Chapter 100
How to Measure Performance in Cooperatives?
A Multiple Case Study

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ABSTRACT

The cooperatives produce around 10% of Italian GDP. They should face two aims: the respect of the cooperative principles and their pursuit in line with the economic effectiveness principle. Cooperatives operate on the principles of the International Cooperative Alliance: one member-one vote, free and voluntary membership, and limited remuneration of the underwritten capital. In order to represent the social and the economic impact of the cooperatives actions, the evaluations of the outcome produced should bear in mind both dimensions above-mentioned. Unfortunately, no single performance measure is appropriate for all the purposes. The aim of the paper is to hypothesize a comprehensive evaluation model that allows to estimate the cooperative excellence. The emerging model will be made up of two parts representing the social and the economic excellence in turn divided in "internal" and "external" variables depending on the stakeholder considered. In the second part of the paper, the model will be tested on eight Italian cooperatives.

INTRODUCTION

Performance measurement is a tool to improve firms' efficiency and effectiveness. The aim of this chapter is to suggest a performance measurement model dedicated to a particular kind of not-for-profit organizations: the co-operatives.

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Generally speaking, not-for-profits entities have difficulty at staying clearly focused on their primary aim and at evaluating performance due to multiple and, at times, conflicting objectives. In co-operatives, members and donors have often far more diverse interests than shareholders in for-profit companies. The dimension of not-for-profit sector has increased in the last years. It includes a wide variety of organizations from charitable organizations, social service agencies, religious and fraternal organizations, health care societies and health organizations, educational organizations, environmental organizations, sports and recreational organizations, funding foundations, business and professional organizations, political parties, etc. Their purpose is to generate improvements in the lives of individuals and society as a whole. Some of these organizations may be considered as purely social impact-focused not-for-profit organizations, such as charities, while others may be primarily viewed as member-focused organizations, such as professional organizations. Co-operatives stay in the middle of these two options and deal every day with social and economic aims. In the last twenty years much attention has been devoted to developing performance measurement systems (PMS), which could encompass both non-financial and financial data. Several frameworks have been generated in order to allow companies to better evaluate their own performance by means of collected data. In the field of PMS, Kaplan and Norton (1992) published an article about the Balanced Scorecard. At that time, it was a new approach to strategic management. They recognized some of the weaknesses and vagueness of previous management approaches. The balanced scorecard approach provides a clear description as to what companies should measure in order to 'balance' their financial perspectives. Nevertheless few attempts have been made to provide public and non-profit organizations with PMS devoted explicitly for their needs (Micheli & Kennerley, 2005). The aim of the paper is to hypothesize a comprehensive evaluation model that allows to estimate the co-operative performance, starting from the concept of co-operative excellence following these research questions:

- How cooperatives should measure their performance?
- Is it possible to build a model usable for all cooperative industries?
- What are the results testing the model on some case studies?

The chapter is structured as follow: in the first paragraph embrace the literature about performance measurement and the definition of the cooperative world, highlighting the specific features of cooperative companies and a proposal for their definition of excellence. The nit has been described the methodology adopted in this work: a multiple case study. In the third paragraph the findings on eight cooperative firms has been described and at the end of the chapter the last paragraph draws the conclusions and future research directions.

BACKGROUND

Starting from different theories of the firm that define the main concepts of the organizations and their objectives, the measures of performance seem to be many and varied (Koenig, 1998). Actually, although many researchers have focused on defining it precisely for several decades, the firm's performance has always been an ambiguous concept that has rarely been explicitly defined. Often associated with pure financial logic, in which efficiency is defined as the ability to make a profit with the minimum use of resources possible, the performance is therefore based on indicators ranging from the overall profitability (results / revenues), return on equity (result / owners' equity) or cash flow.