Multi-stakeholder Co-operatives and Their Capital Base: Evidence from China

Li Zhao, Patrick Develtere

HIIVA-K.U.Leuven, Leuven, Belgium

Previous research indicates the emergence of multi-stakeholder co-operatives in the West (Borzaga & Defourny, 2001; Defourny & Nyssens, 2008; Gijselinckx, 2009; Gijselinckx and Develtere, 2008; Girard, 2009), and its importance to economic participation (Münkner, 2004; Thomas, 2004) and social cohesion (Galera, 2004; MacPherson, 2004). In recent years, the rise of multi-stakeholder co-operatives has also been witnessed in China (Po, 2008; Zhao, 2009).

As member-driven business organizations, co-operatives primarily rely on member contributions in terms of shares, fees and business transactions. But in today's competitive market, finding capital is still one of the most prominent challenges they face. Therefore, they need to mobilize outsider finance to fund their growth without threatening their co-operative character. Both in the West and China (Côté, 2001; Gijselinckx and Develtere, 2008; Zhao, 2009) we see that external capital nowadays has a more prominent role than two decades ago. In China, shareholding co-operatives, as one best example of this new multi-stakeholder co-operatives, have been a vehicle to mobilize additional resources. In the West co-operative holding systems have been developed to realize the same goal.

Numerous studies can be found to deal with the questions in stakeholder management such as financial capital and other factors that would cause an organization to prioritize one kind of stakeholders' interests instead of others at certain times. However, only few studies have explicitly addressed the theoretical foundations for this important change in co-operative practice in order to understand the capital base of new co-operatives.

Against this background, this study presents an analytical approach for understanding co-operative stakeholders' capital involvement and the conditions needed for them to invest, by examining shareholding co-operative cases from China. Through this analysis, the study aims to answer the following questions: 1) to what extent have new co-operatives indeed opened their doors for different forms of member capital investments and non-member capital participation? 2) Which are the determinants and triggers for this change? 3) Under which conditions is this new form of capital raising done and what are the consequences?

In this study, shareholding co-operatives in China refer to agricultural co-operatives in forms of farmers' specialized co-operatives and land-based co-operatives that have emerged in some of the most developed coastal areas as well as in peri-urban rural areas with rapid urbanization and industrialization in China (Zhao, 2009). Stakeholders in shareholding co-operatives in China include groups such as various members and employees, suppliers and consumers, local enterprises and non-profit organizations related, the government and the local community, etc..

Following a brief overview of recent insights in stakeholder theory (Donaldson & Preston, 1995; Freeman, 1984; Mitchell et al., 1997; and others) and multi-stakeholder co-operative perspective (Borzaga & Defourny, 2001; Galera, 2004; Gijselinckx, 2009; Gijselinckx and Develtere, 2008; Girard, 2009; Münkner, 2004; and others), empirical evidence will be presented based on data gathered from case studies in shareholding co-operatives in rural China.
Finally, based on our empirical data and by borrowing other theories of corporate governance, we look for explanations for this important modification of co-operative practice and the consequences for their capital base.

References:


