

# COOPERATIVES IN TRANSITION FACING CRISIS

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# CONFERENCE PROCEEDINGS

## Spatial and regional development as a component of sustainable cooperative business models

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**Abstract** - This article deals with the role of cooperatives with regard to spatial and regional development. We point out that cooperative business models are not limited to economic value creation but focus on the needs-based interests of their members. Cooperatives took up the issue of sustainability early on and incorporated it at least as an implicit part of their corporate strategy. It is not uncommon for cooperatives to create and maintain networks and infrastructures, strengthen the region, and thus promote sustainable development locally and provide small answers to large, global problems.

**Keywords:** cooperatives, regional development, infrastructures, networks, sustainability, business models

### 1. Introduction

In view of current global trends, sustainability is one of the most important requirements of entrepreneurial action in the 21st century. Against this background, companies must successively adapt their business models. We argue that a sustainable business takes into account social and ecological aspects in addition to economic ones. In light of this, cooperative business models have the potential to be characterized as sustainable from economic, social and ecological perspectives. The core of a cooperative business model is fundamentally different from other commercial enterprises and leaves cooperatives as regionally bound answers to global problems in a globalizing world.

Based on both a theoretically and a methodologically relational framework, we argue that cooperatives are able to (1) alter the social structures (i.e. social, economic and physical infrastructures) within which members are situated, whereby they (2) enhance the capacity and ability of members to take action. In this regard, spatial and regional development through cooperatives means a transformation of latent to manifest networks, enabling participants to realize gains from social capital to safeguard, control and/or innovate regional infrastructures. Therefore, the transformative potential of cooperatives is twofold: On the one hand, cooperatives improve and secure the socio-economic situation of their members, thereby fostering their abilities and opportunities to act as autonomous/sovereign participants in both economy and society. On the other hand, cooperatives expand the horizons of imaginable futures by providing local, small-scale solutions to overarching problems.

We aim to show that cooperatives not only *operate* within but also actively *shape* the region. Therefore, regional development is an integral part of the (sustainable) cooperative business model, insofar as it ensures long-term member support through viable business operations. It is also part of its corporate responsibility to actively include regional development as part of its business policy (i.e., corporate regional responsibility) and thus to create benefits for members, the cooperative's business operations, and the region.

While the aim is to establish references to international discourses and the fundamental principles of the International Co-operative Alliance (ICA), we mainly draw conclusions from

discourses from the German-speaking area due to legal form-specific country differences of cooperatives. In the following, we will outline a relational framework for analyzing cooperative regional development and discuss which understanding we have of (relational) infrastructures, which forms the basis of the discussion of cooperative business models as sustainable business models and, in this context, the role of infrastructures and networks.

## 2. Cooperative spatial and regional development

According to the ICA's 7<sup>th</sup> Principle, "Cooperatives work for the sustainable development of their communities through policies approved by their members" [1]. While the Guidance Notes on the Co-operative Principles offer sufficient information about sustainable development in terms of social, economic and ecological sustainability and on the normative obligation of cooperatives to adhere to them, open questions remain. Before dealing with these, we will outline a relational framework for analyzing cooperative regional development, which then will provide the background against which the question of how cooperatives can reasonably include spatial and regional development into their business models can be addressed.

The framework presented here draws on two major sources. First, we refer to the concept of relational sociology as put forward most prominently by Emirbayer [2]. Second, we draw from a relational methodology developed by Bathelt and Glückler [3–6] over the past 20 years in economic geography. We believe that both perspectives are not only complementary in their use of network analysis and theory, but also indicative of what has been called the spatial turn in social sciences [7, 8]. These relational approaches are especially suitable to analyze cooperatives because they focus attention on the social relations between members and the social spaces brought about by these same relations. The basic idea behind this is simple: By virtue of membership, cooperatives relate individuals that were formerly unrelated. These membership relations are not necessarily manifest in terms of actual exchange or trust relations but they are latent in the sense that they may potentially be transformed into manifest relations within which material or immaterial goods are exchanged, trust is built. The same holds true for relations on the meso-level of the cooperative enterprise or organization itself. Cooperatives are related to numerous collective actors from different spheres, i.e., with local authorities and other actors of civil society such as local sports clubs, other types of civic associations and so forth. As with the micro-level relations among members, these relations need not be manifest but may remain latent. Nonetheless, latent relations can, at least theoretically, be transformed into manifest ones. Thus, with the emergence of a cooperative in a region, there also emerge (at times highly) complex network structures. These network structures span social spaces that, in turn, delineate the boundaries of the operational environment for the cooperative enterprise and thereby the boundaries of a cooperative's responsibility. Or, to put it differently, the network structures define the cooperative's community in the sense of the ICA Guidance Notes. The community can then be described as a social space, formed by the relations among individual and collective actors. Therefore, we conceptualize regional development as spatial development.

### 2.1. (Selected) Empirical Evidence from across Europe

There is a vast body of literature on cooperative regional development that either address this topic explicitly or implicitly report developmental effects of cooperative action. From this wide range of papers, we present a small selection that gives insight into the main effects of cooperative activity on regional development.

From the point of view developed in the previous section, the transformation of latent to manifest networks is a necessary prerequisite for regional development: “Networking is needed in order to gain resources, to gather and distribute information, to deliver programs and to advance the support of key stakeholders” [9]. As Kustepeli et al. [10] have shown using network analysis on Turkish agricultural development cooperatives, cooperatives have the potential to be at the center of regional networks, in regions with low levels of infrastructure. This is congruent with the findings of Díaz-Foncela and Marcuello [11], who analyzed Spanish data on the emergence of cooperative and private enterprises in Spain between 1995 and 2009. Their analysis shows that, opposed to private enterprises, cooperatives emerge particularly in spaces with relatively low employment rates and unfavorable economic conditions more broadly. Moreover, their study shows that the creation of cooperatives is less dependent on population density than for non-cooperative enterprises, making cooperatives an especially well-suited form of economic action in rural areas with low population density and less economic activity. Lorendahl [12] further showed that community cooperatives in Sweden were able to stabilize the population in scarcely populated areas by creating new infrastructures, thereby making the area more attractive, and finally leading to population growth. In summary, the community cooperatives in Sweden created two major developmental effects: “Firstly, by creating jobs and income, making it possible for people to stay or move into the villages, thus strengthening the population base for the service institutions. [...] Secondly, by influencing municipal decision-makers, primarily the politicians. The community cooperative [...] rescued the local school this way” [12]. Jussila, Kotonen and Touminen [9] report similar findings for Finland. In line with the Spanish study mentioned above, the authors also point out that cooperative action is “particularly important in those areas where unemployment is a severe problem” [9]. Moreover, this study emphasizes the understanding of regional development as a key factor of cooperative’s business models: “[T]he CEOs interviewed in our study explain the decisions [to invest in the region; annotation by the authors] as rational. The co-operatives are entirely dependent of the economic welfare of the region, including the individual members as well as other economic actors. Thus, it would be unwise for co-operatives not to attempt to promote the wealth of the region and its economic actors via their businesses and other activities” [9]. The aforementioned Turkish study shows, besides the central position of cooperatives within the regional networks, that the quality of social relations is also altered by participation in cooperatives. They find that “members have more confidence in neighbors and village residents, and more importantly in other cooperative members” [10]. Through greater trust among members of the cooperatives, they could ask for help more easily than non-members in the same village, which the authors take as evidence for increased social capital, i.e., the ability to retain material or immaterial resources from networks. The importance of cooperative action to maintain, safeguard, create and/or innovate local infrastructures is also highlighted by Lang and Roessl [13], who investigated the governance of community cooperatives in Germany and Austria. Their findings in the Austrian case study support the conclusions from other European countries cited above. The creation of a community cooperative in Austria also saved “local workplaces that provide residents with vital services” [13]. Apart from the economic effects, they could also find “non-economic benefits, such as social belonging and recognition” (Lang and Roessl 2011: 720), which again gives evidence for the alteration in the quality of social relations through participation in cooperatives. Finally, Lang and Roessl point out the “crucial role of place as a frame of reference for co-operative activities”, meaning that regional development “requires a collective identification with an image of what the place should be” [13].

Following these depictions, we argue that cooperatives that transform latent to manifest relations cooperatives alter the objective network structure (i.e., the region) and the subjective quality of social relations. Thus, economic effects of cooperatives represent general conditions

that open up new scopes for personal and regional development and thus change "the horizon of what is feasible" [14] in the future. In the sense of their experimental function [15], they create spaces for experimentation, in which solutions to current and future problems can then be developed. Cooperatives that already exist in a region are well-advised to promote this development, as they will benefit from it in the long run.

## 2.2. Cooperative investment into infrastructures

Infrastructures are characterized by the fact that individuals are dependent on them, but can hardly create them by themselves. They are "dense social, material, aesthetic, and political formations that are critical both to differentiated experiences of everyday life and to expectations of the future" [16], "an integral and intimate part of daily social life [...] [and they] shape the rhythms and striations of social life" [16]. Furthermore, infrastructures "shape each other and together configure multiple pathways of change" [17] and "have what seems to be a distinctive part to play in configuring, prefiguring and multiply enabling many different practices and relations between them" [18]. As indicated, the concept and role of infrastructure are defined differently in different contexts. However, all applications are permanent facilities that form the basis for citizens' use of freedom [19]. In many cases, a reference is made to services of general interest at the local and regional level. Demographic change, in particular, poses major challenges for services of general interest, especially for services in peripheral, sparsely populated areas and those undergoing significant structural change. There, too, an adequate range of services must be provided for fewer and fewer customers, and this will not succeed without new forms of organization involving the citizens concerned. One proven form of citizen participation is the cooperative. Cooperatives are capable of creating and maintaining local and regional infrastructures, upgrading locations and living spaces, securing economic and monetary cycles, and generally stabilizing their environment in economic and social terms [19–21].

Particularly in rural areas, where demographic change and migration are leading to supply problems in many communities and regions, social needs arise that are not being adequately met. There is an acute need for action here. Against this backdrop, affected citizens in numerous communities and regions are joining forces to provide appropriate services in a self-organized manner. The business models are as varied as the needs: social cooperatives in the care sector as dementia communities, palliative and senior citizens' cooperatives, but also children's stores and One World Shops, in the cultural sector as art-house cinemas, community centers, theater and museum cooperatives, and in the area of local and regional development as district cooperatives, city marketing cooperatives, broadband cooperatives, citizens' buses, swimming pools and other sports facilities, inns and village stores. In many cases, private companies and municipal facilities that would otherwise be liquidated or could no longer be financed are continued [19–21].

Cooperatives are basically founded with the intention of being able to act more economically through joint action than through individual action. In economic terms, cooperatives are instruments of economization. Economization generally refers to all measures which, by applying the principle of economic efficiency, lead to an economically expedient organization of enterprises. Profitability is a principle that is of great importance in all types of companies. It refers to the basic principle of efficient use of resources that applies to every company. Ideally, all cooperative activities, i.e. also and in particular the measures to increase or pay greater attention to economic efficiency, serve the goal of providing the best possible support for members. Cooperative economization means nothing other than intensifying support by increasing its profitability [22].

The vast majority of social cooperatives serve to maintain local and regional infrastructures in terms of local and regional services of general interest and thus contribute to social and territorial cohesion [21]. The fact that cooperatives satisfy not only economic but also social needs found its way into the German Cooperatives Act with the amendment in 2006. Since then, social and cultural promotion concerns have been explicitly mentioned there in addition to economic ones [23]. Until then, social and cultural objectives were permitted by cooperatives as a so-called secondary purpose [20]. However, social cooperatives are not an independent legal form, but registered cooperatives with a social purpose according to the Cooperatives Act, which they follow as economic enterprises [24].

Infrastructure cooperatives, which can pursue both primarily economic and/or social purposes, serve both to maintain and control existing structures and to build new ones. The latter are the actually significant potentials of this type of cooperative. Here, social innovation leads to social intervention in the sense of the common good. Intervention here means that social and territorial cohesion is to be maintained or promoted through the infrastructure cooperative in a particular field. This is a purpose from which the members benefit directly since the social framework conditions for their development are improved. At the same time, however, similar positive effects are also associated for third parties. All in all, infrastructure cooperatives create opportunities for sustainable civic participation, which must, however, be based on the corresponding willingness of citizens to commit themselves to the common good [25, 26].

In summary, infrastructure cooperatives can ideally be divided into three groups based on their (social) impact: (1) those of safeguarding (the existence of a (public) institution that can no longer be financed), (2) those of control (aimed at maintaining or assuming control over an area of general interest in order to avoid dependence on private service providers) and (3) those of innovation/intervention (in which innovative design and business models lead to social intervention) [21]. We argue that an innovative character can also be attributed to the first two types since they not only attract people who are willing to cooperate but also exemplify successful democracy and cooperation.

### 2.3. Cooperative investment into networks

As aforementioned, neither networks nor infrastructures emerge on their own but need to be initiated and founded, and they need to be maintained and filled with life on an ongoing basis. It is therefore not without reason that functioning network management is considered an important prerequisite for the success of a network. In practical terms, the question is how regional networks come into being, under what circumstances they are founded, which actors initiate them and in what way existing networks are made workable and successfully shaped.

In light of the theoretical background outlined above, we argue that cooperatives are particularly suitable actors to initiate, found and maintain regional networks. The capacity to initiate networks stems from the latent relations that emerge through membership in cooperatives. Therefore, Bachinger [14] speaks of regions as latent network-pools. Latent network-pools are “characterized by a number of potential stakeholders who are spatially or technically, cognitively or culturally close to each other, know about each other and share a basic level of common orientation” [27]. Regional development in terms of networks then means the transformation of latent network-pools to manifest or activated networks. This transformation rests on four prerequisites:

- 1) Relationship specific investments

- 2) Development of shared learning routines
- 3) Exchange of complementary resources
- 4) Development of appropriate network governance [28].

Especially the first and fourth prerequisites are important in the context of cooperatives. Relationship-specific investments are understood by Bachinger and Pechlaner [28] as investments in specialization along the value chains of corporate actors within the network. Essential for these investments is trust among the participants so they can be sure not to be cheated by others. As has been indicated [10], cooperatives foster trust among their members. Thus, relationship-specific investments can be made more easily in a cooperative environment. The development of appropriate network governance especially means polycentric governance, since regional networks are networks of autonomous actors, i.e., decisions are made between equal partners. Cooperatives usually have more experience in polycentric governance processes than their capitalist counterparts, since most often operate within cooperative networks (Genossenschaftsverbände in Germany) [14, 29].

The initiation and foundation of activated networks need investments that cooperatives are suitable to make, thereby creating benefits (namely in efficiency and effectiveness as well as innovation [28] for themselves and the network participants.

### 3. Sustainable cooperative business models

#### 3.1. Business Models and Sustainable Business Models

Before we can elaborate on regional development as an important part of the (sustainable) cooperative business model, we would first like to sketch out what constitutes a business model in general and a sustainable business model in particular. The business model concept has been gaining attention in science and practice for some time. Even though there has been a lack of both a universally valid conceptual foundation and a uniform definition [30–32], the term in its classical understanding is commonly understood as a conglomeration of thoughts that in essence aim to map and capture the core logic of a business in order to show how a business functions and generates value [30, 33]. Against this background, Henry Chesbrough and Richard S. Rosenbloom assign six functions to the classic business model: A business model, they write, articulates (1) the *value proposition*, identifies (2) *key market segments* and defines (3) the structure of the *value chain*, while also including in its consideration the assets relevant to fulfilling the value proposition. It also estimates (4) the *cost and profit structure*, describes the position of the business within (5) the *value network* by ensuring positioning vis-à-vis suppliers, customers and potential competitors through a holistic view, and finally formulates (6) the *competitive strategy* to achieve competitive advantage [34, 35]. In other words, it is about creating, capturing and generating value, new market opportunities and revenue streams [36]. Value generation is at the heart of the classic business model, which therefore generally has an economic focus.

What distinguishes a sustainable business model from a business model in the classical sense? Before we can answer this question, we must first clarify what we mean by *sustainability*. First of all, it should be noted that sustainability was defined by the Brundtland Commission as „development that meets the needs of the present without comprising the ability of future generations to meet their own needs“ [37]. In more recent discussions, the debate, which was rather limited to ecological issues, has been expanded to include economic and social dimensions. Therefore, sustainable management includes the objective of generating value in all three dimensions. Since the financial crisis in 2007, this lens has been increasingly applied

to the company level and is no longer limited to the macroeconomic perspective alone [38]. In the context of the business model, the literature with regard to the question of a sustainable business model refers above all to a changed way of doing business that involves not only the customer but also other stakeholders in the value generation process. Lidiane Cássia Comin and her co-authors speak of a „stakeholder- interaction approach“ [36]. From a sustainability-oriented perspective, it is no longer a matter of limiting value generation to the economic variant alone, but also of integrating social and ecological aspects into one's business model and thus enabling a holistic understanding of value and value generation. The sustainable business model therefore also takes into account the interests of other stakeholders and is not limited to shareholder interests alone [39]. To summarize: The orientation of a business model is no longer solely about economic aspects. Ecological and social perspectives also play an eminently important role in sustainable business models. With Klaus-Michael Ahrend, we can therefore conclude that a sustainable business model should be understood as a representation of the core logic of a company that takes into account not only economic but also social and ecological aspects [40]. In addition, sustainable business models take a stakeholder approach, which is significantly different from an approach that specializes solely in shareholder interests.

### 3.2. Cooperative Business Models as Sustainable Business Models

Against this background, it can first be stated that the core logic of a cooperative business model is diametrically different from that of a classic business model on which commercial enterprises are generally based. The first important point of reference for the specificity of the cooperative business model is its ownership. Cooperatives are not owned by shareholders or investors, but by their members [1, 41]. In a cooperative, households and businesses join together on a voluntary basis with the motivation to achieve certain goals that they can achieve better together than alone [42]. Households or businesses that become members of a cooperative shift individual functions to the jointly supported and founded cooperative business enterprise, which supports its members through direct benefits [43]. Cooperative business enterprises and their business models are thus directed towards the promotion of their members and are to be understood as instruments of economization [22, 42]. The assumption of certain operational functions forms the core, the practical design of the cooperative business model [44]. Profit generation is not the focus of economic interaction, but rather the altruistic promotion of members. The capital generated is a means to an end and serves to promote the members [1, 38]. This shifts the focus of the cooperative business model compared to a traditional business model. The core logic of a cooperative business operation is demand-driven and aims to promote its members with real services [45]. This is the guiding maxim of the cooperative and its primary objective, which is also reflected in the framework of the cooperative business model. This objective is secured by the cooperative's grassroots democratic orientation [1]. In the ideal-typical sense, the members steer the cooperative and thus preserve the member-oriented focus of the cooperative business model by balancing the different, sometimes diverging interests of the members [41].

Cooperatives are always to be understood as a *permanently established association*. They are neither project-related nor limited in time, but of a long-term and thus indefinite nature. Membership embodies a partnership designed for the long term. The promotion mandate as the primary goal of the cooperative is a permanent mandate with no time limit [46]. It is explicitly not about realizing short-term profit maximization, but about ensuring long-term, intergenerational member support. Thus, the strategic orientation of the cooperative is, by its very nature, geared towards economic sustainability. The promotion of future generations is a natural part of the corporate strategy and the competitive strategy - and thus an important part of the cooperative business model. The cooperative business model is designed for the long



term. The target system of a cooperative is also supplemented, in addition to the promotion of members as the highest guiding maxim, by the fact that this promotion of members must be granted in the long term [47].

The primary recipients of cooperative services are the members. In the sense of Henry Chesbrough, they are the most important market segment. The membership of a cooperative, which is its most important reference group, is generally made up of households or businesses from the region. It can be concluded from this that cooperation with households and businesses within a regional catchment area forms the core of any ideal-typical cooperative business model [44]. With a view to regional development, this is a particularly important starting point, because it is not uncommon for the value chain of cooperative business operations and the value creation network in which the cooperative interacts to be concentrated primarily in its region. As the ICA already states, they are firmly anchored in their region [1]. The region is therefore an eminently important stakeholder of the cooperative. This assessment is reinforced by the fact that their stakeholders often have multiple roles. As service recipients, they are users or customers, suppliers or employees, but at the same time, they are also co-owners of the cooperative community. Monique Leroux recognizes a natural congruence between different interest groups, which is why the cooperative business model generally follows a stakeholder approach [41]. With regard to a sustainable business model, this is an important point of reference, because, as mentioned at the beginning, a sustainable business model does not follow shareholder interests alone, but considers the needs of all stakeholders. Cooperative business models have always cultivated such an approach. It is essential for their successful economic activity.

From these explanations, it can be concluded that cooperatives and their business models must be understood as sustainable constructs by their very constitution. They primarily pursue the long-term interests and goals of their members and are designed to satisfy the needs of their members through tangible support services. From an *economic perspective*, they are therefore traditionally considered sustainable. Long-term, cross-generational promotion of members is the ultimate goal of a cooperative business operation and its business model [46]. While cooperatives have to act in a market-oriented way for reasons of survival, their main purpose is the (altruistic) promotion of their members. In other words, the dual obligation of cooperatives is to ensure market success as a means to achieve the promotion of their members [48, 49]. Through the composition of their ownership, which generally consists of households or companies from the region, cooperative business models also have an impact on the region. In this context, the jointly operated cooperative business functions as an instrument of the members and implements the mission of funding. In doing so, it operates predominantly in the spatial and regional economy and proves to be an extremely crisis-resistant construct that harbors the potential to activate local resources and drive regional development [38, 50]. This is also where regional network building can be located as a central element of regional development: cooperatives connect people and businesses within a region that would otherwise not be connected. As has just been explained, the establishment of a cooperative creates highly complex network structures that define the social spaces for which cooperatives, as stakeholder-oriented actors, are responsible and towards whose benefit the cooperative business model aims. Moreover, cooperatives and their business models can also have a sustainable impact from an *ecological perspective*. Ecological responsibility is therefore not only firmly anchored in the international statutes of the cooperative movement and should be understood as an important guiding maxim [1]. Cooperatives as instruments of economization also offer people the opportunity to gather and coordinate with their ecological concerns through their exceptional business model. There are many examples of regionally oriented sustainable energy supply through energy cooperatives or of sustainable agriculture through agricultural cooperatives.

They are empirical evidence of how cooperatives and their traditional sustainable business models can be used as a response to ecological challenges. Moreover, the *social dimension* of sustainability, which can be covered by cooperatives, should not be ignored. In this context, Werner Wilhelm Engelhardt as well as Frank Schulz-Nieswandt classify cooperatives as distinct social policy actors that - in contrast to top-down state-led policy - can pursue bottom-up policies in the form of self-help organizations in private ownership [51, 52]. The characteristics of the cooperative and its business model make them extremely suitable instruments for people willing and in need of cooperation by helping them to generate social capital. In this respect, cooperatives are, from an individual economic perspective, first and foremost a corporate social entity. But they are also to be understood as a regional concept of embedded network formation [53]. Also at this point, with regard to the closely meshed network that a cooperative can offer, it is possible to point out the potential of a cooperative to create network structures and thus exert a positive influence on regional development. Concerning the social dimension of sustainability, cooperatives in practice often appear as explicit *social cooperatives* whose work focuses on the social concerns of their members. Here, too, references can be drawn to regional development, especially in structurally weak regions, in that cooperatives, as instruments of their members, can create networks and often provide social infrastructures that are not provided by market or state and that an individual could not generate on his or her own.

It can be stated that, by virtue of their tradition alone, cooperatives do not limit themselves to the focal points of the classic business model and thus to short-term shareholder interests. Rather, they pursue long-term member support, and their business model is accordingly geared to economically sustainable management. As instruments of economization for their members, they also enable the satisfaction of their members' needs, which also find an important possibility of realization in the cooperative in the case of ecological or social concerns. The provision of social or economic infrastructure, which an individual cannot provide or create, is to be mentioned as an important point of reference for regional development. Thus, by their very nature, cooperatives generate network structures at both the micro- and meso-level, always developing their impact in the region.

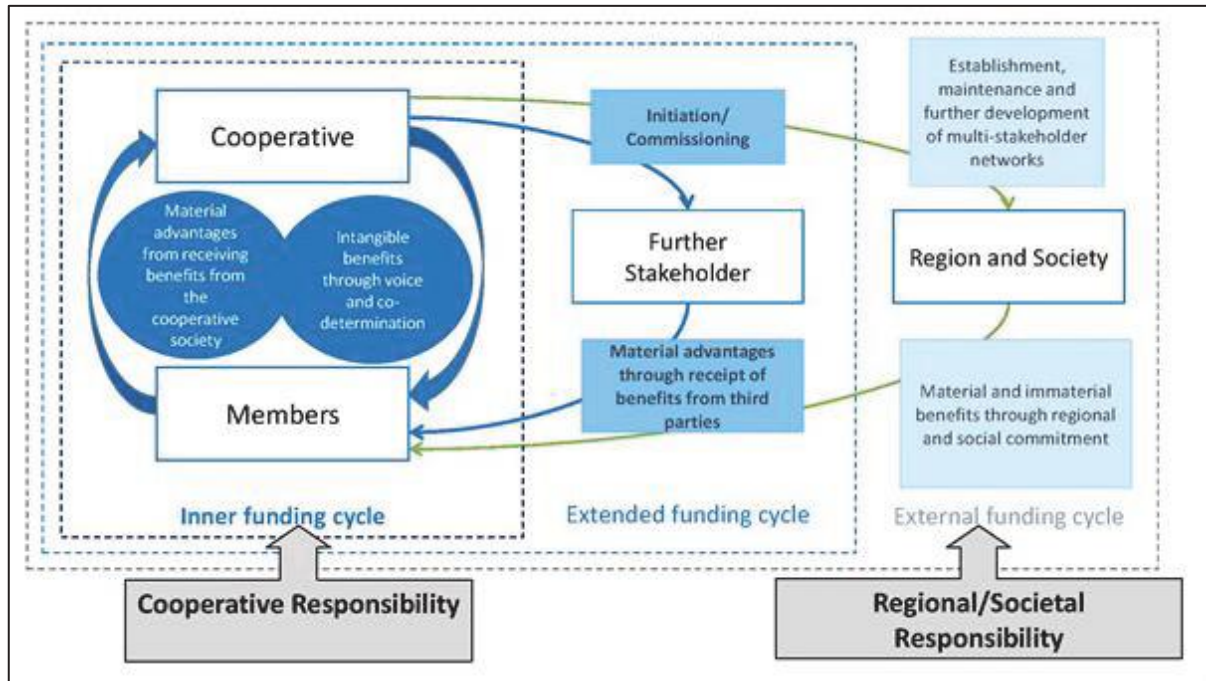
#### **4. Cooperative Regional Responsibility**

Cooperatives and their business models are obliged to serve their member's needs and interests. It is, therefore, their first and foremost responsibility to secure member's benefits in the long run, i.e. sustainably. To do so, they most often need to establish relations with stakeholders outside the cooperative, which usually are located in spatial proximity to the cooperative and its members. Accordingly, three major stakeholder groups can be identified: The members, further stakeholders outside of the group of members and the region (the regional network) itself. All three groups are of significant relevance for a functioning cooperative business model that is expected to fulfill its ultimate goal of sustainable support for its members.

To analyze the complex relations between these stakeholders and to incorporate this nexus into cooperative business models, we introduce a threefold model of funding cycles (see Fig. 1). The first cycle, the inner funding cycle, depicts the cooperative's responsibility towards its members. The value and benefits created within this inner cycle are contingent upon inputs from external stakeholders. It is the cooperative's responsibility towards these stakeholders to ensure mutual benefits to safeguard the long-term funding for their members (extended funding cycle). In a third step, the cooperative needs to reflect the economic, ecologic and social conditions under which it must operate as well as the external stakeholders (external funding cycle). In terms of securing their ability to bring about benefits for their members, cooperatives

should make investments into these conditions, i.e. in crucial infrastructures. For this purpose, they can make use of the latent relations to other stakeholders to induce cooperative efforts to create, maintain or safeguard these infrastructures in concert.

Fig. 1: The cooperative funding cycle



As has been outlined above, cooperatives often bring about economic, ecologic and social benefits not only for their members but for all residents within one region. Very often these benefits are realized ‘by accident’. Incorporating regional development into the cooperative business model then means, to bring about these benefits on purpose in the sense of bottom-up processes of regional development.

## 5. Conclusion

Ultimately, it can be said that, by their very nature and disposition, cooperative business models do not limit their focus solely to the tasks of the traditional business model and thus to short-term economic value generation. Cooperatives are to be understood as instruments of economization that enable people to satisfy their needs-based economic interests for instance by providing infrastructures that benefit not only members but also non-members and the region as a whole. They also create regional network structures at the micro and meso-level through their emergence. Their business models are designed accordingly. With regard to this, cooperatives took up sustainability issues at an early stage and they have always formed an implicit part of their corporate strategy. It is not uncommon for cooperatives to strengthen their region in the process, thereby also promoting sustainable development locally and providing small answers to large, global problems.

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