there needs to be an understanding as to how the business model could help to attain business goals and serve the community. However, the lack of a development strategy that promotes a co-operative business model has resulted in a limited understanding and knowledge in the community. Hence, pioneering startup co-operatives in new activities enter the space with no well-established conducive operating environment. Another

respondent also confirmed the phenomenon stating that “*We are pioneers and one of the frustrating things is that lots of the options that are open to other businesses aren’t open to co-operatives. Thus, we went through a very long process*”. Consequently, the co-operative business model isn’t viewed as an alternative way forward.

Despite their longstanding presence and contribution, co-operative enterprises still strive for recognition as an alternative business vehicle to the limited liability business model. Accordingly, studies have suggested that this may be due to certain barriers impeding the development of a comprehensive legal framework and strategy to promote co-operatives (Baldacchino, et al., 2017). The UK (apart from Wales, which recently introduced a new precedent that is believed to be highly supportive of co-operatives specifically acknowledging and requiring their promotion) does not have explicit legislation to promote and govern co-operatives (Mills, 2020). Therefore, there is no place for higher recognition of co-operatives as a form of business. The lack of strategy to create awareness and firmly establish the co-operative business model to strengthen the local economy while creating an enabling and supportive environment for emerging co-operatives may not be a unique barrier to Northern Ireland co-ops. Similarly, the ICA has also asserted that only a few jurisdictions have appropriate legislation and development strategy for co-operatives in place.

## 7. Recommendation and Conclusion

Co-operative business development is significantly growing worldwide since it offers alternative ways of doing business while prioritizing the interests of its members ahead of making profits. Moreover, co-operatives offer solutions to societal challenges and strengthen the social economy. Hence, relevant stakeholders need to give attention to the advancement of co-operative movements by creating a conducive environment with favorable conditions to promote the co-operatives business model. The study identified three external factors impacting the steady growth of emerging co-operatives. Therefore, based on the findings of the exploration, the study suggests the following measures to be considered by the relevant authorities in Northern Ireland.

Co-operatives like any other business organization operate under a specific legal framework that facilitates the operation and growth of enterprises. Moreover, as a people-centered enterprise, co-operatives seek a proper understanding by government and stakeholders of the economic and social environment to design an appropriate legal framework. Given the diversity of ownership and managing principles, co-operatives require a comprehensive and broader legal framework than is currently reflected in policies. Therefore, to provide a fair and equal playing field with other business models, a comprehensive legal framework that covers all aspects of a co-operative business is of utmost importance in Northern Ireland.

Furthermore, co-operatives need an enabling legal framework to be able to respond to the economic needs of the community. Thus, prioritizing co-operatives and providing preferential conditions co-operative businesses would concurrently mean addressing the needs of the community. Similarly, co-operatives in certain business activities require higher initial capital and lower running costs and require platforms to gain access to finances. Therefore, stakeholders need to design initiatives to facilitate and ensure adequate access to financial resources to enable co-operatives to kickstart their commercial activity based on the viability and societal impact of the project.

On the other hand, studies also confirm that cooperation among co-operatives and credit unions would solve the challenges related to access to finance (Dopico, 2015). To this end, the study also recommends the establishment of strong cooperation among credit unions, and both longstanding and emerging co-operatives to ultimately create a platform whereby co-operatives

would enjoy adequate access to financial resources. Therefore, as a collaborator credit union would focus on co-operatives enterprises and consider their unique structures and business objectives to understand their financial needs and loan situations to provide adequate access to finance. Hence, that understanding would be more automatic than in the case of stock-owned commercial banks and government finances.

Lastly, it is also extremely important to design a development strategy that recognizes and promotes the impacts of co-operative business model. Co-operatives have contributed a lot to the economic needs of the community. Hence, the business model should be taken genuinely at the center of development strategy to provide adequate support and build a strong awareness among the community to further the co-operative movement.

### 7.1. Conclusion

The study evidently confirms existing literature on success factors contributing to the success of a co-operative movement. Therefore, it is possible to conclude that many factors affect the prospect of emerging co-operatives aiming at building a local economy and solving problems in their communities. The explanatory study explored the journey of seven emerging co-operatives in Northern Ireland. To this end, online interviews with representatives of the co-operatives were conducted to explore their experiences and perspectives. In addition, the interview data were thematically analyzed and compared with existing literature to highlight the findings. These co-operatives had received facilitation and consultancy service from Co-operative Alternative during their early-stage lifecycle. However, the qualitative study focusing on external factors, identified the lack of a comprehensive legal framework to build a conducive business environment, the lack of adequate financial support, and the lack of cooperative development strategy and awareness decelerating the prospect of attaining their business goals. The study presented three highlighted themes as the primary challenges influencing the progress of co-operatives in Northern Ireland. Although the magnitude of the challenges differs depending on the type of co-operative and the sector in which the enterprise is engaged, the study confirms that co-operatives are affected by these factors in many instances.

Finally, the study suggests further research and investigations on challenges originating from the internal phenomenon. As the study only focused on external factors affecting a co-

operative movement, it is also equally important to understand internal factors to be able to provide tackle issues throughout the co-operative enterprise. There are several contributing factors influencing the performance of co-operatives ranging from strategic planning, member participation, human capital, and structural and relational capital. Hence, detailed research would help to disclose how these internal factors are hindering the co-operatives journey and highlight methods to deal with them.

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