

Member Value in Co-operatives

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Abstract

Until today there is a research gap considering the question, what motivates a member to enter or leave a co-op, resp. what are the reasons to stay in a co-operative. The majority of studies about this topic mainly focus on economic factors and the rational behavior of the member. However, co-ops also have other purposes not associated with financial goals. The presented paper is proposing a new perspective on membership in co-operatives, which combines the German-speaking as well as the Anglo-American line of research, and is a first attempt for an interdisciplinary member value approach. The member value approach focuses on the individual member, but does not ignore the co-operative character all the same. Members have got different expectations towards the co-op whereas latent preferences, based on the nine basic needs by Max-Neef (1991), and economic goals must be distinguished. Member value arise as a result of the match between the latent preferences and economic goals of the members and the latent and manifest benefits provided by the co-op, therefore member value is not a statistic, but a dynamic concept.

Keywords: Member value, perceived value, basic needs, co-operatives, AGIL-scheme

JEL Classification: A13, L30, L31, Z13

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Introduction

I Introduction

"Although marketing science has a strong track record of measuring value perception, customer commitment and loyalty, little attention has been given to co-ops in past research" Mazzarol, Mamouni Limnios and Soutar (2011a, p. 1). In view of the United Nations international year of Co-operatives it is now time to make efforts towards closing this research gap. To achieve this goal, the following paper suggests a new approach to measure member value in co-ops that is primarily focused on non-economic parameters. The suggested new approach should help co-ops to become aware of the different expectation of its members. Member value refers to success of a co-operative but not primarily in the meaning of growing, but in the sense of a better promotion of the members.

The term „member value“ is an adaption of the popular marketing concept „customer value“ and was developed first in the German speaking co-op literature in a discussion on the relationship between the shareholder value concept and the member promotion obligation (“Förderungsauftrag”) (see Monnsen, 1998). The concept of member value can be looked at from two different perspectives. One perspective emphasizes the value of membership to the individual member. However, member value can also be understood as the value the membership represents to the organization itself (Smith et al., n.d.). In the co-operative literature the second perspective is well known under the term “lifetime member value” or the “customer lifetime value (CLV)”, which both mention the exact opposite of member value used in the current approach (Pritchard & Trout, 1991; Venkatesan & Kumar, 2004). A co-op should never be an end in itself. The mission is always the promotion of its members. Therefore the following work defines member value as the sum of individual perceived benefits for members of a cooperative due to their membership.

In the German speaking co-op literature the Anglo-American term “Member Value” was mentioned the first time in 2001. Since then an intensive discussion has emerged. In this context Ringle (2007) asked the critical question: “Member value – more than a buzz word?”. Gmür (2011) took up this question and looks at the member value concept as an opportunity to close the gap between the theoretical discussion, regarding the measurement of cooperative success, and its practical application. Until now the mainstream of the co-operative research focusses on the economic aspects regarding the definition of member value. One reason for this economic focus is the particular position of cooperatives between the private and the third sector, which causes Levi and Davis (2008) to describe co-ops as the “enfants terrible of economics”. Furthermore this economic focused view is supported by Swiss law which defines the primary purpose of co-ops as “promoting or safeguarding the specific economic interests of the society’s members by way of collective self-help”(Art. 828 "Federal Act on the Amendment of the Swiss Civil Code (Part Five: The Code of Obligations)," Status as of 1 January 2012).¹ Last but not least this economic fixation is also caused by the origins of the value concepts, which all are based on traditional marketing research. Nevertheless there are a couple of authors, who recognize the importance of non-economic elements besides the financial value as significant component member value. However, this addendum rarely occurs in more than a marginal note, only few researchers explicitly include the non-economic elements in their work (Sheth et al., 1991; Sweeney & Soutar, 2001; Tschöppel, 2011). The necessity to broaden the concept of member value by these non-economic aspects becomes evident when paying specific attention to the multiple roles played by the members within a co-op. Each member has at least four distinct roles that they (can) take: (1) investor; (2) patron; (3) owner and (4) community member (Mazzarol et al., 2011a). The objective of this work is therefore to develop a multidisciplinary approach of member value that meets the requirements represented by the complex characteristics of cooperatives and the different roles its members can take.

II From member promotion obligation to member value

The first scientific discussion in the German-speaking co-operative research about the purpose of co-ops member value started between the 1960ies and 1970ies. At this time the primary goal of the dispute was to determine the efficiency of co-operatives on the basis of measuring the cooperatives ability to fulfill its member promotion obligation (see e.g. Dülfer, 1972; Richter, 1977). In this context Stubka (pp. 21-22, translated by the author) explained: „Additionally to its main objective to satisfy the economic needs of the member, the co-operative can also have secondary purposes. [...] These motives of the members are predominantly religious, charitable,

¹ Similar co-operative laws can be found in Germany as well as in Austria. However, the narrow focus of the legal regulation becomes especially obvious in comparison to the recommendations of the ILO (2002), which define a co-operative as an "autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise".

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pedagogical or cultural in nature. Everyone hopes to realize its vision by way of mutual help. All of these non-economic purposes call for a completely different set of benefits in contrast to the traditionally provided values according to the main objective of the co-operative". In the same manner Blümle (1976) pleads for extending the socio-emotional rationality of co-ops to a general need satisfaction of its members and Boettcher (1979) defines the dual goal orientation (market success on the one hand and member support on the other) as the primary characteristic of co-operatives.

The question at the heart of the discussion regarding the member promotion obligation is; how can successful member support be measured?, and even more crucial; is it even possible to operationalize this unspecific law given order to promote co-op members? Whereas economic goals can be monitored by business ratios, there is a lack of tools to evaluate the non-economic benefits co-ops can achieve. As a result of this lack of instruments to make the latent elements tangible, Richter (1977) calls the "secondary order"² empty and meaningless. The difficulty is compounded by the fact that even the evaluation of the member's needs and preferences - exploring the member promotion obligation – pose significant problems (Kohler, 1979). Notwithstanding a consensus about the character and content of the member promotion obligation have never been reached. After the IX Internationale Genossenschaftswissenschaftliche Tagung 1978 in Freiburg/CH, Bakonyi (1980, p. 316) formulated the hypothesis; the theoretical discussion about the definition of the corporate achieved a (provisional?) conclusion. In his opinion the time had come to intensify the effort to develop a methodological specification of the member promotion obligation. In view of the ongoing theoretical discussion about the member promotion obligation to this day, Bakonyis hypothesis can be rejected. Apart from himself only a handful of researchers concentrated on the problem of operationalization. Amongst those, Schöffling (1992), who differentiated three levels of values provided by co-ops and Lamprecht and Meyer (2008), who interpret the approach of Theurl (2002; 2007) in a monetary way. Unfortunately empirical surveys based on these (operationalized) concepts are still missing.

III From perceived value to member value

The term member value originates from the Anglo-American body of marketing, but surprisingly it is unrelated to co-operatives in the English-speaking literature (Ringle, 2007). Up to now, the term member benefit is much more frequently used. However, it has to be said that this notion is used inconsistently and the concept is only distantly related to member value. The first time the member value concept was mentioned in the context of co-operative has been in a discussion paper by Mazzarol (2009) and it had no connection to the German speaking dispute about the member promotion obligation. The origins of Mazzarol's terminology of member value is based on the popular terms customer value and consumer value, which both have been established in marketing research for a long time. In an extended literature review Woodall (2003) found eighteen different terms, which all referred to the same notion of value. Promoting a uniform terminology, henceforth only the term perceived value shall be used according to Broekhuizen (2006). Member value can also be seen as a special kind of perceived value, but it extends the pure consumer orientation. Therefore the member value concept pursuant to Mazzarol, Mamouni Limnios und Soutar (2011a) can be understood as an extension of the consumption value theory by Sheth, Newman and Gross (1991) as well as the consumer perceived value concept by Sweeney und Soutar (2001). They justify the need for a differentiation of the value concept for cooperatives by the multiple roles a member can take. Nevertheless the basic understanding and several elements of the consumer-oriented approach remain largely the same or can be adapted. Hence, it is important to analyze the different concepts of perceived value in order to determine the essential elements that can be used for a specification of the member value in the sense of a broader conceptualization.

During their systematic examination of the perceived value concept Sánchez-Fernández and Iniesta-Bonillo (2007, p. 440) come to the conclusion that still no uniform concept of perceived value has been established despite the various attempts to create a model. The whole discussion about perceived value is anchored in the body of neoclassical marketing theory. Consequently, the point of origin of all the approaches is the customers (purchase) decision based on the principle of utility maximization (Arnould et al., 2004; Sweeney et al., 1996).

Basically two different approaches of the concept of perceived value can be differentiated. On the one hand the commonly cited uni-dimensional construct of Zeithaml (1988, p. 14), defines "value" as "the consumer's overall assessment of the utility of a product based on perceptions of what is received and what is given". On the other

² „Sekundärauftrag“ align the terminology of Stubka (1962).

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hand there are authors who argue that perceived value is a multi-dimensional construct, composed of a variety of notions (Sánchez-Fernández & Iniesta-Bonillo, 2007, p. 428). According to the uni-dimensional approach, individuals are goal-directed and make decisions as a means of inferring desired end states. In this way value represents a cognitive trade-off between "utility" ("benefits") and "price" ("sacrifices") (Dodds et al., 1991, p. 308). Therefore Zeithaml's value concept is associated with the term quality, although it differs in the way that value is more individualistic and personal and correspondingly a higher-level concept than quality. Despite the popularity of the uni-dimensional approach and its merit of simplicity, it is criticized that the trade-off model is too simplistic and it fails to take proper account of the numerous intangible, intrinsic, and emotional factors that are significant to members (purchase) decision (see Mathwick et al., 2001; Sweeney & Soutar, 2001).

In addition to the uni-dimensional concept many authors like Mattsson (1991) expand the value approach and argue for three dimensions of value in accordance to the axiology of Hartman (1967):

- emotional; focus on the feelings of the consumers
- practical; focus on the physical and functional aspect of consumption
- logical; focus on the rational and abstract characteristic of the purchase

In Mattsson's theory, the emotional aspect is more important than the practical, which, in turn, has a stronger effect than the logical. The following example, a dinner at a restaurant, may illustrate the three dimensions. The atmosphere in the restaurant, the waitress' friendliness when serving the menu and the personal well-being are crucial for the emotional value. The practical dimension is mainly dependent from the quality of the food and the logical aspect is focused on the price-performance ratio. If the client does not like the atmosphere, it is very likely that he will not like the food and consequently considers the price too high. In a positive way, these three dimensions are the path to the desired end state, resp. happiness (Lemmink et al., 1998).

A further extension of the value concept originates from Sheth, Newman und Gross (1991), who differentiated five types of value: functional value, conditional value, social value, emotional value und epistemic value. The dimension emotional value is very similar to the notion of Mattsson and the functional value can be used as a synonym to the practical value. Instead of the missing logical dimension, they add three "new" kinds of value: (1) social value, which refers to factors like group belonging, esteem and status; (2) epistemic value, which is about curiosity and the desire for knowledge; and (3) conditional value, as the perceived utility of a specific situation or the set of circumstances facing the choice maker. Depending on the study, there is empirical evidence for all five values, albeit with different strengths of influence. These differences can be explained to some extent by the necessity to adapt the values to the different fields of research. Moreover Sweeney and Soutar (2001) as well as Pura (2005) separate the functional value in two aspects. First, there is the price, resp. the monetary value and second, they mention quality, resp. utility. Another very comprehensive approach comes from Holbrook (1996, 1999), who defines value based on three dichotomies: extrinsic versus intrinsic, self-oriented versus other-oriented and active versus reactive (see Table 1). In combination of the three dichotomies he proposes eight values, which tend to occur together to varying degrees. The dichotomy extrinsic versus intrinsic is connected to motivational theories; extrinsic describes an activity or a decision as a mean to some end, whereas the intrinsic side accent the value of an activity or decision as an end in itself (Ryan & Deci, 2000). The two kinds of orientation (self versus other) differentiate between the virtue of an effect it has on oneself versus for the sake of someone else or how other respond to a certain decision. The last dichotomy is considering the direction of influence, the bought product or joined co-op is manipulated by the individual (user) versus the bought product or joined co-op affects rather oneself than vice versa? These three distinctions produce eight types of value, which always tend to occur together to varying degrees.

Conclusions drawn from the German-speaking and Anglo-American research lines

Table 1: Typology of values according to Holbrook (1999)³

		Extrinsic	Intrinsic
Self-oriented	Active	Efficiency (output/input, convenience)	Play (fun)
	Reactive	Excellence (quality)	Aesthetics (beauty)
Other-oriented	Active	Status (success, impression, management)	Ethics (virtue, justice, morality)
	Reactive	Esteem (reputation, materialism, possessions)	Spirituality (faith, ecstasy, rapture, sacredness, magic)

Holbrook's concept is very complex and comprehensive, but on the other hand it is barely operationalizable and hardly ever tested empirically. However, the benefit lies primarily in the theoretical typology itself and the raising awareness for the different dichotomies. All of these perceived value concepts focus on the purchase and the benefit of a specific (tangible) product or as Sheth, Newman and Gross (1991) ask in the article with the same name "Why we buy what we buy". A lot of the ideas and concepts also fit very well for making the decision to join a cooperative. In a discussion paper Mazzarol (2009) propose to apply the perceived value concepts to cooperative research. The objective of this suggestion is to develop better tools for measuring and understanding value creation in co-ops, in order to answer the key research question, how can co-ops optimize and communicate the true value of membership (Mazzarol et al., 2011a).

IV Conclusions drawn from the German-speaking and Anglo-American research lines

The German-speaking discussion about the member promotion obligation order follows an institution-centered perspective. Theurl (2004, p. 41) defines member value as the total value of all organizational activities in favor of its members. Hence the key question in this line of reasoning is; how can co-operatives create value for their members. Starting at the beginning of their research, the measurement of the efficiency and success of a cooperative was at the center of their work. For a long time the benefit for co-op members has been considered equal to the economic benefits resulting from the membership, supported by the wording in the law (Art. 828 "Federal Act on the Amendment of the Swiss Civil Code"). The kick start of the intensive discussion was the doubts of several researchers concerning this economic determination. The discussion was mainly conducted on a theoretical level and empirical surveys on member value are still largely lacking today.

On the other hand the Anglo-American discussion regarding member value is still about to develop even though the marketing research about perceived value is already well advanced and also covers non-economic elements. Especially the multi-dimensional approaches cover a wide range of values, which are very suitable to adapt to the cooperative context. Co-ops offer much more than just a specific product or service, the decision to join a cooperative is therefore always connected with a whole set of values. The marketing perspectives of these value approaches are mainly individual-centered and focus on the question of the motivation for a (purchase) decision. This is connected to the individual needs, but at the same time ignores the particular characteristic of cooperatives and its principles. In contrast to the German-speaking research, there is a wide ranging pool of empirical work and discussions about value which is much more practice oriented.

Summing up, it can be said that the German-speaking literature addresses the question as to what a co-op can offer to its members whereas the Anglo-American literature focus on the expectation of the members regarding the co-operative. Both strings of research at their core deal with the same question, but they are addressing the topic from different angles. It can be concluded that both strings of research are unable on their own to comprehend member value of co-operatives by themselves. Therefore it appears plausible to combine both approaches in order to develop a better understanding of the value a co-op provides to its members.

³ The examples in brackets are only illustrations of the value and non-exhaustive.

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V A new approach to conceptualize member value

Thus, the goal of this following member value approach is to build a bridge between the member promotion obligation research and the multi-dimensional marketing concepts. Furthermore psychological and sociological theories shall be taken into consideration in order to develop a deeper understanding of the value perception of co-op members. In the conviction that the perception of member value is highly individualistic and members are the heart of any co-operative, the suggested approach follows an individual-centered perspective.

Theories of perceived value repeatedly mention that individuals are searching for a desired end state (see Lemmink et al., 1998; Zeithaml, 1988). Although Holbrook (1996, 1999) does not directly mention end states, he notes it implicitly in his dichotomy of extrinsic versus intrinsic. In his reasoning, extrinsic can be viewed as kind of means-end dimension, whereas intrinsic refers to the desired end state on its own. Although the reference (implicit or explicit) to end states is used very often, almost no one is asking what underlies it, resp. what makes people happy? A very common answer to this question is the satisfaction of personal needs (see Chiu & Lin, 2004; Diener & Lucas, 2000). In this respect the starting point to define value should be the exploration of the basic human needs – unwanted offers will never provide any benefit. Schneider and Bowen (1995, p. 56) argue that “customers are people first and consumers second”. This could be translated to the context of co-ops as “members are people first and members second”. Therefore it is important to understand what individuals really want and not to focus too much on what the co-op has to offer. This point of view is also paying attention to potential new members and also broadens the co-operative’s attention. There is a wide range of different theories and ideas addressing human needs which are also covered by a multiplicity of discipline-specific concepts. The probably best known need theory stems from Maslow (1943) and was established in his article “Theory of Human Motivation”. Although Maslow’s hierarchy of needs proved to be a valid framework in the marketing research, the current member value approach builds on Max-Neef’s (1991) interdisciplinary theory, which denies any hierarchies except the need of subsistence, resp. to remain alive (Chiu & Lin, 2004). Max-Neef’s human need theory understands needs as a system, in which all needs are interrelated and interactive. A second very important aspect in his theory is the differentiation between needs and satisfiers. For example, food and shelter should be seen as needs but as satisfiers of the need for subsistence. The differentiation makes it clear that there is no one-to-one correspondence between needs, but needs can be satisfied by many different satisfiers and vice versa. “A satisfier may contribute simultaneously to the satisfaction of different needs or, conversely, a need may require various satisfiers in order to be met. Not even these relations are fixed. They may vary according to time, place and circumstance” (Max-Neef, 1991, p. 17). As satisfiers may vary, the needs remain constant over time. Max-Neef postulates nine universal human needs, which are the same in all cultures and historical periods and summed up in the following Table 2.

Table 2: Matrix of needs and satisfier (Max-Neef, 1991, pp. 32-33)

existential categories ▶	BEING	HAVING	DOING	INTERACTING
axiological categories ▼				
Subsistence	physical health, mental health, equilibrium, sense of humor, adaptability	food, shelter, work	feed, procreate, work	living environment, social setting
Protection	care, adaptability, autonomy, equilibrium, solidarity	insurance systems, savings, social security, health systems, rights, family, work	cooperate, prevent, plan, take care of, cure, help	living space, social environment, dwelling
Affection	self-esteem, solidarity, respect, tolerance, generosity, receptiveness, passion, determination, sensuality, sense of humor	friendships, family, partnerships, relationships with nature	make love, caress, express emotions, share, take care of, cultivate, appreciate	privacy, intimacy, home, space of togetherness

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existential categories ▶	BEING	HAVING	DOING	INTERACTING
axiological categories ▼				
Under-standing	critical conscience, receptiveness, curiosity, astonishment, discipline, intuition, rationality	literature, teachers, method, educational policies, communication policies	investigate, study, experiment, educate, analyze, meditate	settings of formative interaction, schools, universities, academies, groups, communities, family
Participation	adaptability, receptiveness, solidarity, willingness, determination, dedication, respect, passion, sense of humor	rights, responsibilities, duties, privileges, work	become affiliated, cooperate, propose, share, dissent, obey, interact, agree on, express, opinions	settings of participative interaction, parties, associations, churches, communities, neighborhoods, family
Idleness⁴	curiosity, receptiveness, imagination, recklessness, sense of humor, tranquility, sensuality	games, spectacles, clubs, parties, peace of mind	daydream, brood, dream, recall old times, give way to fantasies, remember, relax, have fun, play	privacy, intimacy, spaces of closeness, free time, surroundings, landscapes
Creation	passion, determination, intuition, imagination, boldness, rationality, autonomy	abilities, skills, method, work	work, invent, build, design, compose, interpret	productive an feedback settings, workshops, cultural groups, audiences, spaces for expression, temporal freedom
Identity	sense of belonging, consistency, differentiation, self-esteem, assertiveness	symbols, language, religion, habits, customs, reference groups, sexuality, values, norms, historical memory, work	commit oneself, integrate oneself, confront, decide on, get to know oneself, recognize oneself, actualize oneself, grow	social rhythms, everyday settings, settings which one belongs to, maturation stages
Freedom	autonomy, self-esteem, determination, passion, assertiveness open-mindedness, boldness, rebelliousness, tolerance	equal rights	dissent, choose, be different from, run risks, develop awareness, commit oneself, disobey	temporal/spatial plasticity

In addition to the axiological categories, Max-Neef defined four existential categories (being, having, doing and interacting), and from these dimensions he created a 36-cell matrix filled with satisfiers. However, in contrast to the axiological and existential categories the satisfiers presented in the matrix are just examples. Each economic, social and political system adopts different satisfiers – from this point of view the choice of satisfiers is a culture defining aspect. Based on these considerations, it is necessary to distinguish (basic) needs and (cultural) wants. The goal of any co-operative should therefore to offer the best set of satisfiers according to their members needs and to build their own specific co-op culture, which is desirable to its members. Nevertheless it is not possible to define a set of satisfiers that will be valid eternally for the co-op and all its members. The wants of the members and the environment by which they are influenced are changing as well as the co-operative itself. Therefore, the

⁴ Idleness has a negative connotation, but not in the understanding of Max-Neef (1991, p. 17). Idleness is not laziness, but rather recreation, taking time for oneself and pleasure. There is also a strong connection to the creation need with respect to muse and an open state of mind.

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unique characteristics of a co-op and the lifecycles of the co-operative itself and its members have to be taken into consideration (see Gmür & Lichtsteiner, 2009). In respect to the changes of the expectations over time, the member value approach adds a third level of needs; organizational preferences. A new member probably has different preferences than a long standing member, and there are also differences between recently founded co-ops and co-operatives, who have passed their peak in face of their ability to provide the demanded satisfiers. Furthermore, organizational preferences account the different roles a member play, which deduces also different expectations that are subsequently explained(Mazzarol et al., 2011b). (1) As an investor, the member is mainly interested in a financial gain by its share; (2) as a patron, the member is looking for fair prices, efficient transactions and quality service (3) the role of the owner tends to focus on member control and is underpinned by expectations of organizational democracy and “procedural Justice”; last but no least (4) every co-op member is also a member of the community too. One distinctive characteristic of co-operatives is their embeddedness in the local community, which can lead to a virtuous circle and reciprocal loyalty. Tschöppel (2011) emphasizes the same point and mentions the interaction between the co-op and the community. A regional commitment of a co-op e.g. in the form of local economic promotion, also provides value to its members outside the co-operate structures.

The distinction of these three levels of needs – basic needs, cultural wants and organizational preferences – is an important element in the here in presented approach to member value, since it helps to develop a better understanding of the motivation to join a co-op and provides a classification grid. The combination of these levels of needs helps to explain the expectations which are developed towards the co-op, that are not necessarily conscience to the members all the time (Schneider & Bowen, 1995). Especially the basic needs are mostly unconscious, but influence most decisions none the less. Henceforth, all three levels can be summarized under the term “latent preferences”. The notion latent is a reference to the unconscious and intangible element of expectations and preferences are considered to be the highest level of needs. As a result of the intangibility of these latent preferences Richter (1977) described the comprehensive definition of the member promotion obligation as “lacking in content”. However, it is far too limited in scope to treat latent preferences as irrelevant and meaningless. Rather it seems to be important to operationalize these preferences with the object of filling the lack of content.

In contrast to the latent preferences, the economic goals of the members are generally conscious and therefore in many cases the most important reasons to join a co-operative. For example a lot of members of housing co-operatives are above all interested in obtaining an apartment for a reasonable price. The aspect of being a member of a specific co-op often only plays a much lesser significant role when deciding about membership. This is also reflected in Swiss law, which considers the economic goal as the primary purpose of any co-operative. But as shown in the corporate support order discussion and the multidimensional value approach, co-ops provide a much broader value than just those economic advantages. All in all four different elements have to be distinguished when discussion the value of membership to a co-op on the member-side, but at the same time they are also interacting:

- basic needs: nine universal needs according to the axiological categories by Max-Neef (1991), which remain constant over time
- cultural wants: cultural adaption of the basic needs, the choice of satisfiers in a certain culture, group
- organizational preferences: organizational adaption of the cultural wants, the expected set of satisfiers provided by the co-op, individual
- economic goals: expectations about the (functional) utility derived from the membership (quality and performance), due to the reduction of its short and long term costs, individual

From this discussion about the latent preferences and economic goals of co-op members, the question remains open where the actual member value originates from. The current value approach assumes that member value is not a static construct and cannot be “produced” solely by the co-operative alone. Member value is depending on the match of the member’s latent preferences and economic goals and the co-operative’s ability to satisfy latent and manifest benefits. By way of analogy with the member side, co-ops do not only provide manifest benefits in the form of products and services but also in form of their specific characteristic and structure. The better the provided benefits of a co-op match the member latent preferences and economic goals the bigger the resulting member value (see Figure 1).

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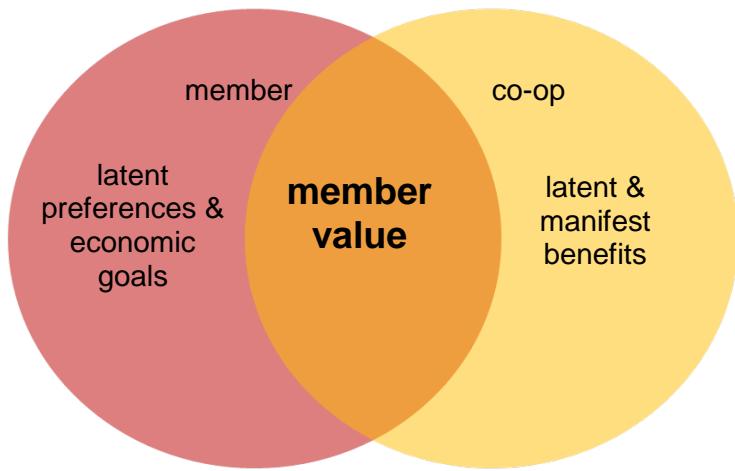


Figure 1: Basic concept of member value

The background of this basic concept illustrated above is based on the conviction that it does not matter how much benefit a co-op may offer, if the member is not interested the benefits provided, there will be no member value and vice versa. So, even a small co-operative can create big member value as long as its benefits match the member's latent preferences and economic goals. Due to the dualism of member value described above co-operatives are reminded of their duty to recognize and satisfy its (potential) member's latent preferences and economic goals. This aspect is much more important than to pay attention on the benefits the co-ops are providing with the focus on communication or to put it negative persuading its member of the offered benefits (see Theurl, 2002, 2007).

All the mentioned elements merge in a first model of member value. To make the both sides – member and co-op – clearer, two dimensions, taken from Rokeach (1973), can be differentiated: terminal and instrumental. The satisfaction of the latent preferences and economic goals of the members can be seen as the terminal objective, whereas the benefits offered by the co-op are instrumental in nature. In combination of the two dimensions by Rockeach and the differentiation between the latent preferences and economic goals, a two by two table can be drawn in which center the member value arise. Member value in this table is determined by the intersection of the four fields (see Table 3).

Table 3: 2x2 table of member value

	terminal (demanded by members)	instrumental (offered by co-ops)
member (manifest preferences)	economic goals	manifest benefits
member (latent preferences)	basic needs cultural wants organizational preferences	latent benefits

In the two by two table given in Table 3, the co-op is only a provider of manifest and latent benefits, this is true according to the actual member value but it ignores the value of a co-operative on its own and the aspect of sustainability. The offered satisfiers and specific characteristics of the co-op, which are mainly important for the latent benefits, cannot be understood with a solely member focused perspective. Therefore it is necessary to add the co-op as a discrete element in the model (see Table 4).

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Table 4: 3x2 table of member value

	terminal	instrumental
co-op	vision / mission	management / AGIL
member (manifest preferences)	economic goals	manifest benefits
member (latent preferences)	basic needs cultural wants organizational preferences	latent benefits

By analogy with the members, co-operatives have a terminal goal too. And in most of the co-ops this terminal goal (social goals) – the co-op's vision – is the key determinant of the (strategic) actions taken by the entire organization and the distinguishing element between a co-op and an investor owned firm (IOF) which primarily focusses its actions on generating profits. In order to be able to pursue its mission, the co-operative relies on an elaborated "instrumental" system that keeps the co-operative alive. Co-operatives are complex systems which have to be managed carefully (Schwarz et al., 2009, pp. 45-49). The management system can be seen as the vehicle of the co-op on its way towards achieving its mission. Parsons (1970, 1971) theory of the AGIL-system can be understood as a suitable approach for a further analysis of the "instrumental" function of management. His theory is looking at systems – like co-operatives – and what functions are necessary for any them to be able to persist over time;

- Adaptation: the capacity of a system to interact with and adapt to the environment.
- Goal Attainment: the capability to set goals and make decisions accordingly.
- Integration: the capability to develop and defend social cohesion and inclusion.
- Latency (latent pattern maintenance): the capability to maintain the integrative elements of the integration requirement above, as well as to mediate belief systems and values between generations.

The scheme in Table 4 can be read in two different directions according to the marketing – or the resource-logic suggested by Schwarz, Purtschert, Giroud and Schauer (2009, pp. 67-68).

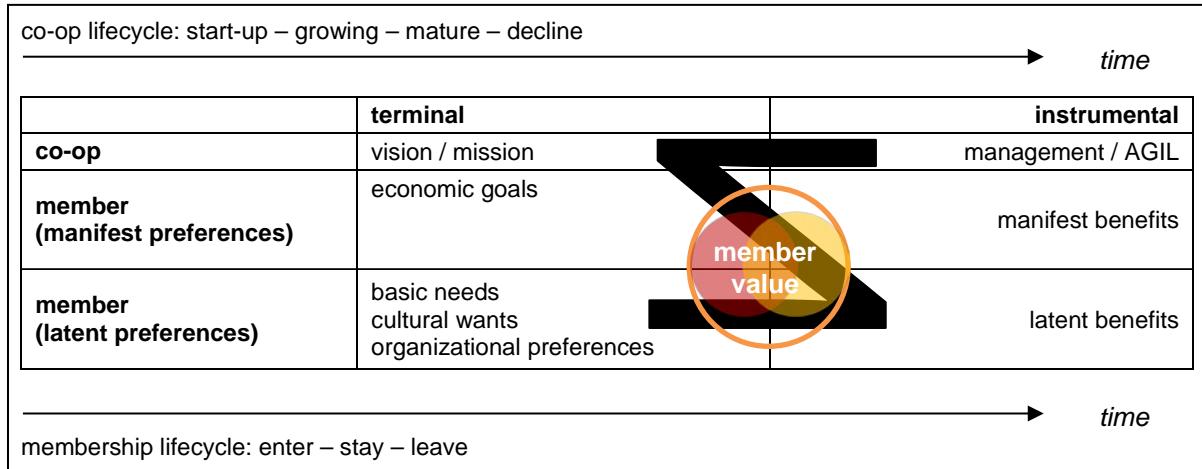
- Marketing-logic, orientation along the member's latent preferences and economic goals (Σ -form: from the lower left to upper right). The latent preferences and economic goals determine the latent and manifest benefits the co-operative has to provide to its members in order to satisfy their expectations. Consequently, the co-op has to adapt its vision and mission in line with these desired benefits. Last but not least an in-depth management expertise is necessary to be able to pursue the mission or in other words all AGIL-functions need to work properly.
- Resource-logic, orientation along the existing resources (Σ -form: from the upper right to lower left). In order to pursue its mission it is necessary for the co-op to build management capacities within the organization, which can ensure the fulfillment of all AGIL-functions. On the way to pursue its mission the co-operative will create latent and manifest benefits which in turn are then satisfiers for the member's latent preferences and economic goals.

The member value approach suggested in this paper predominantly follows the marketing-logic. It is not focused on marketing the co-operate benefits to its members but rather puts the member's latent preferences and economic goals in the center and then tries to find ways to satisfy them. The co-operative has to ask itself, what benefits it is able to provide in order to satisfy the member's latent preferences and economic goals. It needs to be kept in mind that one specific benefit or co-op characteristic can satisfy several latent preferences of different members. For example the "one-man-one-vote"-rule meets the basic need for participation, security as well as the creation (see Table 2); it allows all members to participate actively, to be involved in the decision-making process, to be part of creation something new and at the same time it is a protection against heteronomy. The approach and the example illustrate the importance to broaden the member value on the organizational level too. Members do not only take multiple roles within a co-op they are also a fundamental part of it. It has already been mentioned that many latent preferences are unconscious but have a crucial influence on the decision to enter, stay or leave the co-operative and that these preferences may change over time. Like the lifecycle of NPOs, the membership can be divided into different phases too (Gmür & Lichtsteiner, 2009). The reasons behind these changes are the changed expectations of satisfiers, e.g. a young couple may enter a housing co-op in motivated by the cultural want of living on their own and their basic need of subsistence for shelter. As times goes by they

Conclusion

become good friends with the other co-op members and decide to stay in the flat although they had the chance and the money to move into a bigger apartment. But they do not stay because of the economic goals, they stay because the affection-need and their right of co-determination which both are specific characteristics of the co-op. A few years later a new building is being constructed and a lot of new members enter the co-operative that are primarily looking for a cheap price and reject all further investments. The atmosphere within the co-op changes for the worse and the couple decides to leave the co-op, because their organizational preferences – sense of belonging – is not satisfied anymore and they have lost their influence in the decision-making process. Therefore it is important to add a time-dimension to the member value model (see Table 5).

Table 5: Member value model



Although the basic needs do not change at all and the cultural wants just change slightly, the time dimension is very important to the organizational preferences and the ability of co-ops to provide the demanded satisfiers. Thus, the success of a co-op can be defined as its ability to adapt its provided benefits according to the changing organizational preferences and economic goals. The importance of the adaptability is also mentioned in the model by the "A" of the AGIL-system by Parsons (1970, 1971). It is not possible to adapt to every individual change in the organizational preferences and economic goals because they sometimes change in a different direction at the same time. But it is necessary to get a picture of the general feeling in the co-op and the member opinions.

The close connection between the member- and the co-operative-side makes obvious that the two lifecycles can mutually influence each other. In the start-up-phase of a newly founded co-operative a new set of satisfiers is provided, what could motivate members to enter. As long as the co-op can offer an attractive set of manifest and latent benefits new members will enter the co-op constantly. The co-operative is growing and may reach its maturity as long as it is able to adapt to the latent preferences and the economic goals of its members. But as soon as it starts loosing this ability to satisfy those latent preferences and economic goals the member value will decrease, and members are most likely to gradually leave the co-op and the co-operative will move towards decline-phase.

VI Conclusion

Until today there is a research gap considering the question, what motivates a member to enter or leave a co-op, resp. what are the reasons to stay in a co-operative. The English- as well as the German-speaking (co-op) research mainly ignore each other, although they could mutually enrich one another. The presented member value model is proposing a new perspective on membership in co-operatives, which combines both lines of research, and is a first attempt for an interdisciplinary approach. The member value approach focuses on the individual member, but does not ignore the co-operative character all the same. Members have got different expectations towards the co-op whereas latent preferences, based on the nine basic needs by Max-Neef (1991), and economic goals must be distinguished. On the other hand, the cooperative has the "duty", according to the member promotion obligation, to provide a set of satisfiers, which meets the latent preferences and economic goals of their members. Member value arise as a result of the match between the latent preferences and economic goals of the members and the latent and manifest benefits (set of satisfiers) provided by the co-op, therefore member value is not a statistic, but

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a dynamic concept. This is what was achieved in the new and suggested theoretical model so far. According to the wide variety of co-ops it seems to be impossible to deduce a general measurement tool for member value. Hence, the member value model has to be adapted to the specific co-op in order to generate meaningful result. So the next step will be to operationalize the latent preferences and economic goals in a case study and further to compare them with the provided latent and manifest benefits of a co-op.

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Abstract

Until today there is a research gap considering the question, what motivates a member to enter or leave a co-op, resp. what are the reasons to stay in a co-operative. The majority of studies about this topic mainly focus on economic factors and the rational behavior of the member. However, co-ops also have other purposes not associated with financial goals. The presented paper is proposing a new perspective on membership in co-operatives, which combines the German-speaking as well as the Anglo-American line of research, and is a first attempt for an interdisciplinary member value approach. The member value approach focuses on the individual member, but does not ignore the co-operative character all the same. Members have got different expectations towards the co-op whereas latent preferences, based on the nine basic needs by Max-Neef (1991), and economic goals must be distinguished. Member value arise as a result of the match between the latent preferences and economic goals of the members and the latent and manifest benefits provided by the co-op, therefore member value is not a statistic, but a dynamic concept.

Keywords

Member value, perceived value, basic needs, co-operatives, AGIL-scheme

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