

CHANGE IN CO-OPERATIVE ORGANISATIONS: THE CASE OF GREEK PHARMACEUTICAL CO-OPERATIVES

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ABSTRACT

This thesis investigates *how* change unfolds in a certain type of retailer-owned co-operatives; the pharmaceutical co-operatives in Greece. Previous works have identified the type of changes (*'what'*) that occurred in (mostly, agricultural) co-operatives and explained them through the “structural inefficiencies” of the organizational form (*'why'*). Within this framework, change will inevitably lead from a *member-patron* co-operative model to a *member-investor* model. That dominant theoretical trend seems ill-suited to explaining change in complex organizations of hybrid nature like co-operatives (i.e. a business firm *and* a civil association). Therefore, the aim of this study is to re-examine the prevailing patterns of change in the co-operative organizations by observing the change process in a fundamental different way. For this reason, it employs a constructivist conceptual framework that it is based on the insights of the theory of autopoietic, self-referential social systems (Social Systems Theory).

Following a qualitative research design and using empirical data derived from the study of three cases in Greek pharmaceutical wholesale sector, which have experienced radical changes in their traditional co-operative form, and the contribution of a key-informant, the research reveals an ambiguous situation: although changes have brought the co-operatives closer to the demands of the current business environment and to the operation of an investor-owned firm, the organizations perceive those changes as if they have left their co-operative nature unaltered.

The outcome of thesis departs significantly from the conventional thinking about change in co-operatives. Change is not an inevitable route to the gradual demutualization of the co-operative. Instead, it is a part of the autopoietic process in which the communicative *construct* of ‘member-patron’ guides and orients relevant decisions and processes meaning necessary for the reproduction of the organization. Hence, decisions about change must primarily take into account the particularity of

the co-operative organization (i.e. user-owned, user-controlled and user-benefited organization).

Keywords: Co-operatives, Change, Social Systems Theory, Pharmaceutical Sector, Greece

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ABBREVIATIONS

EFPIA	<i>European Federation of Pharmaceutical Industries and Associations</i>
EU	<i>European Union</i>
GIRP	<i>The European Association of Pharmaceutical Full-line Wholesalers (Groupement International de la Repartition Pharmaceutique)</i>
ICA	<i>International Co-operative Alliance</i>
IOF	<i>Investor-Owned Firms</i>
LLC	<i>Limited Liability Company</i>
OSFE	<i>Greek Federation of Pharmaceutical Co-operatives</i>
PLC	<i>Public Limited Company</i>
SMEs	<i>Small and Medium-sized Enterprises</i>
SST	<i>Social Systems Theory</i>

CHAPTER ONE**INTRODUCTION**

“The following considerations assume that there are systems”

N. Luhmann

1.1 AREA OF RESEARCH

The thesis studies the phenomenon of *change* in *co-operatives*. Co-operative organization is a particular form of organization. Its particularity lies in the fact that it is established voluntarily by persons who try to meet their common needs through a jointly-owned and democratically-controlled enterprise which operates on the basis of reciprocity. Hence, it is characterized by an inherent duality: a business organization and at the same time an association of civil members. Co-operatives are a long-lasting organizational form whose origins go back to the beginning of the 19th century. Despite their old age, the core values and principles of their existence and operation have remained hardly changed until today. They escaped historic political, economic and societal changes and today they operate in a broad range of industries (agriculture, banking, retail, wholesale, manufacturing, housing, mutuals, social services, etc.) around the globe. It is estimated that approximately one billion people are globally related in one way or another to the co-operatives and more than 100 million jobs refer to them. Reasonably, it is widely acknowledged that they occupy the central position in the fast growing third sector of the economy (Social Economy):

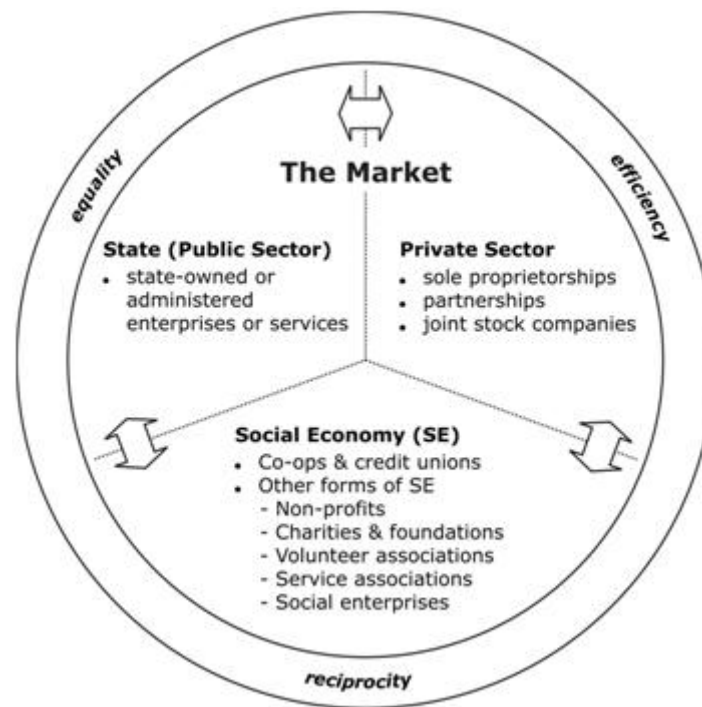


Figure 1.1: Three sectors of economy¹

Business organizations are working within a hyper-complex, continuously transforming environment which sometimes seems to operate in the edge of chaos. Especially, after the ignition of the globalization process, almost 20 years ago, the concept of change has become dominant in the discourse concerning the organizations. As a result of both growing external pressures and internal challenges, organizations are experiencing an unprecedented level of changes. A wave of organizational restructuring and business reengineering hits most of the organizations and institutions worldwide. The financial and debt crisis of 2008 seems to fuel the relative discourse and vests the demand of change with a veil of grave necessity.

Co-operatives could not escape the above trend. They experience a heavy pressure for changes, particularly in the developed countries. A rapid organizational restructuring is observed which is ascribed to an effort of adjustment to a constantly shifting environment. However, the dual nature of the co-operative organization increases the degree of contingency in the change process and adds new challenges to the organization, comparing with other forms of business organization. On the

¹ Figure adopted from: <http://www.socialeconomy-bcalberta.ca/social-economy/>

one hand, co-operatives, as a particular form of organization, have generally proved their viability and capabilities in various industries and regions; even amid the last threatening crisis. On the other hand, as existing firms, they struggle to survive and adapt new market conditions by means of organizational change.

The long-term outcome and general characteristics of change process in co-operatives potentially affect millions of people and large parts of the world economy. They may also define or question the distinctiveness of this organizational form. The importance of the issues at stake as well as my professional engagement with the co-operatives as a top executive for 15 years, determined the subject of the present thesis as a study of organizational change in co-operative firms. The thesis is trying to contribute alternative insights in the field of organizational studies regarding co-operatives by examining the changes that certain co-operative firms have experienced.

Moreover, within the vast co-operative universe, little attention has been paid to non-agricultural co-operatives and especially the retailer-owned ones; namely, co-operatives which are established by a group of independent retailers (groceries, hardware stores, pharmacies, bakeries, etc.) who band together and create a wholesale unit. This fact occurs despite their strong presence in certain retail sectors (e.g. pharmaceuticals, groceries) in many countries. In Greece, particularly, the research on retailer-owned co-operatives is inversely proportional to their size in some sectors (e.g. 52% of pharmaceutical wholesale trade); only rare and dispersed reports exist. The bulk of research refers to agricultural co-operatives (and much less to co-operative banks). Therefore, the present thesis not only is oriented to the study of change in co-operative organizations but also focuses on the less-explored field of retailer-owned co-operatives in a country of the European South - Greece - with undeveloped research in the field.

1.2 PREVIOUS RESEARCH

Research on co-operatives is not as extended as their vitality and their real size and importance for certain sectors of the economy imply. However, the restructuring trend that many of them follow in the last twenty years in the developed world has attracted the interest of researchers; especially from an economic-led perspective. The discourse about change is closely linked to another discourse concerning the co-operative organization per se; that of the structural problems inherent to the organizational form. For many scholars, the problems reveal a structural inefficiency of the co-operative organization (Vitaliano, 1983; Porter & Scully, 1987; Cook, 1995; Fulton, 1995; Bekkum & Dijk, 1997; Harte, 1997; Cook & Iliopoulos, 1999; Nilsson, 2001; Bruque & Moyano, 2007). Hence, change appears as a normal reaction of the organization in its struggle to survive by removing structural barriers and outdated features of its traditional form (Williamson, 1987; Kaplan de Drimer, 1997; Nilsson, 1999; van Bekkum & van Dijk, 1997; Chaddad & Cook, 2002, 2003, 2004; Richards & Manfredo, 2003; Kyriakopoulos, Meulenbergh, & Nilsson, 2004). According to this research trend, change will inevitably lead the co-operatives to an organizational model closer to that of the investor-owned firm (IOF) and consequently will distance them from the traditional model (van Bekkum & van Dijk 1997; Nilsson, 1999). It is actually a shift from a member-patron co-operative model to a member-investor model. In many relevant works, various typologies which mark this transition have been developed and the novel characteristics of the transitional models are described and explained. Of course, there are other scholars who deny the above evolution or they are skeptical about the capability of economic-led explanations to fully describe the organizational change in co-operatives. The proponents of this opposite trend insist on the importance of non-economic factors such as, trust, commitment, sense of belonging, etc., which are related to the other part of co-operatives' duality: the social. However, one could argue that the former research attitude is more coherent, more extensive and refer to plenty of empirical evidence. Therefore, it occupies a dominant position in the literature regarding change in co-operatives.

Unavoidably, the discussion about change in co-operatives meets the general scientific discussion about change in organizations. The relevant literature is enormous and practically inexhaustible. This study chose to focus on encompassing typologies and dichotomies that have been introduced by a significant number of organizational researchers. The most important of them is the distinction between *equilibrium-based theories* and *complexity or process-based theories*. The former favours a model of change which is linear, sequential, planned, controllable and manageable, adaptive to environment while puts the emphasis on the organization as a social entity or structure - a “thing” or a “noun”. The latter implies a model of change which is a non-linear ongoing process, pervasive and indivisible that cannot be fully planned or controlled and its outcomes cannot be intentionally produced or predicted, while the pattern of response to environment depends on an organization’s self-understanding. It puts the emphasis on organizing instead of the organization, on the “process” or the “verb”, as organizations is considered dynamic self-organizing systems which are constantly changing.

One can easily assume that the dominant research trend about change in co-operatives lies mostly on the side of the former model of organizational change. Co-operatives, because of their structural inefficiencies and maladjustment to current business environment, are forced to follow a restructuring pattern which implies a one-way route from the traditional model to different entrepreneurial models. This is actually a planned, irrevocable, linear and adaptive process with a predicted outcome: distancing the co-operative organization from its long-lasting traditional form. The most known features of this process are a series of relaxations of the traditional principles of co-operatives which lead to the adoption of elements of conventional business organizations’ strategies: capital acquisition policies, member-investors, establishment of subsidiaries, differential policies among members, passing from equal to equitable treatment of members, closed membership and tradable rights, mergers and acquisitions, outside investors, etc.).

1.3 THE RESEARCH PROBLEM

A critical examination of the literature regarding change in co-operatives reveals a main research gap which indicates a relevant research problem: most studies fail to treat a co-operative as a hybrid organization – namely, a business firm and at the same time a civil association. The dominant trend treats the co-operative as another investor, though peculiar, business form. A series of changes is identified and explanations about the reasons that lead to them are given (mostly related to structural inefficiencies of the co-operatives and radical changes in their business environment). In other words, research questions about ‘what’ and ‘why’ regarding change are usually answered. Even the opposite trend, which emphasizes the members’ society aspect of co-operative nature, questions the dominant assumptions by assigning them mostly to ideological or political prejudice (hence, answering ‘why’ questions once more). The evolution of change in complex organizations of hybrid nature cannot be described and explained fully unless questions about ‘how’ change occurs are addressed, as well. A secondary gap also rests on the fact that the vast majority of studies are focused on change in agricultural co-operatives to the neglect of other co-operative types. The effort for formulating an overall theory of change in co-operative organizations should seriously take into account change in non-agricultural co-operatives, too.

The issue of change in co-operatives must be also linked to the scientific discussion about organizational change in general. As it was stated in the previous section, the dominant trend in research in co-operatives follows the traditional modernist theories (equilibrium-based). However, these theories are heavily questioned by recent processual or complexity theories because of their alleged incapability to have a holistic approach in phenomenon of change. Moreover, I have developed similar considerations during my professional career. From my position as a top executive in co-operatives for more than 15 years, I have participated in or personally implemented a number of change projects. At the beginning of my career and because of my previous positivist education, I was confident about the planned, measurable, linear and adaptive character of change. However, confronted with side

effects, unforeseeable developments, unintentional situations and curvy paths of change process, I started to realize the complexity of organizational phenomena. Therefore, I adopted a more cautious stance against oversimplifications regarding organizational change and became aware of the limitations of conventional assumptions. This profession-led experience functioned as an, additional to the theoretical, motive for a critical orientation of this research in order to fill in the relative gap in studies of change in co-operatives. Furthermore, from a thorough examination of organizational change literature, a need to overcome the strict distinction between theories that prioritize 'structure' and theories that prioritize 'process' is emerged. This is actually a call for a more encompassing and hence, fruitful observation of organizational phenomena which acknowledges a recursive relation between structure and process (e.g. Nutt, 2003; Hernes & Bakken, 2003). *Recursivity* remains a less explored topic in organizational studies, as well. The same is true for studies that try to attenuate the overwhelming role that is assigned to human and environmental factors in research regarding organizational change.

Therefore, the initial research problem – exploring *how* changes occur in the co-operatives – should be also framed within a critical stance against conventional notions of change and the acknowledgement of the latter requirements described above.

1.4 THE PRESENT RESEARCH

Taking into account the abovementioned research gaps and less explored topics in the area of co-operative studies as well as those of organizational change, the main aim of the present research is:

To re-examine the established and existing patterns of change in the co-operative organizations by observing the change process in a fundamental different way.

This intention formulates the main question that underlies the research:

How does change unfold in the co-operative organization?

This study is an effort to re-orient research from observations of *first-order* (*what* kind of changes and *for what* reasons occur) to an observation of *second-order* (*how* the co-operative organization copes with change). This implies a closer examination of the internal mode of change and the inner workings of the organization.

To achieve the above, a theoretical tool that satisfies the epistemological turn from *what/why* questions to *how* questions and at the same time carries the potential to handle with a recursive view on organizations, the inner complexity of organizations like the co-operatives and a secondary role of the environment and people, needs to be adopted. In this research, this role is assigned to *Social Systems Theory* (SST), as it was introduced by the German sociologist *Niklas Luhmann* (1927-1998). According to this theory, social systems (organizations, included) are *autopoietic systems* which means that the system produces and reproduces its components with the contribution of the very same components which it consists of. The basic element of reproduction in social systems is *communication*. Organizations (hence co-operatives), particularly, are social autopoietic systems which reproduce themselves on the basis of *decisions* (communications). Systems, in general, are coming into being only through an initial *distinction* between system and environment; there can be no system without its separation from its environment. SST is an obscure, self-referential, highly internally consistent, less-grounded in empirical evidence, constructivist (super)theory which carries important, though unexplored, properties in the examination of such organizational phenomenon, as change. The insights and assumptions of SST were taken seriously into account both in the design of the research and the analysis of findings.

The nature of the research questions ('*how*') and the epistemological aspects of SST (radical constructivism, second-order observation) as well as the fact that similar questions are still rare in the field of co-operative studies, led to the adoption of a *qualitative* research approach. The main objective of this choice is the in-depth analysis of the social phenomena and the extract of meaning out of data. To achieve this, a *multiple case study* research was conducted. Three Greek pharmaceutical co-operatives were pulled out of a sample of co-operatives which have similarly

experienced, during the last years, changes that distance them from the traditional model. For the identification of changes and the respective selection of cases, a new typology of changes were developed by combining typologies and contributions of many scholars who studied change in co-operatives in a first-order manner. The primary data were collected through *semi-structured interviews* which were conducted with members of Board of Directors and top executives of each co-operative (eight persons in total). Data from the examination of a *key-informant* outside the three co-operatives under study were also added in order to increase the construct validity. Data analysis was based on the *qualitative content analysis* of transcribed data based on the nine interviews. Through an intense *coding* process, large *categories* were shaped and *themes* were emerged which helped the analysis that followed. During the design and the conduct of the research, particular emphasis was given to quality issues and certain measures were taken to enhance the *trustworthiness* of the qualitative research. In a similar way, ethical issues were addressed according to Salford University's guidelines in order to protect the anonymity of the participants and their organizations in the research process.

The outcome of the research resulted from the systemization of findings coming from the raw material, their connection/confrontation with existing literature and the subsequent analysis through the lens of SST. The answer to the main research question ('*How does change unfold in the co-operative organization?*') is: Change is a part of the autopoietic process of the co-operative organization in which the *construct of 'members(-patrons)'* is used to guide and orient relevant decisions and process meaning necessary for the reproduction of the organization. The particular construct holds this ability as a constitutive element of the distinction co-operative/environment as well as an active element of co-operative's decision premises (structures) and inner workings (e.g. deparadoxification, processing of meaning). Thus, it conditions the decisions about change of the decision premises (organizational change). The above observation about change questions the conventional notions and assumptions regarding change in co-operatives as a linear route to investor-like organizational forms. Change is only linked to the production of meaningful communication within the organization; that is, communication about

patrons-members' *needs* and *interests*. Environmental demands are only interpreted through this process and assigned to change; they cannot impose change.

Besides the main contribution, the thesis contributes to a constructivist view on organizational phenomena connecting SST to empirical evidence and reflecting back to theory new suggestions regarding its organizational aspect; namely, a potential vertical extension of the social systems' type 'organizations' to sub-types of organizations according to the cognitive constructs they use in their intra-organizational communication. Finally, the thesis also contributes to the research of non-agricultural co-operatives in general and to the co-operative studies in Greece, particularly.

Practical implications of the thesis are noted for decision-makers in co-operatives as its outcome reveals 'hidden' aspects in the change process like the systemic role that communicative constructs play. Decisions or strategy about change cannot ignore that role without risking a potential demutualization or collapse of the co-operative organization.

Moreover, the present research endeavor opens up new or revitalizes existing issues for further research: the systemic function of communicative constructs, the handling of organizational paradoxes, the structural coupling between organization and its members; to name few.

1.5 STRUCTURE OF THE RESEARCH

The main body of the thesis consists of seven chapters:

Chapter One (Introduction) offers a short summary on topics that will be presented and discussed analytically in other parts of the thesis. More specifically, the area of the research is presented and previous works on this area are summarized. Then, the research problem is defined and the present research is introduced: aims and objectives, main research questions, issues on methodology, principal findings,

major contributions, practical implications and issues for further research are briefly announced.

Chapter Two (Subject and Area of the Research) offers a short presentation of the co-operative organization, at the beginning, followed by a special focus on the retailer-owned co-operatives and especially on a certain type of them, the pharmaceutical co-operatives. Then, a special reference to the Greek co-operatives (both generally and particularly to the retailer-owned and pharmaceutical ones) is given. Finally, major information regarding the pharmaceutical wholesaling sector, both in Europe and in Greece, where the subject of the research (pharmaceutical co-operatives) functions, is presented.

In *Chapter Three (Frame of Concepts)*, beginning with the more general concept, a part of the literature on organizational change is reviewed and some controversial topics are discussed. Then, the literature on co-operative organizations is reviewed and special attention is paid on the literature regarding change in those organizations. Theoretical controversies, research gaps and less-developed topics are identified and discussed. The outcome of this discussion is combined with that of the preceded review on change literature. The overall purpose is to present and frame the research problem within the field marked by the correlation of the two discussions. Then, the basic insights of Social Systems Theory are presented and its selection as theoretical framework of the thesis is justified by revealing its potentialities and capabilities to resolve the research problem. Finally, the aims and objectives of the study are stated and the research questions and assumptions are formulated.

In *Chapter Four (Research Methodology)*, the philosophical (ontological and epistemological) basis of the research and its connection to methodology is initially stated. Then, methodological selections, regarding how the research is conducted as well as approaches, principles, procedures and practices that govern it, are presented and analyzed. Moreover, issues on research quality and the measures that were taken to enhance the trustworthiness of the research project are discussed.

Measures to cope with ethical considerations regarding the research are also presented. Finally, limitations regarding the research methodology are indicated and explained.

Chapter Five (Findings) begins with the presentation of the three case studies and the thorough examination of the outcome of the coding process on the transcribed material of the interviews. A narrative of change for each case is formulated, supported by extracts from respondents' interviews. The findings are systemized and combined in order categories of data which share commonalities to be shaped. They are also combined with the findings deriving from the similar process on key-informants' transcribed material, for reasons of verification or clarification. Finally, even larger categories are shaped and certain patterns and threads are identified within and between them which constitute the main themes that will carry the underlying meaning on an interpretive level.

Chapter Six (Discussion), summarizes the undertaken research and proceeds to a further examination of the findings of previous chapter by connecting them to the literature. Points that reveal from this process, worth to be further analyzed, are discussed through the conceptual means of Social Systems Theory (SST). Finally, the systemic function of major constructions inside the organization (like the construct of 'members') is explained analytically and reflected back to theory.

In *Chapter Seven (Conclusions)*, the final conclusions that are drawn from the previous discussion are presented. Moreover, the major and supplementary contributions of the thesis to theory are set forth, as well as the implications of the research for practitioners (co-operative executives and stakeholders). At the end, limitations of the research are also discussed and recommendations for future research are suggested.

Finally, the seven chapters are followed by a *List of References* and extensive *Appendices*. The *List of References* contains only the works that are explicitly referred to in the thesis and not all the works that were read and used in order I, as a

researcher, to make sense of the theories, the concepts, the methodologies and the general scientific discourse. In *Appendices*, the bulk of the research material is shown: exploratory questionnaire, set of questions in semi-structured interviews, informational letter to respondents, participants' consent forms, interviews' transcribed (and translated) material, the coding process and formation of categories on transcribed material. It must be noted that for reasons of avoiding an extremely extensive length of Appendices chapter, the transcribed and translated material, as well as the coding process are presented in sample form (selection of one respondent from one case).

CHAPTER TWO**SUBJECT AND AREA OF THE RESEARCH**

“The only thing that will redeem mankind is cooperation”

B. Russell

2.1 OVERVIEW

As it was stated in the previous chapter, this thesis studies the phenomenon of change in co-operatives and particularly in the pharmaceutical co-operatives in Greece. This chapter begins with a brief presentation of what a co-operative is, its core values and properties and the historical background of this particular organizational form. Special focus is on the retailer-owned co-operatives, in general and in particular on a certain type: i.e. the pharmaceutical co-operatives. Then, an account of the formation and the present role of the co-operatives in Greece is given with a special focus on pharmaceutical co-operatives. Finally, information about the structure of the pharmaceutical wholesale sector, which is the context where pharmaceutical co-operatives function within, is given and key figures and trends of the sector are presented.

2.2 THE CO-OPERATIVES**2.2.1 Introduction**

According to the International Cooperative Alliance (ICA) statement of cooperative identity, the definition of a co-operative firm is:

“A co-operative is 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”. (ICA, 1995)

ICA lists the following co-operative values:

“...self-help, self-responsibility, democracy, equality, equity, and solidarity” (ICA, 1995).

ICA also lists the co-operative members' personal values that should govern their participation and attitude:

“...honesty, openness, social responsibility, and caring for others” (ICA, 1995).

There are seven ICA core principles by which co-operatives can apply the abovementioned values:

1. Voluntary and Open Membership
2. Democratic Member Control (one member-one vote)
3. Member Economic Participation (equal contribution of capital; profit distribution in proportion to the use)
4. Autonomy and Independence
5. Education, Training and Information
6. Co-operation Among Co-operatives
7. Concern for Community (ICA, 1995)

One could argue that co-operatives are *user-owned, user-controlled* and *user-benefited* firms (Cook, 1995). That means that the co-operative is assigned to its *users*; the persons who 'use' the co-operative organization are the persons who own and finance it, who exercise control on it and the benefits of the firm are distributed to them on the basis of their use (Barton, 1989). Hansmann (1996) uses the term *patrons* to comprise all agents who transact with a firm either as purchasers of the firm's products or as sellers of supplies, labor, or other factors of production. Depending on which class of the firm's patron's ownership is assigned, the most common types of co-operatives emerge: consumer, supply, workers, producer, credit co-operatives, etc.

Although records for the appearance of co-operatives come from various places across Western Europe and North America since the last decades of 18th century, it is widely acknowledged that the modern co-operative form has its origin in Rochdale, England, where the so-called *Rochdale Pioneers* established the first consumer co-

operative in 1844. In 1862, Friedrich Wilhelm Raiffeisen founded the first credit union in Germany which was the precursor form of financial co-operatives. The principles that were practiced by those pioneers in 19th century remain the corpus of cooperative principles even nowadays despite their minor update and revision.

Today, the cooperative sector of economy is estimated to have around 1 billion members and account for more than 100 million jobs around the globe. According to the exploratory results of the World Co-operative Monitor, in 2010 the turnover of the co-operatives (excluding banking and insurance co-operatives) was almost 1,16 trillion USD, the total net banking income 185,3 billion USD and the total insurance co-operatives premium income almost 1,1 trillion USD (ICA and Euricse, 2012).

2.2.2 The Retailer-owned Co-operatives

A retailer-owned co-operative is created when a group of independent retailers (groceries, hardware stores, pharmacies, bakeries, etc) band together and create a wholesale unit to benefit the group collectively by the achievement of economies of scale when they purchase from the manufacturers (Stoel, 2002). The formation of a retailer-owned co-operative is actually an act of *backward vertical integration*² in the supply chain (Nilsson, 2001) and it could be illustrated in the following way:

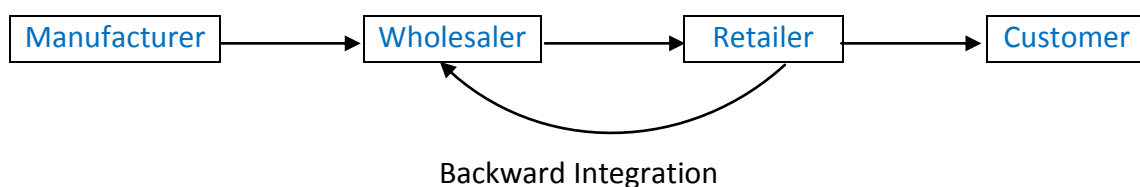


Figure 2.1: Backward integration in retailer-owned co-operatives

Although joint purchasing is the core business for retailer-owned co-operatives, they develop some other common strategies such as: creation and use of trademarks, private brands, product promotion, store consultancy, merchandizing, and group-

² *Vertical integration* is the fusion of entities which have complementary business interests (Kanavos et al., 2011, p.31). *Backward* vertical integration occurs when a firm purchases or controls its suppliers.

wide programs (insurance, security, training, pension plans) (Stoel, 2002). Retailer-owned co-operatives have a significant share in markets like grocery, hardware, medicines, both in North America and Europe (Hansmann, 1996; Nilsson, 2001).

Market imperfections such as market power and “lock-in” are the main incentives for the formation of a supply co-operative from a group of retailers (Hansmann, 1996; Mikami, 2003; Chillemi & Comino, 2003). When, only few wholesalers serve the independent retailers in a given area, they have a degree of market power. Then, retailers have an incentive to avoid price exploitation or poor quality services by owning a wholesaler firm that will serve them. Franchisees in retail markets also face a serious lock-in problem. If a franchisee leaves the franchise, runs the risk to lose both its investment in specific buildings and equipment and the value of the goodwill it has built up under the franchisor’s brand name. Thus, franchisors very often behave opportunistically towards their franchisees. Avoiding franchisor’s exploitation is a major incentive for retailers to own collectively the franchisor (Hansmann, 1996). A very common characteristic in retailer-owned co-operatives is a large degree of homogeneity of members’ interests with respect to the collectively-owned wholesaler (Hansmann, 1996).

2.2.3 Pharmaceutical co-operatives

After the above reference to the relevant literature, the *pharmaceutical co-operative* can be defined as a particular type of retailer-owned co-operative which is established by independent pharmacists-retailers who are at the same time the customers and the owners of a wholesale unit. This co-operative unit competes against other investor-owned pharmaceutical wholesalers (non-cooperative) or other pharmaceutical co-operatives. Pharmaceutical co-operatives are an active part of pharmaceutical wholesaling in Europe. According to the statistics provided by COOPERATIVES EUROPE³ (2009), there are pharmaceutical co-operatives in 12

³ Europe Region of the ICA

European countries which serve almost 60,000 pharmacies, employ 23,000 people and result to an annual turnover of 18 billion euros.

2.2.4 Co-operatives in Greece

The history of co-operatives in Greece goes back to the centuries even before Rochdale experiment in 1844 in England and is related to advanced forms of co-operation in rural (especially in stock breeders') and island communities. The first co-operative was established in 1778 in Ampelakia, a mountainous village in central Greece. It was actually a cooperative of merchants, craftsmen, farmers and laborers of production of the red yarns which were exported in central and northern Europe (Nikolopoulos, 1996). Co-operatives in their temporary form began to be established in the first decade of the 20th century and their vast majority was rural. Since '30s, non-agricultural co-operatives (supply, retail and credit) have been founded and after '70s consumer co-operatives, co-operative banks and insurance companies as well⁴. Since the early 00's new regulations have been introduced and legal barriers were lifted so the restructuring of traditional co-operative attributes was permitted, both for agricultural and non-agricultural co-operatives.

According to COOPERATIVES EUROPE (2009) statistics the following table represents (only a part of) the situation of co-operative sector in Greece:

Industry	Enterprises	Members	Employees
Banking	16	196,179	1,238
Agriculture	6,376	746,812	11,300

Table 2.1: Co-operative sector in Greece

⁴ According to Greek legislation, every non-agricultural co-operative (except banks and insurance companies) is called '*urban co-operative*'.

Unfortunately, there are no accessible official figures for the size of the rest categories of urban co-operatives beside banks, e.g. palmers' co-operatives (estimated 2,500 members), electro-technicians' (no estimation), pharmacists' (5,800 members), etc. Therefore, an overall picture of the co-operative sector is not available.

2.2.5 Pharmaceutical co-operatives in Greece

The first pharmaceutical co-operative in Greece was founded by 15 pharmacists in 1932, in Thessaloniki and it still exists and flourishes. However, most of the pharmaceutical co-operatives which operate in Greek market have been established during '80s. The primary aim for the establishment of the pharmaceutical co-operatives was the effort of the independent pharmacists to avoid price exploitation and very poor quality services by the investor-owned or single-proprietor wholesalers which was a very common, country-wide situation till then. Only secondary, the aim to scale purchasing was emerged.

In 2011, there were 27 co-operatives running 46 local wholesale facilities and 2 nation-wide distribution centers⁵. They employed almost 1,500 people and their total annual turnover was 2 billion euros as well as they distribute almost 52% percent of the items of pharmaceutical products in Greek market. Members and stakeholders of the co-operatives are almost 5,800 independent pharmacists – owners of a private pharmacy – that is, 56% of the total number of pharmacists running a retail business in Greek market (OSFE, 2012).

⁵ These distribution centers are joint ventures of the majority of the co-operatives and aim to pre-wholesale operations in the field of cosmetics/parapharmaceuticals, to the distribution of co-operative brand generic drugs and parapharmaceuticals as well as to third-party logistics services.

2.3 THE PHARMACEUTICAL WHOLESALE SECTOR

Pharmaceutical co-operatives are a part of the pharmaceutical wholesale sector. In Europe, in the vast majority of occasions, the flow of medicinal products follows the traditional channel (Walter et al., 2012):

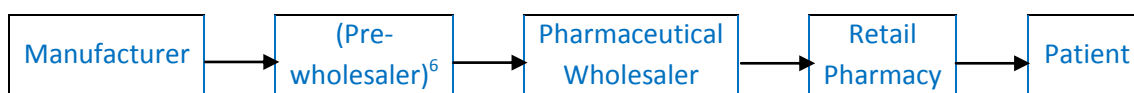


Figure 2.2: Supply chain in distribution of medicines

In the majority of European Union countries (EU-27) there is a mixture of *national* and *regional* pharmaceutical wholesalers. The former distribute medicines in a nation-wide scale while the latter distribute medicines only in a certain geographical area of the country. The pharmaceutical wholesalers are also distinguished into *full-line* wholesalers and *short-line* ones. The former provide a full range of medicines⁷ while the latter a limited list of medicines. National wholesalers are usually “full-liners” while regional wholesalers can be either “full-liners” or “short-liners” (Kanavos, Schurer, & Vogler, 2011).

The size of the sector is significant. In 2010, there were 772 pharmaceutical full-line wholesalers throughout the European Union + 2 countries⁸, which ran 2,019 warehouses and served 172,709 dispensing points (retail pharmacies, hospital pharmacies and dispensing doctors⁹). They supplied 512.5 million people in the EU-25 + 2 countries with medicinal products and generated a total turnover of 136 billion euros (Walter et al., 2012, p. 8).

⁶ Its existence in the supply chain is optional; it depends on the specific conditions of the pharmaceutical market in each country.

⁷ It is estimated that almost three-quarters of all medicinal products which are sold in Europe are distributed through pharmaceutical full-line wholesalers (Walter et al., 2012).

⁸ The figures cover all EU-27 countries plus Switzerland and Norway, excluding Cyprus and Malta which have a different distribution system (based on agents).

⁹ Nearly 93% of the medicines distributed by wholesalers are sold to retail pharmacies (Walter et al., 2012).

The pharmaceutical full-line wholesale sector accomplishes mostly the traditional logistics task of bridging time and space. Moreover, it also fulfills a quantity function by buying medicines of all manufacturers in bulk, keeping them in the appropriate safety stock and selling them in single units. Besides those primary functions, the sector also accomplishes some secondary tasks by securing the quality of the distributed medicinal products, managing the returns or recalls/withdrawals, securing the traceability of the products across the supply chain and improving the efficiency of pharmaceutical supply chain through cost digression (Clement et al., 2005; Walter et al., 2012). In the Figure 2.3 (p. 23) the exclusive added value services offered by pharmaceutical full-line wholesalers are illustrated.

The pharmaceutical wholesale sector has experienced radical changes in the last decade, in pan-European level, due to a combination of pressures arising from significant changes in European and national legislation, the constant demand of governments for reduction of prices and margins and the novel strategies introduced by the big multinational manufacturers (Clement et al., 2005; Walter et al., 2012). In a recent study, Kanavos et al. (2011, p. 37 & p. 94) highlight the situation of the sector in European Union level:

- There are large variations between the Member States in terms of numbers of wholesalers and pharmacies in the population of the states, distribution profit margins, as well as overall operating framework concerning wholesaling (and retailing) due to different national legislation and historical patterns.
- Both vertical and horizontal integration¹⁰ occurs but there are large variations between the Member States.
- An expansion of services offered by wholesalers is observed, particularly where there is a big pressure on profit margins.
- New distribution models emerge in many countries, with the Direct to Pharmacy (DTP) model and the Reduced Wholesaler Arrangements (RWA)¹¹ model to be of major importance for the future of wholesaling.

¹⁰ *Horizontal* integration is a fusion of entities pursuing the same line of business. (Kanavos et al., 2011, p.31).

As a conclusion, there is plenty of evidence (new distribution models, expansion of services, etc.) which indicate a radical shift to the prevailing model of pharmaceutical wholesale sector in Europe.

¹¹ In *Direct to Pharmacy* model, pharmaceutical manufacturers use a restricted number of wholesalers (sometimes only one) as sole agents to distribute products directly to pharmacy, or use wholesalers as logistics providers for the same purpose. In *Reduced Wholesaler Agreement*, the manufacturers use only a small number of wholesalers to distribute their products in the traditional manner (Kanavos et al., 2011, pp.32-34).

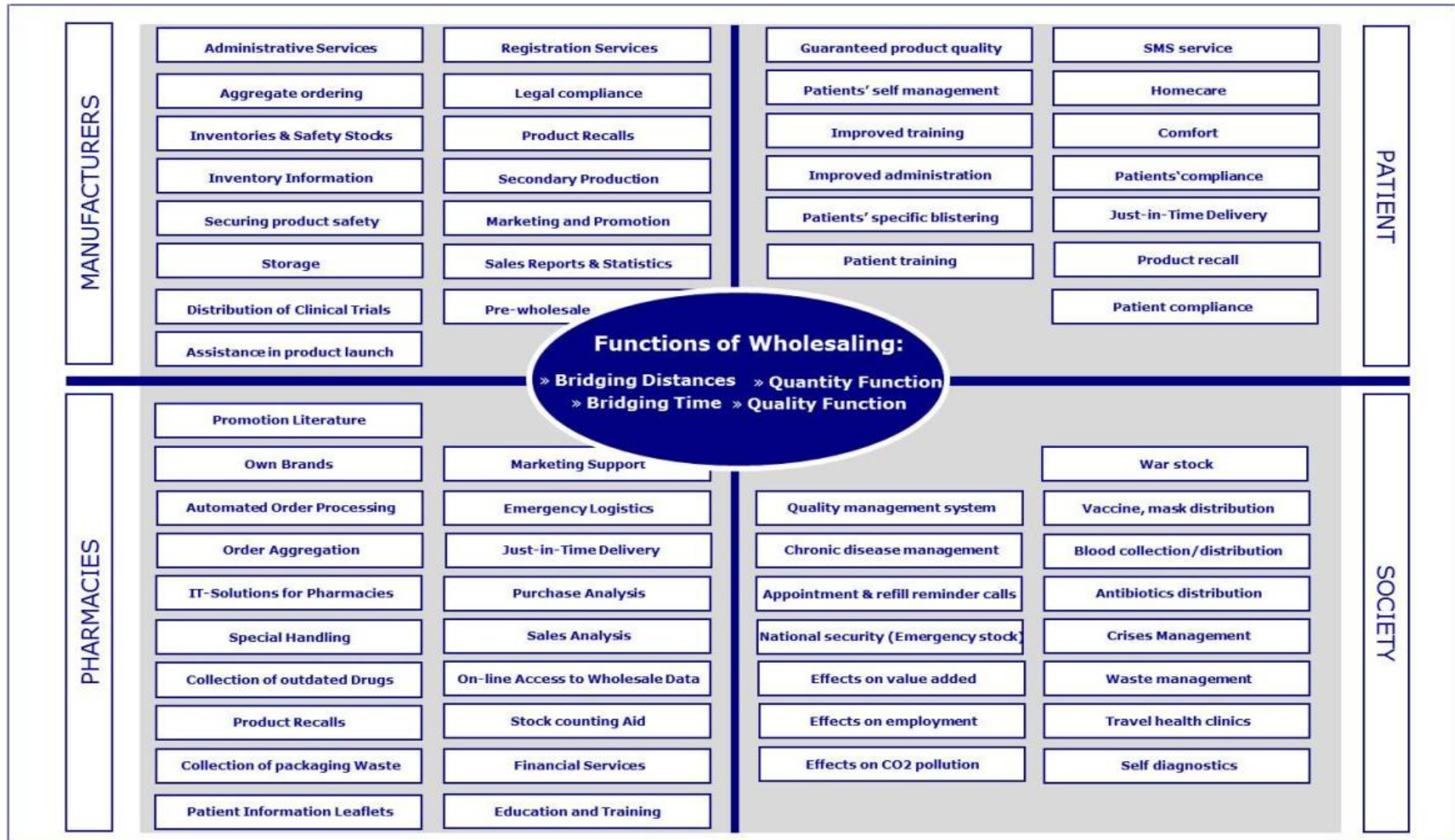


Figure 2.3: Added value services offered by pharmaceutical full-line wholesalers (Walter et al., 2012, p.33)

Full-line wholesalers are trying to cope with those changes adopting a variety of strategies: vertical and horizontal integration, regional expansion, expansion of adding-value services (Clement et al., 2005, pp. 54-56). The structural trends of the sector in Europe are illustrated in the following figure:

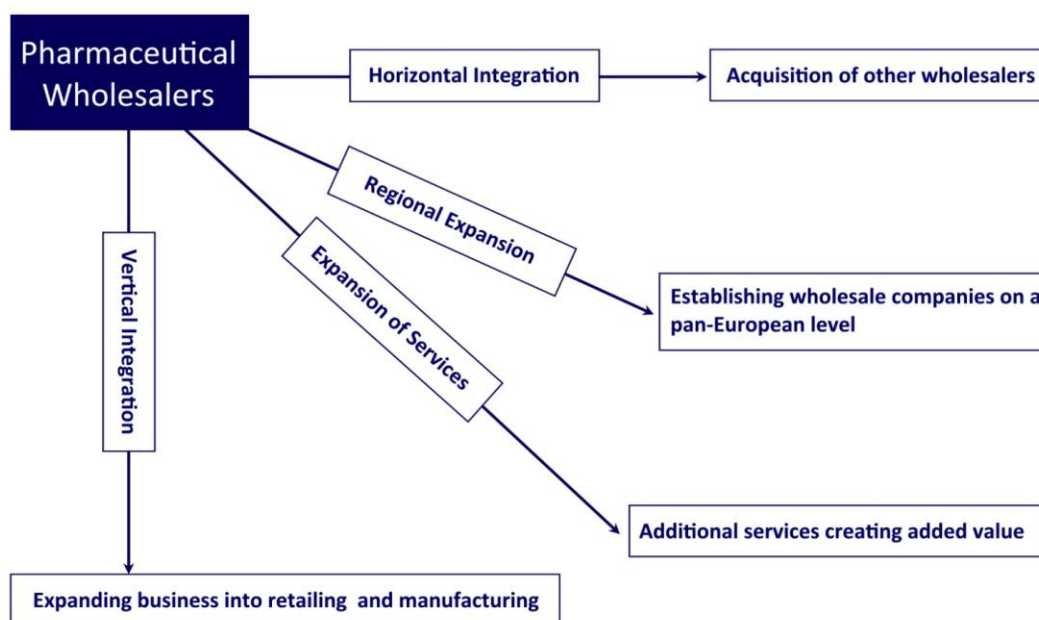


Figure 2.4: Structural trends in pharmaceutical wholesaling (adapted from Clement et al., 2005, p. 54; figure modified)

As it was shown in section 2.2.5, Greek pharmaceutical co-operatives hold the dominant position in the pharmaceutical wholesale trade in Greece (52% of the market). However, they share the same business environment and face the same challenges and threats with their privately-owned competitors. That environment is characterized by tough state regulation regarding medicine prices, retail and wholesale profit margins and ownership (restricted to pharmacists only, excluding other investors), as well as by a large number of pharmacies and a large number of wholesalers which result to the lowest *inhabitants per pharmacy* and *inhabitants per wholesaler* ratio in Europe (see Table 2.2 below). There are no national wholesalers, only regional full-line ones while the horizontal or vertical integration are limited by current legislation (Kanavos et al., 2011). State-regulated wholesale margins have

dropped almost 50% since the beginning of the austerity programme imposed by the 'Troika' (European Commission, European Central Bank and International Monetary Fund) in 2011. The particular characteristics of the Greek pharmaceutical market, as well as the recent political and financial developments result to a fierce competition among full-line wholesalers, especially between co-operatives and private wholesalers. The already hard competition has also become more complex due to the recently introduced tactics by the pharmaceutical producers or representatives which involves Direct to Pharmacy sales, circumventing wholesalers¹² (co-operative and non-cooperative).

COUNTRY	PHARMACIES	WHOLESALE UNITS	POPULATION	PERSONS/WHOLESALE UNIT
France	23,298	17	65,073,482	3,827,852
Germany	21,476	15	82,060,000	5,470,667
Spain	20,941	58	46,157,822	795,825
Italy	17,524	109	59,905,225	549,589
United Kingdom	12,683	11	61,100,000	5,554,545
Greece	11,500	142	11,262,000	79,310
Belgium	5,167	11	10,666,866	969,715
Portugal	2,666	8	10,676,910	1,334,614
Netherlands	1,893	5	16,492,230	3,298,446
Ireland	1,486	3	4,501,000	1,500,333
Austria	1,217	8	8,316,487	1,038,561
Sweden	876	2	9,074,055	4,537,027
Finland	805	2	5,330,150	2,665,075
Denmark	252	2	5,511,451	2,755,725
Poland	12,500	180	38,130,302	211,835

¹² Kanavos et al. (2011, p.32) estimate that more than 10% of the pharmacy sales originate directly from manufacturers.

(Source: GIRP, EFPIA)

Table 2.2: Pharmaceutical wholesale and retail trade in Europe

A more extensive analysis regarding the co-operative organizations will take place in the following chapter (Chapter 3) where the literature of the main concepts of the study is reviewed and discussed.

CHAPTER THREE**3. FRAME OF CONCEPTS**

“A universe comes into being when a space is severed or taken apart”

G. Spencer-Brown

3.1 OVERVIEW

At the beginning of this chapter, the literature regarding the main concepts of this study, which are *organizational change* and *co-operative organization*, will be reviewed and discussed. Organizational change literature is literally enormous and practically inexhaustible. Therefore, an effort will be made to focus on encompassing typologies or dichotomies which helps to reduce the complexity deriving from the volume of the literature body. Literature review regarding co-operatives will refer to the particular characteristics of this old-aged organizational form, the rationale behind its existence as well as to the features of change occurring within these organizations. In both concepts, theoretical controversies, research gaps and less-developed topics will be identified, discussed and combined.

Then, the remarks derived from the abovementioned discussion will correlate with the insights of *Social Systems Theory*, according to which any organization (hence co-operatives) constitutes a social system. Therefore, a comprehensive review of the literature regarding this rather obscure theory will be conducted. Moreover, its contribution to overcome controversies, fill in research gaps and satisfy emerging demands in the study of organizational change and co-operative organizations will be discussed and justified.

Finally, the focal points of the discussion regarding the literature on organizational change and co-operative organization, refined through the lens of Social Systems

Theory, will allow the presentation of the *aims and objectives* of the study, the formulation of the main *research assumptions* and the subsequent *research questions* as well as the establishment of a particular *theoretical framework* which will guide research hereafter.

The structure and the logic sequence of the chapter are shown in the Figure 2.1 below:

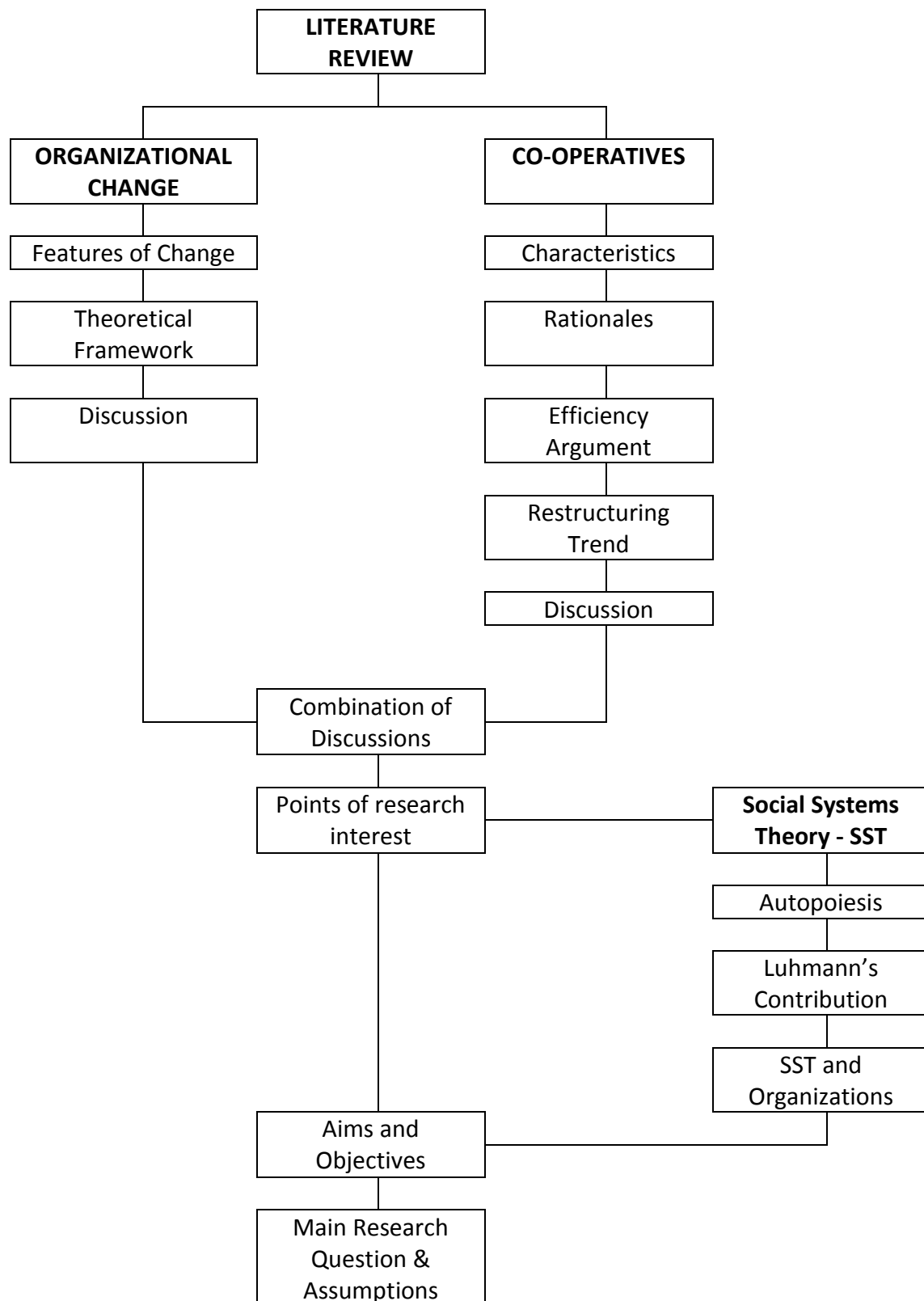


Figure 3.1: Structure of the Literature Review

3.2 ORGANIZATIONAL CHANGE

3.2.1 Introduction

Modern organizations have been facing an unprecedented level of changes during the last twenty years due to a complex, rapidly transforming and even chaotic environment. Globalization, technological changes, increased and knowledge-based competition, rising customer expectations, uncertainties about the development in national and international level and the current economic disorder are the basic characteristics of the situation (March, 1995; Umble, Haft, & Umble, 2003; Mertins & Jochem, 2005), which may be identified as the exogenous drivers of the abovementioned organizational changes. More recently, the exceptional vulnerability of an ongoing number of organizations to stock market moods (de Rond, 2002) - irrespectively of their form: investor-owned, co-operatives, public sector firms or even charities - arise as an additional major factor of change. Consequently, deep changes in peoples' norms, values and attitudes should be added. Change has become pervasive, persistent and in some markets pre-requisite (O' Neil & Sohal, 1999).

The two most used definitions of change in organizational literature is: a) an observed *difference* over time in selected dimensions of an organizational entity, and b) a *narrative* describing a sequence of events on how development and change unfold (Poole, Van de Ven, Dooley, & Holmes, 2000). Burnes (1996) also introduces a definition of change as the *understanding* of alterations within an organization at all levels (individuals, groups, organization). However, in a meta-level analysis of term trends, By et al. (2014, p. 4) conclude that "organizational change" has become the generic term for all forms of change-related activity in organizational settings and it serves as an umbrella term for a variety of change programmes.

3.2.2 Features of Change

Change literature is enormous and extended in every aspect of organizational life and theory. Perhaps it is the organizational problem that has attracted the most attention from all the other organizational phenomena (Wetzel & van Gorp, 2014, p. 115). Especially in the last twenty years, the concept of “change” has become dominant in organizational studies - even a new doctrine for some of its critics as it is characterized by an uncritical pro-change bias (Sturdy & Grey, 2003; Sorge & van Witteloostuijn, 2004). In this section we shall try to present the main characteristics of change in organizational life.

Schwarz (2002, p. 156), summarizing the findings of many other researchers, identifies five dominant elements of change in modern organizations:

1. Organizational structure will be forced to become more flexible.
2. Organizations will have to establish strategic network partnerships.
3. Decentralization will become the norm.
4. Information dissemination will encompass this change in authority relations
5. Job specialization and standardization will be negated as people's roles change.

While Magalhães and Sanchez (2009) identify a set of both *external* pressures (demand for Earth sustainability, new kinds of capitalism, real-time information, technical and social networking), and *internal* challenges (search for a new organizational paradigm, non-linearity and complexity acknowledgement, turn toward practice, transdisciplinarity and multidisciplinary, networking nature of organizing, integration of social and technological architectures) which will guide the organizational change process in the near future.

Before describing the change trend in the organizational structure, we have to refer to three typologies of the organizational form. First, Burns and Stalker (1961) identified two main types of structure which are suitable for particular environmental conditions: The *mechanistic* structure with well-defined tasks and a

rigidly hierarchical decision system more suited to stable and unchanging environments; and the *organic* structure with flexibly defined tasks and participants who cooperate on the basis of expertise and not on hierarchical positions.

Second, Morgan (1989, p. 66) introduced six organization models:

1. The *Rigid Bureaucracy*. The model is characterized by high specialization¹³ and division of labour, a single chain of top-bottom command and a system of impersonal rules and relationships.
2. The *Bureaucracy with a senior management team*. This is a Bureaucracy model in which decision making in the very top level of the hierarchy is orchestrated in a more collective way.
3. The *Bureaucracy with Project Teams and Task Forces*. Another Bureaucracy model in which a small part of the activities in the middle hierarchical levels is carried out through project teams or task forces.
4. The *Matrix Organization*. A hybrid bureaucratic structure in which a set of departments or divisions is super-imposed horizontally, across a traditional hierarchically organized structure. Therefore, two chains of command, one vertical and one horizontal, exist and operate at the same time.
5. The *Project Organization*. This organization carries out most of its activities through project teams. Functional departments still exist but they play only a supportive role. The organization is much more like a network of interaction than a bureaucratic structure. Teams are powerful, exciting and dynamic entities while co-ordination is informal. Senior management mostly defines the strategic framework of the organization's direction, giving plenty of room for the teams to work within.
6. The *Loosely-coupled Organic Network*. Many small organizations co-operate so as to deliver a project or projects. The large organization consists of lots of little ones which make their contribution in a co-operative manner. It can be a permanent structure where good and effective communication between its parts plays a crucial role for its effectiveness.

¹³ The number of different specialist roles in an organization and their distribution (Senior, 2007).

Third, Mintzberg (1991) described five organizational forms:

1. The *Entrepreneurial* form. It is characterized by low formalization,¹⁴ low standardization¹⁵ and high centralization¹⁶ with authority located in a single person.
2. The *Machine* form. It is characterized by high formalization and standardization, centralized authority vested in rules and regulations and functional departments.
3. The *Professional* form. It is characterized by high formalization and complexity, low centralization, and employment of specialists for the core work of the organization.
4. The *Adhocracy* form. It is characterized by very low formalization and standardization, little hierarchy, much use of rather temporary project teams.
5. The *Diversified* form. It is characterized by a combination of functions and products, with products dominating. It can be of a matrix or divisionalized on products or markets form.

Complementarily to the abovementioned typologies of organizational form, we could also add another network-style form, the *Virtual Organization*. That is a temporary network which comes together to exploit fast-changing opportunities. Each partner contributes to the organization its core competencies. Membership and leadership are in a constant flux. (Luthans, 1995; cited by Senior, 2007).

Senior (2007), combining the three typologies, argues that mechanistic structures conform to Morgan's models 1 and 2 and Mintzberg's "machine" form, while organic structures conform to Morgan's models 4, 5 and 6 and Mintzberg's "adhocracy" and "diversified" forms.

¹⁴ The degree to which jobs within the organization are standardized and the extent to which employee behaviour is guided by rules and procedures (Chen & Huang, 2007).

¹⁵ The number of regularly occurring procedures which are supported by bureaucratic procedures of invariable rules and processes (Senior, 2007).

¹⁶ The locus of decision-making authority lying in the higher levels of a hierarchical relationship (Chen & Huang, 2007).

Thus, a major feature of the organizational change emerges from the observation that organizations tend to move from mechanistic, bureaucratic, “command and control” structures to ad hoc, project and network structures (Morgan, 1997; Cape 2002, Senior, 2007). Parallel to this evolution, another dominant assumption of the current change literature arises: the degradation of hierarchy as a necessity for organizations to prosper and the move to more flattened structures (Schwarz, 2002; Seppälä, 2003; Chenhall, 2008; Rowe, Birnberg, & Shields, 2008). This trend is supported and sometimes led by the advanced information and communication technologies. The advance of the Internet, the widespread availability of low cost computing power, bandwidth and networks, that is to say *e-technology*, coupled with the introduction of e-commerce reshape the organizational structure and affect organizational form (Tassabehji, Wallace, & Cornelius, 2007).

Industry boundaries become increasingly fluid as firms from different industries compete for the same niche. At the same time, organizational boundaries also become vague and unclear due to the proliferation of mergers, acquisitions, joint ventures and especially, *outsourcing* arrangements: that is the transfer of peripheral functions to subcontractors while firms focus on value-added activities and their core competencies (de Rond, 2002; Seppälä, 2003). Nowadays, a constantly increasing number of firms are operating in networks formed by prime contractors, subcontractors and material or service suppliers (Seppälä, 2003). It is widely acknowledged that the current competition form in many industries is “supply chain¹⁷ versus supply chain” instead of the traditional “firm versus firm” form (Ketchen & Hult, 2006). Thus, the notion of the *supply chain* management changes, from a function that support strategy to a key element of strategy, which consequently puts pro-change pressures to traditional organizational structures (Ketchen & Hult, 2006; Kim, 2006).

In a parallel development, we can identify a major shift in business strategy, as more companies move from a *product-centric* logic to a *customer-centric* one. A product-

¹⁷ We define ‘supply chain’ as the network of manufacturers, wholesalers, distributors, and retailers, who turn raw materials into finished goods and services and deliver them to consumers.

centric company tries to find as many uses and customers for its products as possible, while a customer-centric company tries to find as many products for its customer as possible and it has to integrate these products (Galbraith, 2002). This basic strategic difference leads to different, hybrid and flexible, organizational structures focused on customers' needs.

Total Quality Management (TQM) and *Business Process Reengineering (BPR)* has emerged as powerful approaches to change process, aiming to capture and embody into organizations the need of responding to above mentioned demands for flexible and more flattened structures, outsourcing arrangements and customer-oriented strategies.

Moreover, the same factors foster change in the field of performance measurement and management accounting, as well. Practices and systems such as activity-based cost management, integrated cost systems, life-cycle costing, target costing, balanced scorecards, activity-based profitability analysis, customer focused accounting, open book accounting, quality costing, etc. (Chenhall, 2008), become increasingly popular in both, practitioners and academic scholars. An extended literature handles particularly with *Activity-Based Cost Management* (Beheshti, 2004) and *Balanced Scorecards* (Kaplan & Norton, 1996; Papalexandris, Ioannou, Prastacos, & Soderquist, 2005). These two holistic approaches moved management accounting from an emphasis on planning and control to strategic issues, including the integration of customers, processes, human resources and financials (Chenhall, 2008).

Last but not least, all these change trends in strategic, organizational, and operational levels affect drastically human work, at any level: recruitment, replacement or displacement, training and development, coaching and counseling, team building or self-directed grouping (Burke, 2002). Even the spatio-temporal framework of human work is changed due to the extended use of flexible working and the vaguely defined boundaries between work and life as new forms of work are

introduced: distance working, home working, working during travelling, etc. (Senior, 2007).

To summarize, we could argue that change affects all of the three factors which are crucial for the organizational design: environment, strategy and people (Cape, 2002). Change may be small or large, focused on the whole organization or on a part of it, be simple or complex, including a wide range of types of differentiated intervention in fields such as: structure, technology, personnel, culture, attitudes and behavior (Foreman, 2001). Consequently, none of the following Drucker's (1974; cited by Cape, 2002) different levels of work within every organization, remain unaffected:

- The *community or institutional level* - concerned with the broad objectives and the work of the organization as a whole.
- The *managerial or organizational level* - concerned with the coordination and integration of work.
- The *technical level* - concerned with the delivery of technical functions and projects.

3.2.3 Organizational change - Theoretical framework

One of the greatest challenges that a researcher faces in the field of organizational change is the diversity of theoretical perspectives and frameworks (Palmer & Dunford, 2008). These perspectives represent often competing views on the nature of organizations. It is obvious that there can be no single *theory of change* since there is no single body of thought that would be accepted by all organizational theorists (Collins, 1998). As Kezar (2001, p. 25) explicitly argues: "*Choosing a model is not an arbitrary choice – it is an ideological one. The assumptions we make about change are also assumptions about the nature of reality and people*".

Reviewing the literature one can find a large volume of typologies and classifications concerning organizational change based on rather simple dichotomies: reductionist / holistic approaches (Kogetsidis, 2012), productivity–survival / workplace–quality

paradigm (Schwarz & Huber, 2008), leadership / employee commitment (Armenakis & Harris, 2009), first-order / second-order change, evolutionary / revolutionary (Levy & Merry, 1986), planned / emergent, (Dawson, 1994; Weick, 2000; Burnes, 2005), episodic / continuous (Weick & Quinn, 1999), individualism / contextualism-based approaches (Munro, 1999; Quattrone & Hopper, 2001), individualism / holism (Reihlen et al., 2007), organizational development / transformation, adaptive / generative, proactive / reactive, subjective / objective, etc. (Kezar, 2001). However, it is useful to present more encompassing typologies. For example, Ackerman's (1984) classification of organizational change, to:

1. *Developmental change*. It occurs when the organization makes improvements of skills, processes and methods.
2. *Transitional change*. It replaces existing processes and methods with something completely new over a controlled period of time.
3. *Transformational change*. It is the emergence of a completely new state, unknown before.

Concerning the wide acknowledgement of the assumption that organizational change and organizational learning are strongly interrelated concepts, Ackerman's typology could be linked directly to main assumptions of *organizational learning*¹⁸ theory such those introduced by Argyris and Schön (1978):

1. *Single-loop learning*. Changing the behavior.
2. *Double-loop learning*. Changing the governing values that lead to counterproductive behavior.
3. *Deutero-learning*. Learning how to learn. This implicitly involves the reconsideration of the identity and the very reason of the existence of the organization (Aramburu, Sáenz, & Rivera, 2006).

By (2005), combining Senior's (2002) three categories of change (by rate of occurrence, by how it comes about, and by scale) with the works of many other

¹⁸ Organizational learning refers to the study of the learning processes of and within organizations (Easterby-Smith & Lyles, 2003). The change demand is inherent in the very fundamentals of organizational learning theory. Change is the outcome of learning, and learning is a medium for change and also its outcome (Alas & Sharifi, 2002).

authors introduced the following classification of organizational change types, theories and approaches:

A. Change characterized by the rate of occurrence.

- *Discontinuous*. Rapid shifts usually triggered by major internal problems or major external events.
- *Incremental*. Individual parts of the organization deal separately and increasingly with one problem at a time.
- *Bumpy incremental*. Period of relative peace punctuated by acceleration in the pace of change.
- *Continuous*. Continuous alteration to keep up with fast-moving pace of change.
- *Bumpy continuous*. Period of relative peace punctuated by acceleration in the pace of change referring to organization-wide strategies.

B. Change characterized by how it comes about:

- *Planned*. Top-down driven, emphasizing the different states that the organization will have to go through in order to move from point A to point B.
- *Emergent*. Bottom-up driven, occurring so rapidly that it is impossible for implementing a planned response.
- *Contingency*. Each organization's structure and performance are dependent on situational variables that it faces, in a unique way.
- *Choice*. Organization can exercise some choice over some situational variables instead of being forced to change in order to fit in with these variables.

C. Change characterized by scale:

- *Fine-tuning*. An on-going process to match strategy, processes, structure and people.
- *Incremental adjustment*. Distinct modifications which not include rapid change.

- *Modular transformation.* Change focusing on a part of the organization (it could be radical).
- *Corporate transformation.* Radical alterations in organization's business strategy in a corporate-wide scale.

Van de Ven and Poole (2005) combined ontological views of organizations - organizations as consisting of things or processes (Tsoukas & Chia, 2002) – with epistemological views regarding the methodology which is employed in the study of change – variance theory or process theory (Mohr, 1982)¹⁹ – developed a matrix-like typology of four approaches:

1. *Variance study of change in organization.* Causal analysis of independent variables that explain change in entity.
2. *Process study of change in organization.* Narrating sequence of events, stages or cycles of change in the development of an entity.
3. *Process study of organizing.* Narrating emergent actions and activities by which collective endeavors unfold.
4. *Variance study of organizing.* Dynamic modeling of agent-based models or chaotic complex adaptive systems.

Kezar, based on a typology of organizational change categories proposed by Van de Ven and Poole (1995) – life cycle, evolutionary, dialectical, and teleological – and adding two more categories – social-cognition and cultural – developed a comprehensive typology of organizational change models which main characteristics are presented in the following Table 2.1 (Kezar, 2001, pp. 57-58). Furthermore she acknowledges that teleological and evolutionary models are dominant in the change discourse.

¹⁹ In *variance* methodologies the phenomenon under examination is represented as a dependent variable which is statistically explained with a set of independent variables (Van de Ven & Poole, 2005). In *process* methodologies the phenomenon is explained by formulating a story or a historical narrative of the events occurred (Poole et al., 2000; Tsoukas, 2005). Van de Ven and Poole argue that variance methodology is dominant in the studies of organizational change.

	Evolutionary	Teleological	Life Cycle	Dialectical / Political	Social Cognition	Cultural
Why change occurs	External environment	Leaders; internal environment	Leaders guiding individual's natural growth	Dialectical tensions of values, norms, or patterns	Cognitive dissonance; appropriateness	Response to alterations in the human environment
Process of change	Adaptation; slow; gradual; non intentional	Rational; linear; purposeful	Natural progression; result of training and motivation; altering habits and identity	First order followed by occasional second order; negotiation and power	Learning; altering paradigms or lens; interconnected and complex	Long term; slow; symbolic process; nonlinear; unpredictable
Outcomes of change	New structures & processes	New structures & organizing principles	New organizational identity	New organizational identity	New frame of mind	New culture
Key metaphor	Self-producing organism	Change-master	Teacher	Social movement	Brain	Social movement
Examples	Resource dependency; strategic choice; population ecology	Organizational development; strategic planning; BPR; TQM	Developmental models; organization decline; social psychology of change	Empowerment; bargaining; political change; Marxist theory	Single- and double-looped learning; paradigm shifting; sense-making	Interpretive strategy; paradigm shifting; processual change

Table 3.1: Typology of organizational change models

A very interesting dichotomy, *individualism/contextualism*, also emerges by answering the question whether change flows from human agency or institutional pressures (Munro, 1999; Quattrone & Hopper, 2001). On the one hand, organizations change when people modify them by exercising *discretion* based on a set of intentional, rational, and even calculative criteria (Munro, 1999). On the other hand, organizations change by a process of *institutionalization* through the adoption of norms, rules and routines (Quattrone & Hopper, 2001). Here, a variety of social structures reduce the discretion of persons (Munro, 1999). There is an obvious linkage of this dichotomy with that of *realism/socio-constructivism*. On the one hand, individuals modify situations by knowing the external reality and behaving appropriately; on the other hand reality is socially constructed, hence the meanings that form the basis of individuals' purposeful behavior (Quattrone & Hopper, 2001).

Finally, reviewing the literature, we shall try to summarize the abovementioned approaches to organizational change, whether based on encompassing typologies or on simple dichotomies, by constructing a distinction between two large, though fluid, schools of thought: the *traditional* or *modernist* and the *transformational* or *post-modernist* (Beeson & Davis, 2000; Quattrone & Hopper, 2001; Tsoukas & Chia, 2002; Hernes & Bakken, 2003). The *former* encompasses assumptions from different perspectives, which could be described by the term *equilibrium-based theories*²⁰ (Beeson & Davis, 2000; Hernes & Bakken, 2003). Organizational change is conceptualized as a more or less linear route from a specific spatio-temporal domain to another. As organization passes from one state to another, its structure and operations are modified and transformed (Quattrone & Hopper, 2001). Change, whether reactive or pro-active, central to organizational life or not, is considered to be an adaptive response or adjustment to a shifting and turbulent environment, and aims to reinforce or reclaim organization's stability and order (Beeson & Davis, 2000; Dacin, Goodstein, & Scott, 2002; Burke, 2002; Tsoukas & Chia, 2002; Styhre, 2002). Human factor, individuals, are frequently analyzed in terms of the functions they

²⁰ This broad outline encompasses assumptions which derive from a large variety of theories such as contingency theory, institutional theory, resource dependency theory, evolutionary theory, open systems, and organizational ecology, to mention few (Styhre, 2002; Hernes & Bakken, 2003).

perform in helping the organization respond, which means individuals do not act but rather function (Hernes & Bakken, 2003). Organizational change is possible to be planned, controllable, and manageable like any other organizational process, often following a model wherein one step of activity is succeeded by another in a sequential manner like the most influential “*unfreezing – moving – freezing*” Lewin’s (1951) schema (Tsoukas & Chia, 2002; Collins, 1998; Burnes, 2002; Styhre, 2002; Palmer & Dunford, 2008). This concept of change puts the emphasis on the *organization* as a social entity or structure - a “thing” or a “noun” (Van de Ven & Poole, 2005; Weick, 1979) - which retains its identity while changing from one state to another over time (Whetten, 2005; Van de Ven & Poole, 2005). Consequently, giving priority to “organization”, change is being made an exceptional effect, an episodic event, produced only under specific circumstances by certain people (Tsoukas & Chia, 2002).

The *latter* draws its assumptions from different perspectives as well, particularly on the *complexity*²¹ and *process-based theories*²². Change is considered to be a non-linear ongoing process, pervasive and indivisible (Tsoukas & Chia, 2002). It consists of ongoing accommodations, adaptations, and alterations and it occurs when people re-accomplish routines and when they deal with contingencies, breakdowns, and opportunities in daily work (Weick, 2000; Burnes, 2005). Change process cannot be fully planned or controlled and its outcomes cannot be intentionally produced or predicted, but rather emerge and are shaped through the qualities and capabilities of the organization (Beeson & Davis, 2000; Palmer & Dunford, 2008). It is very often driven by its own inherent dynamics rather than the initial rationale and aims of

²¹ This is actually a set of theories which are concerned with the emergence of order in dynamic non-linear systems operating at the edge of chaos. Systems, which are continuously changing and the relationships between cause and effect are not constant (Beeson & Davis, 2000; Burnes, 2005). Chaos theory, dissipative structures theory, the theory of complex adaptive systems and Emergence are some of the theories and ideas correlated to the notion of complexity (Goldstein, 1999; Burnes, 2005; Grobman, 2005).

²² Under this theoretical perspective, organization consists of evolving processes of actions and interpretations. Processes are created as actions that lead to interpretations, spurring new actions and interpretations, and so on. Due to contingent events and unintended consequences of the actions, the processes are non-deterministic and the outcomes do not necessarily converge toward a sort of equilibrium. Action, communication and context is of a greater importance than structure and the subject is being put in the center. (Hernes & Bakken, 2003).

change (Hernes, Hendrup, & Schäffner, 2015). Nevertheless, change is not considered to be just endogenously generated. Organizations very often try to respond to environmental pressures. However, the pattern of response depends on an organization's self-understanding, which is the historically created assumptions and interpretations of itself and its environment (Morgan, 1997), or on organization's self-constructing and self-reproducing mode (Luhmann, 1995). The abovementioned notion of change stems from the assumption that organizations are dynamic self-organizing systems which are constantly changing, being capable for radical transformation as well as gradual evolution, and continually moving between order and disorder, stability and instability. The cause and effect law appears not to apply and even small variations in initial conditions can produce large consequences (Beeson & Davis, 2000; Burnes, 2002). Moreover, Tsoukas and Chia (2002) argue that change is inherent in human action and should not be thought of as a property of organization. Rather, organization must be understood as an *emergent* property of change since the latter is ontologically prior to the former. Organization is an attempt to order the flux of human action and give it a particular shape, and at the same time, organization is a pattern emerging from change. Therefore, this concept of change puts the emphasis on *organizing* instead of the *organization*, on the "process" or the "verb" instead of the "thing" or the "noun" (Weick, 1979; Hernes & Bakken, 2003). On this view, an organization is a *reification* of a set of processes which maintain the organization by continuously structuring it. The organization is a process that is continuously constituted and reconstituted (Van de Ven & Poole, 2005). Weick (1995) also argues that "organizing" is being expressed essentially through the interlocking behaviors of individuals. Organizational actions are expressed through the actions of individuals.

Finally, we shall refer to two more theories which may have not developed a comprehensive framework regarding organizational change, however their assumptions lay beyond the Manichean logic of the priority of either "structure" or "process" that characterize the abovementioned groupings of theories. These are:

*structuration theory*²³ (Giddens, 1984) and *theory of autopoiesis*²⁴ of the social systems (Luhmann, 1995). Both theories converge at the concept of *recursivity*, which means that structure and action become mutual media for another in recursive processes. Structure is both constitutive of and constituted by actions. Structures enable new and different actions and by this way they prepare the ground for their own change (Hernes & Bakken, 2003). The theory of autopoiesis will be extendedly presented in the next chapter.

3.2.4 Discussion

Despite the huge volume of research on the topic of organizational change, which only a niche was presented in the previous sections, many critical voices have been raised against its real outcome. The field of organizational change research has often been accused of simplicity, triviality and being in a state of intellectual inertia (Luhmann, 2000; Grey, 2002; Sturdy & Grey, 2003; Sorge & van Witteloostuijn, 2004; Wetzel & Van Gorp, 2014). By (2005) argues that the most common concepts of the relevant literature actually refer to older than 50-years approaches (e.g. F. Taylor's, K. Lewin's or organizational development movement of '60s contributions). Sturdy and Grey (2003, p. 665) particularly claim that the field of organizational change research suffers from:

- Prochange bias which leads to a "totalitarianism of change".
- A reductionism focusing only on the object of the organization, to the neglect of wider context.

²³ The main concepts of Giddens's structuration theory are the duality of structure and the process of structuration. *Duality of structure* means that social structures are the medium of human activities as well as the result of these activities. *Structuration* is the process by which actors reproduce and transform social practices across time and space (Staber & Sydow, 2002). Human agency builds, uses and reproduces social structures through its actions, but these actions are enabled and constrained by the structures (Chu & Smithson, 2007).

²⁴ Autopoietic theory refers to systems which maintain their defining organization throughout a history of environmental perturbation and structural change and regenerate their components in the course of operation (Coleman, 1999). These systems produce the basis of their own reproduction: they are self-regulating, enclosed structures whose mechanisms are interconnected and mutually dependent (Styhre, 2002). Moreover, structure and operations co-constitute each other in a recursive process as operations demand a structure which is a result of operations and structures enable operations to be performed.

- A managerialism and universalism of change implying a steerable and controllable potential for it, to the neglect of the evolutionary and self-steering mode of organizations.

What the abovementioned critiques actually imply is that the field of organizational change is still subject to a strongly rationalistic vision of organizations as well as to a volitional confinement to the practitioner's side, despite the current richness of organizational theory (Wetzel & Van Gorp, 2014, pp. 116-117). There is not a favourable environment for non-mainstream approaches to organization and change (e.g. critical or self-organization, cybernetic and social systems approaches), especially for those which undermine the idea of steering and controllability (Wetzel & Van Gorp, 2014, pp. 128-131). Several authors (e.g. Jacobs, van Witteloostuijn, & Christe-Zeyse, 2013, p. 774; Wetzel & Van Gorp. 2014, p. 130) warn that a new-introduced research strategy to exit the so-called "boredom and repetition" state of current organizational change research field, which favourites the borrowing from separate theory fragments, is a risky endeavour. The incommensurability between different theoretical approaches and the subsequent adoption of complex explanations may lead to a significant lack of consistency and coherence.

At this point, I have to mention that the empirical basis of the above criticism is not unfamiliar to me, especially Sturdy's and Grey's. As I stated in the introductory chapter, during my professional career I have taken part or personally implemented a series of changes in the firms I have worked for and I was also aware of many other change projects within the wider industry context. There, I very often confronted by pro-change bias imported into the organizations by the administration or from a wider pro-change context. The pressure for constant, radical, or just impressive changes was sometimes a justifiable requirement and some other times an ideological attribution. I had also noticed the deep *egocentric orientation* of many firms which tended to ignore the wider societal or natural environment (Purser et al., 1995, p. 1062). This organizational egotism very often jeopardized the change projects. Finally, I also noticed and personally fell prey to the wide spread assumption of the human volition in organizational change. Almost every manager (including myself), member of board, consultant who I worked together with, was

too confident for the human ability to plan, orient, implement and control the change process in a certain way. Even when unforeseen side-effects of the change process or failures appeared, this was the outcome of a deviation from the presupposed human rationality.

Going back to the previous section regarding the organizational change literature, some key-points that could trigger the formulation of a research strategy, are indicated. First, the structure/process *dichotomy* (which very often implies a structure/action or structure/agency dichotomy) was explained as the base line for a typology that introduces a relevant dichotomy in the field of organizational change: theoretical approaches that prioritize structure in the study of organizational change and approaches that prioritize process. However, some scholars (e.g. Nutt, 2003; Hernes & Bakken, 2003) argue that instead of taking a research position across the structure/process dichotomy, it would be more fruitful to face change through the lens of structure/process *duality*; that is, the interdependence, the mutual constitution or the complementarity of the two features. Avoiding enclosing the research endeavour in one or the other side of the abovementioned dichotomy opens up a new way to approach change and offers a potential to more encompassing contributions to organizational change theory. Despite the fact that certain theoretical approaches acknowledge the *recursive* nature of process and structure (e.g. structuration theory, autopoiesis, second-order cybernetics, dialectics) the size of empirical evidence, to the best of my knowledge, are not sufficient enough to satisfy the concrete research demand, yet.

Another point of discussion is the role of *human subject*. There is a long-last tradition of anthropocentrism in organizational studies, hence the studies of organizational change (Purser et al., 1995; Jermier, 2008). Humans, be they leaders or employees, or all together – it depends on the relevant trend –, are overemphasized as the driving force of change. It is true that the influence of *contextualism* on diverse theoretical approaches diminishes the else dominant role of human factor. However, either in the form of *individualism* or in *action-oriented* approaches, the concept of the rational, intentional human intervention still plays a focal role in the studies of

change resulting from a context where human beings and organizations are treated as rational, self-interested economic entities aiming to achieve specific ends (Tenkasi, 1993, p. 138). Mintzberg (2004), in a critical analysis of temporary management, argues that the wide-spread belief of change coming from the top is a fallacy which stems from the cult of the heroic man (manager). Wetzel and Van Gorp (2014), in a recent extensive reference analysis of articles on organizational change in top tier journals, show that the vast majority of most frequent organizational theories in use is modern theories, though with a strong individualistic approach (e.g. Cognition and sense making, Organizational culture, symbolism and discourse, Organizational Learning) (2014, p. 126). The authors of the study conclude that, despite the high ranked theory of Neo-Institutionalism (societal approach), the field is dominated by an individualistic view of the organizational behaviour which overestimates the impact of the human agency (Wetzel & Van Gorp, 2014, p. 126; pp. 129-130). However, a growing body of literature in organizational theory (though not in organizational change research) tends to acknowledge the contributions of theorists like Heinz von Foerster, James March, Niklas Luhmann, Jacques Derrida, and consider that organizations actually behave in their own mode which is very often detached from human thoughts, desires and actions (Wetzel & Van Gorp, 2014).

Finally, the role of the external environment dominates a large part of the relevant literature and change is considered as a mere adaptation to a turbulent and ever changing environment. Organizations have to keep their alignment with their external environment in order to enhance performance (Miles & Snow, 1994; Parker & van Witteloostuijn, 2010). This effort becomes serious and difficult as organizations grow older and when they operate in a changing environment (Hannan 1998). A misfit between the external environment and the organization means that organizations become inefficient and ineffective, hence organizational change becomes necessary (Jacobs et al., 2013). This view on change of organizations actually repeats a conception which treats them as stabilized entities that try to get aligned with the environment, by altering their mode of activity, when changes occur in the latter (Hernes et al., 2015). However, it becomes a commonplace the assertion

that the external environment is not anymore the stable and predictable environment of the time that this conception had been formulated. Instead it is characterized as opaque, dynamic, self-regulating, poly-contextual (Wetzel & Van Gorp, 2014, p. 121), with an absence of a central steering mechanism which could control societal processes (Luhmann, 2000a) and very often perceived as hyper-complex and reaching the edge of chaos (see Burnes, 2005). In a situation like this, the supposition of the “alignment” of the organization and the subsequent demand for change become stale.

Summarizing the above critical discussion, one could end up to a research strategy regarding change closely related to specific advancements of organizational theory. Particularly, those which take into serious account the demand for overcoming an unproductive antagonism between structure and process, as well as the demand for a diminished - or less dominant, at least - role of the environment and/or human agency. Setting aside a promethean observation of the human action in organizational change, or a quasi-depressing role of the external environment, helps to put the emphasis on the inner workings of the organization, processes and structures, and hopefully a deeper understanding of the change process could be unleashed. Focusing solely to the external environment or to the human agency leaves no room for the idiosyncratic nature of the organization to be revealed.

3.3 CO-OPERATIVES

3.3.1 Introduction

In the previous chapter (Chapter 2), co-operatives were defined as *user-owned*, *user-controlled* and *user-benefited* firms (Cook, 1995) which means that the persons (or the *patrons*, according to Hansmann’s terminology) who ‘use’ the co-operative organization are the persons who own and finance it, who exercise control on it and the benefits of the firm are distributed to them on the basis of their use (Barton, 1989).

It is also useful to recall from Chapter 2 that ICA (1995) introduced the seven core principles by which co-operatives can apply the co-operative values:

1. Voluntary and Open Membership
2. Democratic Member Control (one member-one vote)
3. Member Economic Participation (equal contribution of capital; profit distribution in proportion to the use)
4. Autonomy and Independence
5. Education, Training and Information
6. Co-operation Among Co-operatives
7. Concern for Community

It must be noted that these principles were established through repeated practice over time and mostly serve as a demarcation line from other business entities (de Drimer, 1997). One should define as *traditional* the co-operative organizational form which is based on the above principles. On the contrary, an *investor-owned firm* is controlled by the investors in proportion to their capital contribution; the distribution of profits is in proportion to investors' capital contribution; the shares are tradable, appreciable, and non-redeemable.

3.3.2 The Rationales of Co-operatives - Theoretical framework

Co-operative organizational form is characterized by an explicit dual nature: a business organization and at the same time an association of civil members (Michelsen, 1993; Røkholt & Borgen, 2000; Nilsson & Hendrikse, 2009), or in other words an economic and a political organization (Mooney & Grey, 2002). This inherent duality of the co-operative nature means that co-operatives come into being in order to serve their founders' interests and at the same time they must cope with and survive in their environment by allocating the resources which are at their disposal (Stryjan, 1994). The business unit operates on given market conditions

so it has to be as efficient as any other type of business firm, while the society unit involves humans, which means that it has social attributes (Nilsson & Hendrikse, 2009, p. 339). Therefore, co-operative organizations have been studied from several theoretical perspectives, both economic and sociological, depending on which side of their dual character the emphasis is been put.

A. Economic perspectives

New institutional approaches of agency theory, property rights theory, incomplete contracting as well as *transaction cost economics* introduce a conceptual framework which examines the formation, the existence, as well as the problems associated with the co-operative organizations (Nilsson & van Dijk, 1997; Royer, 1999; Sykuta & Chaddad, 1999; Iliopoulos & Cook, 1999; Sykuta & Cook, 2001).

Agency theory addresses problems within organizations where, due to the complexity of processes or/and often to numerous and dispersed owners, ownership and management are separate. Here, the principal-agent problem arises (Jensen & Meckling, 1976; Fama & Jensen, 1983). The principal (owners of the firm) assigns some decision (or control) rights to the agent (managers) in order to carry out something for the benefit of the principal. Therefore, the agent is in position to make independent decisions that affect the principal's wealth. This delegation of decision rights to the agent brings with it a set of agency costs: costs of monitoring the managers and costs of managerial opportunism that results from the failure to monitor the managers with perfect effectiveness (Hansmann, 1996).

Property rights theory introduces, as a factor that distinguishes the various forms of economic organizations, the set of the property rights that describes ownership and control of the resources which the organizations employ (Condon, 1987). According to Jensen and Meckling (1976), an economic organization is the *nexus of contracts* among owners of factors of production and customers. These contracts specify the rights of each agent in the organization, the performance criteria for agents' evaluation and the payoff functions they face. The rights of prime importance in defining the concept "ownership" of a firm are *residual claims* and *residual rights of control* (Fama & Jensen, 1983). Residual claim is the right to the net cash flows of the

firm after all fixed obligations have been met (e.g. wages, debts, taxes, etc.) (Condon, 1987). Residual claimants are the risk-bearers of the firm (Fama & Jensen, 1983). Residual rights of control are the rights to control all aspects of an asset that have not been explicitly given away by contract or attenuated by law (Grossman & Hart, 1986).

Incomplete contract theory starts with the observation that the complexity of the real world makes it too costly to describe all contingencies regarding the exchange in a contract. Contracts are therefore incomplete. Given contractual incompleteness, certain problems arise in situations with specific investments, because the division of surplus cannot be specified ex ante. The ex post division of surplus depends on the ex post bargaining power of each agent which is determined by governance structure. This will have an effect on the investment decisions. Thus, ownership of the assets of a firm, based on residual control rights of an asset, should be arranged to maximize investment incentives and returns (Grossman & Hart, 1986; Hart & Moore, 1990; Hendrikse & Veerman, 2000).

Transaction cost theory, elaborated mostly by the works of O. E. Williamson (Williamson 1975, 1991), focuses on the conditions under which an activity will be organized in an integrated, hierarchical manner. It contains two basic assumptions (Røkholt, 1999):

- Activities will be coordinated by organizing, if the cost of using the market exceeds the cost of organizing the transactions within an organization.
- The organizational structure which provides the lowest transaction cost will be the one that survives in the long run.

According to Hansmann's theoretical framework (Hansmann, 1996), "*lowest transaction cost*" means the minimization of the sum of all the costs of an organization's transactions. That is, the sum of the costs of market contracting (cost of market imperfections) for those patrons that are not owners, and the costs of ownership (cost of controlling managers, cost of decision making and cost of risk bearing) for the patrons who own the firm.

A common theme across these theoretical approaches is that transaction costs are positive; information is imperfect, costly, and asymmetric; the allocation of property rights affects performance; and governance structures are designed to minimize costs involved in economic transactions (Sykuta & Cook, 2001).

The formation of co-operatives has generally been seen as a response to *market failures* (frequently accompanied by state's unwillingness or inability to intervene and regulate them). Such kind of market imperfections could be: simple market power, ex post market power ("lock in"), asymmetric information, risks of long-term contracting, strategic bargaining, communication of patron preferences, compromising among diverse patron preferences, alienation (Hansmann, 1996). Assigning ownership to the class of firm's patrons who are most affected by the abovementioned market imperfections could often reduce the costs of transacting with those patrons (Fulton, 1995; Hansmann, 1996). For example, if the market of fertilizers and farm pesticides in a rural area is dominated by the monopolistic power of a farm supply investor-owned firm ("market power"), then farmers-customers could avoid both, high monopoly prices for the goods that they purchase from the firm and the under-consumption effect of those high prices, by purchasing the firm from existing investor-owners, or (most frequently) forming a new firm; a farm supply co-operative.

Co-operatives are based on their members' efforts to integrate either forwards or backwards in the processing/distribution chain, albeit jointly because each one is too small to accomplish the task separately and face market imperfections (Nilsson, 2001). Typically, even the effects of principal-agent problems can be reduced by the choice of a co-operative organizational form regarding the fact that the persons who own the firm are the persons who control it as well.

To summarize, we can argue that incomplete contract theory and transaction cost theory explain mostly the origins of the formation and existence of the co-operative

organizational form, whereas agency theory and property rights theory explain the problems that are inherent in this organizational form.

Neo-classical economic approaches (Helmberger and Hoos, 1962; LeVay, 1983; Royer & Bhuyan, 1995; Tennbakk, 1996), focusing on price and quantity as the variables of prime interest, also offers a rationale for co-operatives. Combined with game theory (Sexton, 1986) claim that co-operatives are constructed so as to attain large volume of business and thereby achieve economies of scale. Hence, co-operative firms have a competitive advantage in industries where the average cost curve shows an ever declining pattern and price is independent of the volume supplied by the co-operative (huge markets). The larger the production is, the lower the costs and then, the larger the profits. Given these considerations, co-operatives can offer to their members, better trade conditions than any other organizational form and their dominant role in certain markets (e.g. collection and primary processing of raw farm products) can be interpreted (Nilsson, 1999). Implicitly or explicitly, the main assumptions of the neo-classical paradigm, i.e. those of the “economic man” and the “profit maximization”, are used to explain the formation and the existence of co-operatives as subjects to cost function and demand constraints.

An interesting explanation for the formation of the co-operatives stems also from the field of the *co-operative game theory*. Co-operative organizations and co-operative game theory share the same idea that agents join together and work together in a joint strategy for mutual benefit. Traditional game theory proceeds from a strong (“neo-classical”) assumption for human rationality characterized by the *self-interest* motives. In co-operative game theory, in addition to the self-interest hypothesis, *reciprocity* and social norms motives are allowed to enter. As a result, a co-operative organization may be required in order to fully realize a co-operative (in the sense of game theory) solution to the interactive decision problem all group enterprises create (McCain, 2008).

Obviously, co-operative formation is a major tool for vertical integration in specific markets as well as a useful tool for achieving economies of scale. Especially, in

oligopolistic or oligopsonistic markets co-operatives function as a *competitive yardstick* pushing prices in the market closer to the competitive price level (Novcovic, 2008). However, the co-operative organizational form is reflecting a strategy that actually consists of two closely linked dimensions: Organizing strategy and business strategy (Røkholt, 1999). While business strategy is vertical integration in the value chain, organizing strategy secures the horizontal (power) basis for the vertical integration. Its main object is organizing people to become and stay as members of the co-operative. In other words, co-operative organization is characterized by its *dual nature*, both an association of civil members, and an economic enterprise acting in the market. The interplay of these two components is the source of the originality of the co-operative phenomenon as well as of the difficulties of judging its performance (Michelsen, 1993; Levi, 2007).

B. Sociological perspectives

From a sociological point of view, co-operatives are formed by groups of persons wishing to promote their common economic interests by means of running an enterprise. This widens the scope of governance because members-users' economic interests are more extensive than the profit interests of investors who own a for-profit enterprise (Michelsen, 1993). Three types of members' demands can be described in a co-operative organization, which have impact on both the economic and the organizational aspects of co-operatives:

- Incomes
- Deliveries of distinct, concrete goods or services
- The pursuance of broader non-economic objectives on the basis of values

(Michelsen, 1993).

Given the fact that in descriptive economics, co-operatives are listed in the organizations of the "third sector" ("public" and "private" are the remaining two sectors), while in modern sociology they are seen as intermediaries between "civil society" on the one hand and "state" or "market" on the other, Habermas' analysis of the rationality differences among the three sectors could be mentioned. Habermas (1981) distinguishes the rationality of civil society which is based on

values from the rationalities of state and market which are based on power and money respectively. In a same manner, Pestoff (1991) argues that co-operatives are a kind of hybrid organization which constitutes an alternative between the “market and state” or “public and private” controversy. Pierce (2003), introduces a systemic perspective in the relevant discourse by assigning the three ‘sectors’ to three ‘*economic systems*’ which manifest a distinct organizing purpose; a distinct way of managing economy and production. The first system is profit-oriented; the second refers to central planning and redistribution, while the third system (where also co-operatives belong) is about people who take action to meet their needs themselves, in a collaborative manner and based on the principle of reciprocity. Pierce’s contribution is shown in the next figure:

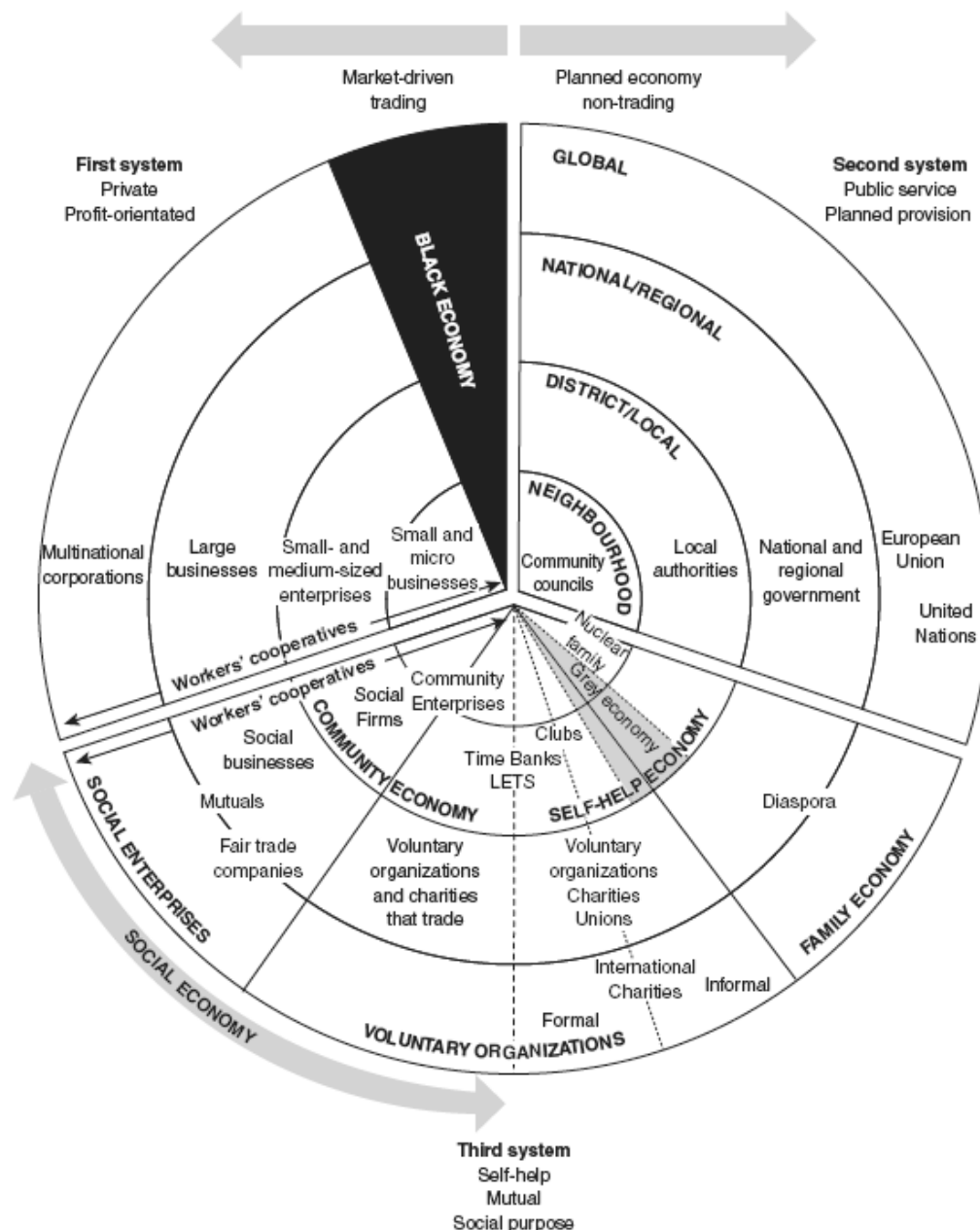


Figure 3.2: Pierce's three systems of the economy model (Pierce & Kay, 2003, p.25)

As we mentioned above, the formation of co-operative organization has been seen as a response to market failures. However, from a sociological oriented perspective, this formation could be also triggered by a collective sense of the need for changing the scope of an industry on the basis of values and preferences (e.g. democracy, environmentalism, ethnic or social solidarity, etc.) or constraining the pursuit of the profit objective (Michelsen, 1993; Anheier & Ben-Ner, 1997). Co-operatives are often formed as a response to enduring, unequal power relationships in societal fields

(Mooney & Grey, 2002), hence they are often linked to grass root political and social movements (Fulton, 1999).

In a more excessive way, Røkholt (1999) argues that the core of the co-operative rationale and strategy is social identification and personal identity closely linked to the membership, which can explain the existence and survival of the co-operative organizational form. The combination of these two factors generates a strong and persistent loyalty based on solidarity. Consequently, co-operative organization is based on logic different from the image of rationality that seems to be prevalent in contemporary organization studies influenced by organization economics (Borgen, 2000).

Summarizing the sociological perspective, cooperatives, through their economic practices, satisfy simultaneously both economic and non-economic interests of their members (Moonay & Grey, 2002).

3.3.3 The argument about efficiency

On the basis mostly of agency theory, incomplete contract theory and property rights theory, a large volume of criticism has been raised about the so called “structural inefficiencies” of the co-operative organizational form (Porter & Scully, 1987). Co-operatives are considered to be inefficient because of *vaguely defined property rights* (Cook, 1995) and high agency and collective decision-making costs. In fact, if no one clearly owns an asset and the property rights are not tradable and secure then no one has the incentive to guard the value of the asset properly or invest great amounts in assets that may lose without compensation and the asset cannot be acquired by the people who can use it in the best way (Milgrom & Roberts, 1992; cited by Cook & Iliopoulos, 1999). The *principal-agent problem* also becomes more severe in co-operatives and expands in a *many* principals-agent problem because of their unique ownership structure (Porter & Scully, 1987).

In a recent study, Thompson (2015, p. 10) points out that the predominant economic theories of the firm – *contract-based* theories²⁵ and *competence-based* theories²⁶ – despite their intellectual rivalry, converge to the common assumption that co-operative firms are generally inefficient. Contract-based theories consider co-operatives as incapable of achieving cooperation while competence-based theories imply that co-operatives are incapable of coordinating complex production processes. Nilsson and Hendrikse (2009, p. 340) argue that many problems that the co-operatives face are rooted in the difficult and improbable way to unite the two different logics that characterize the co-operative organization: those of the business firm and the co-operative society. Finally, other studies show that co-operatives seem to be compromised in period of high flux or when the competition increases significantly (Hart & Moore, 1998).

Many scholars converge on a set of incentive problems embedded in the co-operative organization (Vitaliano, 1983; Porter & Scully, 1987; Fulton, 1995; Bekkum & Dijk, 1997; Harte, 1997; Cook, 1995, Cook & Iliopoulos, 1999; Nilsson, 2001). Depending on which theory's assumptions are based, we can classify these incentive problems in two large categories: *Investment-related* problems (property rights theory) and *decision-related* problems (agency theory) (Borgen, 2004).

Investment-related problems:

- *The common property problem* (or “*free rider*” problem). Given the open membership and common ownership of the co-operative, a member can benefit from the use of firms' assets without contributing to the acquisition of these assets accordingly, gaining benefits at the expense of others (Cook, 1995).

²⁵ Contract-based theories argue that the purpose of the firm is to minimize the (in a narrow or broader sense) “transaction costs” of market exchange by achieving cooperation among instrumentally-motivated individuals with the rearrangement of opportunities and incentives that those individuals face (Thompson, 2015, pp.4-5).

²⁶ Competence-based theories contend that the purpose of the firm is to develop “dynamic capabilities” by achieving coordination with the combination of skills and resources (Thompson, 2015, p.4).

- *The horizon problem.* It stems from the fact that residual rights cannot be transferred when members withdraw (Nilsson, 2001). Consequently, the planning horizons of many members may differ from those of the co-operative, as members can capture the benefits of an investment only over the time horizons of their expected membership (Vitaliano, 1983). These members have reason to oppose to long-term investments. Franken and Cook (2015, p. 2) also refer to this problem as a *short-term* horizon problem but they introduce another type of horizon problem, the *current obligation* one. The latter appears when members with high debt obligations and/or cash constraints and limited access to bank borrowing oppose additional investment.
- *The portfolio problem.* Due to the lack of a trading system for the residual rights of the members and to their different time horizons, there will be different viewpoints with the respect to the risk/reward profile of the co-operative (Borgen, 2004).

The abovementioned problems result in underinvestment in tangible assets, under-utilization of capital and intangible assets, sub-optimal allocation of the resources, poor access in finance markets, myopic decision making (“here-and-now” actions), members’ apathy (Nilsson, 2001).

Decision-related problems

- *The decision-making problem.* In large co-operatives with heterogeneous membership and complex structure, operating in competitive or turbulent markets, the management of the firm may have difficulties to weigh different member opinions and perspectives and decide what is in the best interest of the members (Nilsson, 1999).
- *The follow-up problem.* Due to the collective ownership and the consequent lack of conformity between sacrifices and rewards, many members lose the motivation to get involved in decision-making and control processes of the co-operative’s business branches, giving managers (who are not residual claimants) the ability to promote either their own interests or make decisions

which will lower the value of the residual claims (Nilsson, 1999; Borgen, 2004).

- *The influence cost problem.* It occurs in organizations like co-operatives where decisions affect wealth distribution among members. Different groups of owners with clashing interests are engaged in lobby activities in order to influence the decision-making process and promote their own interests (Cook, 1995; van Bekkum, 2001).

The abovementioned problems result in inefficiency of decision-making process, poor business strategy implementation, slowing down the adoption and implementation of new technologies (Bruque & Moyano, 2007) and high influence costs.

Cook and Iliopoulos (1998) have introduced a number of criteria to identify the conditions under which incentive problems are most likely to emerge:

- *Singleness of purpose.* Homogeneity of interests can neutralize the investment-related incentive problems (common ownership, horizon, portfolio problems).
- *Control of supply.* The ability to control quantity and quality creates organizational boundaries proper for the development of clearly defined set of incentives for risk capital investment.
- *Incentives for Risk Capital Investment.* Users' contribution to growth-oriented risk capital acquisition may reduce organizational inefficiencies.
- *Sense of belongings.* Given the fact that capital in cooperatives is in everybody hands, but not in anyone hands (unallocated capital), creating this very sense ameliorates incentive problems.
- *Design of contractual arrangements.* Arrangements which define responsibility of obligation may reduce quantity or quality variability as well as free-rider issues.

Nilsson (1999, 2001) has also introduced a set of criteria:

- Size and homogeneity of the membership body.
- Size and complexity of co-operative's operations.

- Amount of financial contribution from members.
- Degree of contingency between members' goals and co-operative goals.
- Degree of members' involvement with their co-operative.

Generally, the fewer the members and more homogeneous; the smallest the scale and less the complexity of the operations are, the more difficult the incentive problems to arise.

It is relatively easy to find empirical evidence supporting the criticism to the co-operative organizational form coming from various theoretical backgrounds and not only related to the incentive problems: hold-up problems (Hendrikse & Veerman, 2000); poor (if any) implementation of personnel management, HRM, learning organization and intellectual capital approaches (Davis, 2006); technology gap (kontolaimou & Tsekouras, 2010); competition related problems (Hart & Moore, 1998; Herbst & Prüfer, 2011), just to name few. Many other scholars adopting different theoretical approaches like population ecology and isomorphism (Bager, 1994, 1996), corporate governance (Holmström, 1999; Bacchiega & Fraja, 2004), economic culture (Hogeland, 2006), transaction cost (Harte, 1997), end to similar conclusions for major problems that co-operatives face.

However, it is also easy to find evidence which counter the abovementioned allegations (Nilsson, 2001). Co-operatives still continue to thrive and grow, even in very competitive or/and globalized environments (Cook, 1995; Casadesus-Masanell & Khanna, 2003), holding a significant market share in certain industries (van Bekkum & van Dijk, 1997), having an informational – hence cost – advantage compared to IOFs (Bontems & Fulton, 2005), proving a significant involvement on innovation activities (Giannakas & Fulton, 2005) while some researchers argue that sector analyses of co-operative performance find no evidence regarding an allegedly less efficient operation than IOFs (Sexton & Iskow, 1993).

Some scholars argue that the property rights theory and agency theory overlook some underlying variables. Under certain circumstances, co-operatives may be less efficient than other firms, while under others they are superior (Hansmann, 1996;

Nilsson, 2001). According to *contingency theory*, one of the most basic notions in business is that organizations must reflect the characteristics of their business environment in their own organizational structure otherwise they will not be competitive (Kast & Rosenzweig, 1979; cited by Nilsson, 1999). Hence, it is stated that the inefficiency criticism is valid in cases when the characteristics of the co-operative do not match with the characteristics of its members (Nilsson, 1997; Hart & Moore, 1998; Nilsson, 2001). Thus, the identification of the conditions certain incentive problems are most likely to arise and the fore mentioned “mismatch” to occur, is of a great importance (Borgen, 2004).

Agency theory and property rights theory offer a useful framework in order to detect investment-related and decision-related problems of the co-operative organizations. However, many scholars are skeptical over the ability of these theories to offer a reasonable image of incentive problems in cooperative organizations as their assumptions first and foremost capture the rationale of an *investor*, to the neglect of the role of the *user* that is more familiar in cooperative organizations (Borgen, 2004). They argue that, the co-operative business form was constructed not for the sake of capital markets but for ameliorating market failures (Nilsson, 2001), and what is considered to be structural weaknesses of the co-operative form, might be regarded as sources of strengths (Røkholt, 1999; Stryjan, 1989; Zusman, 1993; Torgerson, 1997; James & Sykuta, 2005). Fundamental concepts related to the traditional co-operative organizational form, such as “mutual trust”, “loyalty”, “commitment”, “relational dimensions”, “openness”, “networking” have been the core research interest of the contemporary organizational theory of modern business (Røkholt, 1999; Borgen, 2001). Moreover, taking into account a broad definition of the term “efficiency”, which will also encompass other dimensions besides the economic such as “quality”, “innovation”, “social entrepreneurship”, then the supposed “structural inefficiency” of the cooperative organization is seriously questioned (Hoffmann, 2005; Herbst & Pruefer, 2005, 2007; Giannakas & Fulton, 2005; Novcovic, 2008). Thompson (2015, p. 10) concludes that, contrary to the conventional thinking about the co-operative organization, particular types of co-operatives (e.g. worker co-

operatives) could achieve deep-level cooperation and maintain it within the organizational structures required for coordination by means of trust and loyalty.

To conclude, conflicting and contradicting conclusions about the advantages/disadvantages, the efficiency/inefficiency of the co-operatives can be identified in various studies even in the same study. The assumption of an inefficiency “inherent” to the co-operative organizational form is far from having been empirically proved in a clear and sound way (Nilsson, 2001).

3.3.4 The restructuring trend

Modern organizations have been facing dramatic changes during the last twenty years due to a complex, rapidly transforming and even chaotic environment. Globalization, technological changes, increased and knowledge-based competition, uncertainties about the development in national and international level are the basic characteristics of the situation (March, 1995), which may be identified as the exogenous drivers of the abovementioned organizational changes. Consequently, deep changes in peoples’ norms, values and attitudes should be added. Thus, the last two decades a wave of organizational restructuring and business reengineering hits most of the organizations and institutions worldwide. The driving force for this movement is survival, based on the ability to handle uncertainty and competition. (Tsekouras, Skouras & Daskalopoulou, 2007).

Co-operatives, both agricultural and non-agricultural, are not the exception of this irrevocable trend. Moreover, due to the character of the changing business environment and their nature as user-owned, user-controlled and user-benefited firms, co-operatives often experience more radical changes than the investor-owned firms (IOF). These changes challenge the fundamental principles of the co-operatives and formulate three strategic choices; the option to exit the present organizational form (“demutualization”), or to continue with moderate changes to the organizational form, or to shift to a more radical form of organizational structure

(emergence of non-traditional models, mergers, acquisitions) (Chaddad & Cook, 2004). All these options aim to improve the efficiency of the co-operatives and to increase their probability to survive as well as their growth rates.

The last two decades the traditional co-operative form is under heavy pressure for changes, especially in the developed world. We observe a wide and rapid organizational restructuring (or re-engineering or re-modeling). Kaplan de Drimer (1997) captures the main authorized or proposed structural changes:

- Decrease in the minimum number of co-operative members.
- Dispositions related to capital and to the admission of non-user investor members.
- Dispositions related to the distribution of reserves.
- Participation of traditionally external persons or entities.
- Relaxation of some rules and protection.
- Growing diversity and complexity of the applicable dispositions.

The shift in organizational models for co-operatives is considered as a *one-way trend*, from the traditional model to different entrepreneurial models (Nilsson, 1999). Hence, it is a shift from a *member-patron* co-operative form to a *member-investor* form. Based on a study conducted by van Bekkum and van Dijk (1997) and the further contribution of Nilsson (1999), a typology of four groups of entrepreneurial organization models of cooperatives, in addition to the traditional, can be introduced:

- The *traditional co-operative model*. This is the best-known and wide-spread model based on the fundamental co-operative principles. Its main characteristics are: open membership; ownership rights restricted to members; equal contribution of capital; democratic control on “one member-one vote” basis; non tradable, non-appreciable, and redeemable co-operative shares; profit distribution in proportion to the use.
- The *participation co-operative model*. Non-patrons may own shares in the co-operative. The purchase of these shares is usually restricted to certain groups of investors (members in an investor role, staff, other co-operatives,

local citizens, etc.). The shares are tradable and appreciable. The investors may have voting rights but the vast majority of the voting rights are definitely in the hands of the patrons. The investors get remuneration for the capital they provide, either at a fixed rate or according to the profits attained.

- The *subsidiary co-operative model*. Co-operatives establish subsidiaries to run a part of their business operations. The subsidiary may be owned 100% by a traditional co-operative or together with outside partners. In the latter form, the investors' stock is individual property and appreciable. The external owners have seats in the general assembly and the board however the co-operative holds the majority of the seats. The profits are divided in proportion to each partner's ownership.
- The *new generation co-operatives*. Membership is not open. It is restricted to the members who have bought delivery rights from the co-operative in proportion to the patronage such that usage and capital investment are proportionately aligned. The delivery rights are tradable among the member-patrons and appreciable. The voting power is usually equally distributed (one member-one vote principle) but differentiation according to the volume is possible. Due to the proportionality between deliveries and investments, typical profit sharing proportional to the patronage, is actually equal to profit sharing proportional to investments.
- The *Public Limited Companies co-operative model*. The entire co-operative is organized as a public limited company. Members-patrons become shareholders. Hence, voting power and profits sharing are according to investments.

Drawing from the property rights and the incomplete contracts theories, Chaddad & Cook (2002, 2003, 2004), propose a typology of co-operative organizational models based upon a broad definition of ownership rights, comprising both residual claim and residual control rights. They argue that co-operative organizational models may be distinguished by the way ownership rights are defined and assigned to economic agents tied contractually to the firm (members, patrons, investors). According to the

proposed typology, the traditional co-operative and the investor-oriented firm are polar organizational forms. In addition to these polar forms of organization, five non-traditional co-operative models have been identified, listed in two categories:

A. Non-traditional co-operatives with the ownership rights *restricted* to member-patrons.

- *Proportional investment co-operatives*. They are actually traditional co-operatives which have chosen to remain in this organizational form. They adopt capital acquisition policies such as base capital plans, narrow product scope, and capital acquisition on a business unit base, in order to align members' equity capital contribution with their patronage.
- *Member-investor co-operatives*. The co-operative distributes profits in proportion to member shareholdings in addition to patronage. In order to do so, the co-operative adopts measures such as participation units, co-operative capital units, and redeemable preference shares.
- *New generation co-operatives*. (See above: "The new generation co-operatives")

B. Non-traditional co-operatives with the ownership rights *not restricted* to member-patrons.

- *Co-operatives with capital seeking entities*. The co-operative acquires equity capital by the establishment of a separate legal entity such as strategic alliance, trust company and subsidiaries.
- *Investor-share co-operatives*. (See above: "The participation co-operative model")

Moreover, other scholars (Kyriakopoulos & van Dijk, 1997; Kyriakopoulos, Meulenberg and Nilsson, 2004) identify another major characteristic of the restructuring trend in co-operatives which is the transition from members' equal treatment regarding pricing or cost charging to a differential policy that involves discounts or/and premiums to members according to volume, quality, location and various others criteria. This is the so-called "*from equal to equitable*" trend (Kyriakopoulos & van Dijk, 1997) and aims to offer incentives to members in order to stay loyal to their co-operative amid changing market conditions.

Finally, other studies (Williamson, 1987; Lang & Welzel, 1999; Richards & Manfredo, 2003; to name few) indicate a wave of *mergers* and *acquisitions* in co-operatives which operate in several industries - agriculture, banking, etc. The driving forces to this particular form of restructuring are either an effort to overcome capital constraints (Richards & Manfredo, 2003) or/and an attempt to increase the degree of market power and their competitiveness (Williamson, 1987). Moreover, Cook's (1995) definition of the co-operative as *user-owned*, *user-controlled* and *user-benefited* firm implies that a main characteristic of the traditional co-operative is that its activities are organized closely to their users who are also the founders of the co-operative. This can be called *user principle*. Therefore, one could argue that any development of activities which are not directly linked with the users of the co-operative is also a deviation from its traditional form. Nevertheless, the outcome of these changes is the same: a departure from the traditional model and the adoption of strategies that are close to those of publicly traded firms.

One could easily identify a close connection between the proponents of the restructuring trend in co-operatives and theoretical approaches that consider co-operatives as organizational forms inefficient or outdated or having certain incentive problems. A useful overview of this connection is shown in the following table which is quoted in Nillson, Kihlén and Norell (2009, p. 103):

Author	Core concept	Driving forces	Ends
Cook, 1995	Vaguely defined property rights	Large size of operations is necessary but then members will free-ride, become uninterested, etc.	Exit, conversions to IOFs or reorientation to individualized structures.
Fulton, 1995	Property rights theory	Technological advancements change the locus of power in the	The cooperatives' power is reduced.

		value chain.	
Bager, 1996	Population ecology	Techno-economic and institutional changes induce the cooperatives to imitate other businesses.	Conversions or at least the loss of a specific cooperative identity.
Harte, 1997	Transaction cost and agency theory	Markets are becoming more open, more transparent, and larger.	Conversions into IOFs or hybrid forms.
Holmström, 1999	Corporate governance, capital markets	As the capital markets function better, the cooperatives' investment portfolios become suboptimal.	Traditional cooperatives are increasingly inefficient.
Hogeland, 2006	The economic culture	Industrialization of agriculture, processing becomes large scale and capital intensive.	Traditional cooperatives face difficulties due to ignorant members.

Table 3.2: Selection of approaches that explain traditional co-operatives' problems

To conclude, the common characteristic of all the above mentioned typologies and change identifications, which constitute the core of the co-operatives' restructuring trend, is the departure from the fundamental principles of traditional co-operative organizational form. It must be noted that as 'fundamental principles' are not defined only the ones that are officially stated in the most recent ICA declaration (see section 2.2.1, p. 14) but also those that have been established through repeated practice over time and characterize the mode of operation of the vast majority of the co-operatives world-wide (e.g. user principle, members' equal treatment, etc.).

The departure from the traditional model occurs through the relaxation of the restrictions embedded in principles such as: ownership rights assigned only to

members; one member-one vote; equal contribution of capital; profit distribution in proportion to patronage; members' equal treatment; non-tradable, non-appreciable, and redeemable shares; autonomy and independence. The main objective of this transition, from the traditional co-operative model to a variety of non-traditional models, is capital acquisition which will solve investment-related incentive problems and will promote the development of value-added activities and the implementation of new technologies (Nilsson, 1999) as well as an attempt to increase competitiveness and market power (Williamson, 1987). Hence, transferable and appreciable shares, secondary market for co-operative shares, external partnership, separate capital pools, delivery contracts, closed or well-defined membership (Cook & Iliopoulos, 1998, 1999) or diversified policy among members, products and services not related to the existing scope of the co-operative, mergers and acquisitions (Williamson, 1987; Kyriakopoulos & van Dijk, 1997; Kyriakopoulos, Meulenbergh & Nilsson, 2004; Richards & Manfredo, 2003), consist the basis of the new doctrine of organizational change in co-operatives.

Once again, it must be mentioned that some scholars remain skeptical about an undeniable appropriateness of the new-evolved co-operative models. For example, Nilsson (1997), based on the assumptions of contingency theory, rejects the supposed superiority of the one co-operative model over the others. She argues that, as in every organization, a co-operative must reflect its environment. Which organizational model is best for a co-operative depends on its economic, technological, political/legal, and social conditions. However, the relevant literature about change in co-operatives is overruled by a discourse regarding the re-modeling or restructuring trend which, to one degree or another, leads to a deviation from the traditional organizational form.

Therefore, one could introduce a novel, encompassing typology of co-operative models which incorporates the typologies and contributions of several scholars who have studied the restructuring trend in co-operative organizations and were presented above. The novel typology is shown in the following table along with the traditional principles that have been violated by each type of change:

Co-operative Model	(violated) Traditional Principle
Differential policy co-operatives	Members' equal treatment
Proportional investment co-operatives	Equal contribution of capital
Member-investor co-operatives	Equal contribution of capital; Profit distribution in proportion to the use
Co-operatives with Subsidiaries	Autonomy and independence; One member – one vote; User principle
Co-operatives undertaking mergers and acquisitions	Autonomy and independence; Co-operation among co-operatives
New generation co-operatives	Non-tradable, non-appreciable, and redeemable shares; Open membership; Equal contribution of capital; Profit distribution in proportion to the use
Investor-share co-operatives	Autonomy and independence; Equal contribution of capital; Profit distribution in proportion to the use; Non-tradable, non-appreciable, and redeemable shares; One member – one vote; User principle

Table 3.3: New-developed typology of non-traditional co-operative models

3.3.5 Discussion

By reviewing the literature in co-operatives, one could draw, in a rather sketchy but not unrealistic manner, the opposite sites of an implicit controversy: studies that interpret changes mostly through the lens of economic theories that treat the co-operative as another investor, though peculiar, business form; and studies that interpret changes through the lens of sociological or political theories that treat the co-operative as a members' society, though with a definite economic character.

The former can capture and identify changes that happen to co-operative organizational form, which question its traditional character, and assign those changes to economic, financial, technological, etc., alterations occurring to the external environment, or to internal characteristics and structural inefficiencies, or most precisely to the external/internal interplay of these events and characteristics. However, this research trend cannot explain thoroughly the sound viability of the co-operative organizations even within its traditional organizational form. For example, recent studies coming from various industries and various regions indicate the viable and resilient character of many co-operatives amidst the after 2008-economic and financial crisis, even comparing to investor-owned firms (Birchall & Ketilson, 2009; Webster et al., 2012; Roelants et al., 2012; Esim, 2012; CICOPA, 2013), while other studies indicate a recent revitalization and a renewed interest regarding the co-operative form (Cuevas & Fischer, 2006; Pollet, 2009, Stervinou et al., 2015).

The latter can capture the theoretical and methodological inefficiency of the solely economic-led explanations as well as identify the role of non-economic values and interests like trust, commitment, identity, ideology, etc. However, this research trend seems to neglect the visible changes occurring to co-operatives the last twenty years or assign them to political and ideological prejudice.

Both trends, by overemphasizing the one or the other aspect of the co-operative organization, fail to treat co-operative as a hybrid organization – namely a business firm and at the same time a civil association. Nilsson and Hendrikse (2009, p. 351) were careful enough to warn the researchers of the co-operative organizations that they should acknowledge the complexity that derives from this particular situation. At this point, a certain research gap emerges and flourishes.

Another interesting finding that a researcher can easily identify within the boundaries of academic literature regarding co-operatives, is the large volume of criticism which has been raised about the so called “structural inefficiencies” of the co-operative organizational form (Porter & Scully, 1987, p. 498). On the basis mostly of agency theory and property rights theory as well as incomplete contracts theory

and contingency theory, co-operatives are considered to be inefficient, outdated and poor-adjusted to a continuously changing environment (Vitaliano, 1983; Porter & Scully, 1987; Cook, 1995; Fulton, 1995; van Bekkum & van Dijk, 1997; Harte, 1997; Cook & Iliopoulos, 1999; Nilsson, 2001; Bruque & Moyano, 2007). Within this context, the restructuring trend in co-operatives (Kaplan de Drimer, 1997; van Bekkum & van Dijk, 1997; Chaddad & Cook, 2002, 2003, 2004) - featured as a one-way route of change from the traditional model to different entrepreneurial models - holds a position both of a historical necessity and a self-fulfilling prophecy. Because of the supposed²⁷ “inherent inefficiency” of co-operative organizations, the conventional – linear and adaptive – notion of change is much stronger in the study of co-operatives than in other organizational forms. This theoretical attitude towards the co-operative organization orients most of the studies regarding change to answering questions regarding *what* kind of changes occur or *why* these changes happen. A broad series of organizational changes are identified (e.g. different transitional models and alterations from the traditional model) while they are assigned to a vast spectrum of reasons (e.g. structural inefficiencies, changes in the environment, imitation, financial pressures, cultural and political changes, alteration in members’ attitude, etc.). However, a significant lack of explanations regarding *how* change unfolds within the co-operative organization still exists. In other words, one could argue that, identifying and describing the changes or the reasons that led to them constitutes a research observation of *first-order*, while explaining how the co-operative organization deals with changes, an observation of *second-order*. Co-operatives, due to their hybrid nature and despite their long-last viability, remain a complex and rather less examined organizational form. An in-depth analysis of how organizational phenomena like change ‘work’ within co-operative organization, distanced by economic-led or political-based explanations or bias and focused on the internal functioning of the organization instead, could fill in the relative research gap.

²⁷ We use the term “supposed” because certain academic voices have been raised against this dominant trend in the study of co-operatives (Stryjan, 1989; Zusman, 1993; Torgerson, 1997; Røkholt, 1999; Borgen, 2001; James & Sykuta, 2005; Hoffmann, 2005; Herbst & Pruefer, 2005, 2007; Giannakas & Fulton, 2005; Novcovic, 2008).

It must be noted here that if one looks carefully at the relevant literature regarding change in co-operatives that was reviewed in Chapter 8, one will find out that the overwhelming majority of the studies refer to the agricultural co-operatives. Other types of co-operatives, despite their potential significance in some countries or certain industries are rather neglected by research. Therefore, a second type of research gap rests on this fact. Especially in the Greek context, where literature about co-operatives is at any rate underestimated, the overwhelming majority of contributions are focused on the problems of efficiency and the relevant changes and restructuring efforts of agricultural co-operatives (for example see Kalogeras et al., 2009; Kalogeras et al., 2013; Iliopoulos & Theodorakopoulou, 2014, Benos et al., 2015; Lassithiotaki, 2015). Studies regarding non-agricultural co-operatives hardly exist (with the exception of co-operative banks).

Moreover, when the literature on organizational change was discussed, it was marked the necessity to overcome the process/structure distinction and to avoid overemphasizing the external environment and the human agency as focal points of studying changes. This is the case for co-operative organizations, too. Especially for the second point, there must be made two more observations. First, the strong viability and endurance of co-operative organizational form, almost across two centuries, indicates that co-operatives have operated and survived within a wide spectrum of political, economic, financial, technological, cultural, and social circumstances; in other words, within almost any alteration that could happen in the external environment. Second, the collective character of the co-operative organization (user-owned, user-controlled, and user-benefited) as well as the fact that administrators are elected by the Assembly of Members every two or four years and at the same time they usually run their own business, diminish the potential role of charismatic leader/leaders or individuals' actions. In co-operatives, the promethean entrepreneurial metaphor is rather not the case.

To conclude, the acknowledgement of the hybrid nature of co-operative organization (business entity *and* civil association) as well as the move from questions regarding *what* kind of changes or *why* these changes happen to the co-

operative organization towards questions regarding *how* change unfolds, indicate relevant research points of interest worth for further deployment in co-operative studies.

3.4 COMBINING THE TWO DISCUSSIONS – THE RESEARCH GAP

The review of an extended literature on organizational change, co-operatives and particularly on organizational change in co-operatives, revealed controversies, different conceptualizations of the relative concepts and research deficiencies, which in turn indicate relevant gaps and emerging demands, worth for further research deployment. The concept of organizational change refers to change in organizations – any organization in general. Hence, remarks regarding organizational change literature cannot but also apply to the discussion of the literature about change in co-operatives, which are just one type of numerous types of organizations be they economic, political, cultural, social, religious, etc. For example, the argument about process/structure distinction, that was identified in the discussion followed the review of organizational change literature, refers to co-operatives, too; despite the fact that it is not traced explicitly in the relevant literature regarding co-operatives. Therefore, taking into account considerations deriving from the discussions of the basic concepts of this study and combining them, a *frame of reference* for the subsequent research regarding organizational change in co-operatives is formulated. The main points of this frame are:

- To overcome a strict distinction between process and structure (acknowledgement of recursivity).
- To acknowledge the hybrid nature of the co-operative organization.
- To avoid overemphasizing the human agency.
- To avoid overemphasizing the external environment
- To move from first-order to second-order observation *or*, in a less abstract phrasing, to move from answering *what* or *why* questions to answering *how* questions.

It must be noted here, that the abovementioned points are strictly related to the findings (gaps or demands) that revealed from the literature review. It must be also noted that dealing with all of them in the research process exceeds the size of this study; actually, each of them calls for a separate study. As it was stated in the introductory chapter, the main question that concerns this study is *how change unfolds in the co-operative organization*, which is related to the last of these points. Nevertheless, the whole research process will be characterized by an effort to seriously consider the remaining points despite the fact that they are not at the focal point of this study. A first step of this effort is the adoption of a theoretical framework that will guide next research steps and will be consistent with the above points. A promising theoretical framework would epistemologically carry the potential to answer *how* questions and at the same time would not oppose the demands which inhere in the remaining points coming from the discussion of the literature review.

To summarize, a critical examination of the literature regarding change in co-operatives reveals the main *research gap* that this study intends to fill with its research approach: More specifically, most of the relevant studies focus on the identification of the type of changes that the co-operatives experience the last two decades ('what' questions) and on the reasons that those changes occur ('why' questions). This is the reasonable outcome of a theoretical approach that, implicitly or explicitly, treats the co-operatives as another investor business organization which eventually is evaluated by its economic efficiency, as any other business organizational form. Even the opponents to this dominant trend criticize the above assumptions by assigning them to ideological or political reasons, hence answering 'why' questions, once more. As a result, both the type of changes that have been identified in previous studies and the explanations that have been given about the driving forces of those changes, lead to the unavoidable conclusion that co-operatives, by following this specific path of change, will gradually (or, should) come closer to the form of an investor-owned firm, instead of their traditional patron (user)-owned model. Once again, this conclusion is the reasonable outcome of a general theoretical approach regarding organizational change which treats change as

a linear, sequential, planned, controllable, manageable, and adaptive to environment process. However, the evolution of change in complex organizations of hybrid nature, like the co-operatives, cannot be fully described and explained (not even mention, predicted), unless questions about 'how' change occurs are addressed, as well; namely, unless the way that the co-operative organization internally deals with the change process in the light of its inherent duality, is exposed. This is precisely the *missing element* in the existing research literature as it carries the potential for a fundamental different view at the phenomenon of change in the co-operatives, consistent to their organizational particularity. Finally, the effort to bridge the identified main research gap must take into consideration both the need for expansion of the research in other types of co-operatives but the agricultural ones and the elements of the frame of reference that was presented in the beginning of this section and was derived from the critical discussion of the literature regarding the basic concepts of this study.

3.5 SOCIAL SYSTEMS THEORY

3.5.1 Introduction

From all the theories in my knowledge that support a recursive view for process and structure in organizations (structuration theory, autopoiesis, second-order cybernetics, dialectics), the theory of the autopoietic social systems or most precisely, *Social Systems Theory*, takes, implicitly or explicitly, into account all the above mentioned points that formulate the research frame of reference that was presented in the previous section. Additionally, one can find, in the body of this theory, a well-developed organizational aspect with direct and extended reference to the formulation, role, function, operation, type, etc., of organizations as a concrete, among others, type of social system.

A comprehensive definition of the *system* is given by Skyttner (1996, p. 7) as: "*a set of two or more elements where: the behavior of each element has an effect on the*

behavior of the whole; the behavior of the elements and their effects on the whole are interdependent; and while subgroups of the elements all have an effect on the behavior of the whole, none has an independent on it". While, Kneer and Nassehi (1993, pp. 17-18) speak very generally for the system as: *an entity whose elements are related to one another in a certain manner* (cited by Borch, 2011, p. 22). Closer to the theoretical selections of this study (i.e. SST) is Dirk Bäcker's assertion (2014, p. 1) that *"systems are theory"* as *"they describe a complexity, consisting of a highly integrated differentiation, established and maintained by a boundary, which selectively separates a unit from and connects it with an environment as seen by an observer"*.

Systemic thinking is considered to be of a great significance for the comprehension of the complexity in the organizational field. Willke (1993, 1997) mentions three basic reasons for the adoption of a general systems theoretical perspective in the study of the observed world:

1. The claim for catholicity. Systemic thinking could be the common starting point of research in every societal level of relations (face to face, group, organization, social subsystem, society, and international systems) based on the fact of the homogeneity of basic problems in different systems.
2. The interdisciplinary collaboration. Within the field of social systems theory, the collaboration among related scientific disciplines as well as the harmonization of various disciplines efforts is considered of major importance for the solution of those problems which transcend the boundaries of just one discipline.
3. The acknowledgement of the problem of Complexity²⁸. Social systems theory takes seriously into account the problem of complexity of social phenomena and elaborates procedures on its further exploration.

²⁸ *Complexity* is defined as a system's characteristic which is related to the number and variety of its components, the relational interdependence among them and their relationship through time (McFarland, 1969; cited by Willke, 1993, 1996).

Moreover, the application of the concept of autopoiesis in the study of organizations (particularly the theory of self-referential or autopoietic systems which was developed by the German sociologist Niklas Luhmann) bears a remarkable potential as it satisfies the ongoing scientific need for new approaches dealing with Non-Linearity and Complexity (Magalhães and Sanchez, 2009). Autopoiesis is the recursive reproduction of the elements of a system through its own elements. It both provides a model of how phenomena emerge from the complex interplay between heterogeneous factors and simultaneously puts the emphasis on the study of systems' internal structuration mode rather than the systems' dependence on the environment (Willke, 1993, 1997; Goldsprink & Kay, 2004).

Organizations belong to a social sphere sui generis processing its own logic (Seidl & Becker, 2006). Hereafter, organizations will be treated as one, among others, type of social system (Luhmann, 1992). Moreover, the *firm* (the co-operative firm, too) will be considered as a particular type of a social organization pursuing many different purposes, yet differentiated inside society by a special reference to the *economic* (sub) system of that society (Bäcker, 2006).

3.5.2 The theory of Autopoiesis

The theory of *Autopoiesis*, was originally developed by the Chilean biologists Maturana and Varela (Maturana, 1975; Maturana & Varela, 1980; Maturana & Varela, 1987) in order to explain the nature of living as opposed to non-living entities (Mingers, 2002) and how living systems persist despite changes in structure and components (Gregory, 2006). An autopoietic system is a system which does not transform inputs into outputs; instead it transforms itself into itself (Mingers, 2002). The key point of the definition of an autopoietic system is *self-production*. That means that the system produces and reproduces its components with the contribution of the very same components which consists of (Willke, 1993, 1997).

The *boundaries* of an autopoietic system are important as they define what the system contains within its unity. The creation of the boundaries comes from inside, in the sense that nothing that is not contributing to the system's self-production can be within these boundaries (Jackson, 2007).

These systems are *organizationally closed* as the organization²⁹ maintains its relations of self-production. This is a closure on the level of system's operations (*operational closure*) which are processes of self-production and produced by the system itself, internally. No operations of this kind can enter or leave the system. At the same time, the system will inevitably interact with its environment exchanging information and energy. The interaction with the environment can trigger changes (even dramatic, over time) in the structure³⁰ of the autopoietic system. So we can consider the system as *interactionally open*. However, despite this interactional openness, environmental perturbations can only trigger structural change but not determine the outcome of it. Changes are structure determined and must always allow autopoiesis to continue. It is the system which determines when, what and through which channels the exchange with the environment will be done (Willke, 1993, 1997; Kay, 2001; Mingers, 2002; Seidl & Becker, 2006, Parboteeah & Jackson, 2007). Systems can also become *structurally-coupled*³¹ to other systems or their environment but this is a process of mutual specification rather than the adaptation of one system to another (Mingers, 2002; Parboteeah & Jackson, 2007).

Many scholars have tried to extend the domain of the theory of autopoiesis to encompass the field of social sciences³². Kay (2001) identifies three main perspectives which characterize these efforts:

²⁹ Organization, in autopoietic terms, is the relations that define a system as a unity (Maturana & Varela, 1980).

³⁰ Structure, in autopoietic terms, is the actual components and their relations (Mingers, 2002).

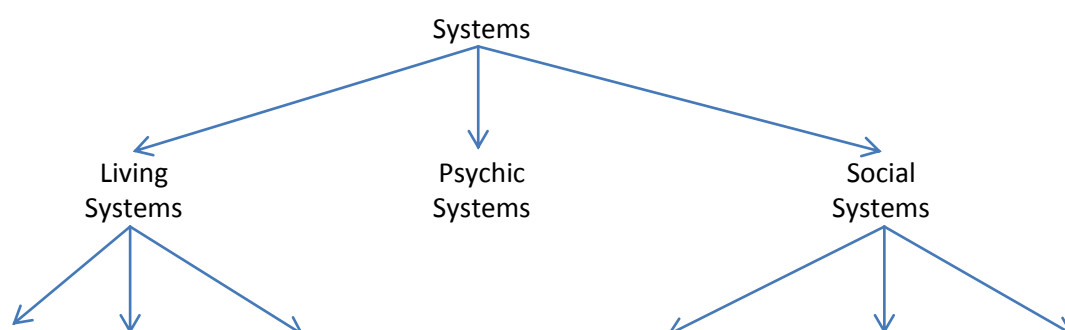
³¹ Structural coupling is the mutual relationship between a unity and the structure of its environment or other unities which occurs through recurrent interactions whilst maintaining its identity

³² It is true that Maturana and Varela were skeptical and have distanced themselves from the application of their theory in the social context (Kay, 2001; Hernes & Bakken, 2003).

1. The *scientific* perspective. It is termed so because the main debate have discussed is whether a social system is autopoietic or not, in the original conception of the theory.
2. The *metaphoric* perspective. Morgan (1997) uses the theory of autopoiesis in a metaphoric way to highlight three applications which he suggests are useful for the understanding of an organization (the organizationally closed relationship with its environment, the maintenance of identity, and the explanations of evolution, change and development).
3. The *sociological* perspective. It is based on the extended work of Niklas Luhmann; there will be an analytical presentation in the following chapter.

3.5.3 Luhmann and Social Systems Theory

Luhmann abstracted the concept of autopoiesis from its original biological roots in order to apply it in the social domain (Luhmann, 1986). He suggests that we speak of autopoiesis whenever the elements of a system are reproduced by the elements of the system. He tried to create a general, transdisciplinary concept of autopoiesis, open to respecifications by different disciplines (Seidl & Becker, 2006). Using the abovementioned abstraction, Luhmann suggests that, except the *living systems*, there can be closed, self-referential systems which do not have physical production as their mode of operation. These are the *psychic* (human consciousness) and *social systems*. The systems typology that Luhmann introduced is shown in next figure:



Cells Brains Organisms Interactions Organizations Societies

Figure 3.3: Luhmann's Typology of Systems (Luhmann, 1995, p. 2; figure modified)

Luhmann's fundamental assertion is that a system is constituted as a *distinction* between system and environment. We cannot speak of a system without system's separation from its environment. No system is possible without this initial distinction since the system could not build its own complexity and knowledge if mistook itself for its environment (Luhmann, 1995; Borch, 2011). Hence, in autopoietic systems we are dealing with the production and reproduction of the distinction between system and environment (Luhmann, 2000b). By this way, social systems are forever emergent phenomena in the sense they reproduce themselves *recursively*. The emergence of a system takes place through *distinctions* that the system makes, both between itself and the environment and between before and after (Hernes & Bakken, 2003). After this, a new definition of the notion *system* must be added in the definitions presented in the introduction of the present section; a definition in which the focal point is the distinction between system and environment instead of the interrelation between the elements of the system. Hence, *a system is difference – the difference between system and environment* (Luhmann, 2006, p. 38).

Luhmann suggests that the concept of autopoiesis can be applied to the study of systems if only a *single operation*, on the basis of which the system is reproduced, can be specified. For example, he considers that the psychic system (that is, the mind) can be conceptualized as an autopoietic system reproducing itself through *thoughts*. It is a system of thoughts that produces its thoughts through its network of thoughts and neither a thought from outside can enter the system (the thought in one person's mind cannot enter another person's mind), nor a thought of the system can enter the environment. Although the internal thought process is influenced by perturbations from the environment, the kind of thoughts that will be produced finally depends on the specific thoughts already present in the psychic system (Seidl & Becker, 2006).

In a clear analogy with the psychic system, Luhmann (1986) uses *communication* (better, the *communicative event*) as the particular mode of the autopoietic reproduction of a social system (neither *person* nor *action*). Communications are recursively produced and reproduced by a network of communications and cannot exist outside this network. The concept of communication is not used by Luhmann as a simple transmission of a 'message' or 'information' between a sender and a receiver. Communication is understood as an event consisting of three indissoluble elements – *information*, *utterance*, and *understanding* – which can enable further communicative events (Luhmann, 1995). Each element is a *selection* from a range of possibilities. It is the operation of the autopoietic system which defines and makes the selections. In brief, we can say that *information* is what the message is about, *utterance* is the form in which it is produced together with the intentions of the sender, and *understanding* is the meaning that it generates (including misunderstanding) to the receiver (Mingers, 2002). A forth selection is receiver's *response* to the communication. If there is any kind of response (agreement, disagreement, question, etc.) the communicative sequence will continue. If not, it will be terminated. Hence, the meaning of a communication can only be retrospectively defined through the later communications (Luhmann, 1995).

By making these selections, system marks its own distinction as what belongs to the system and what not (Mingers, 2002). It is essential to point out that this concept of autopoiesis departs from the original physical one, as communications are not stable entities (e.g. as a molecule). They are *events* which occur at a point in time and then disappear. What is vital for the continuity of system's autopoiesis is the generation of the next event. This event will be different from the previous one. Communicative autopoiesis is not a production of structure or pattern or repetition but of networks of differentiated events. Because the elements of the system have no duration, the system is urged to constantly produce new elements or else the reproduction stops and the system disappears. This is a major radicalization of the concept of autopoiesis (Mingers, 2002; Hernes & Bakken, 2003; Seidl & Bekker, 2006).

Social systems which produce and reproduce themselves through communications, also construct their own *perception* of themselves and their environment. The environment becomes an internal *construction* in the system through which the system can differentiate itself from the environment. The interpretation of the environment by the system becomes in the light of system's *self-referentiality* (Bakken & Hernes, 2002). That means that a system exists not only through the initial distinction from its environment but also through referring back to its own operations in order to maintain its boundary (Luhmann, 1995).

Luhmann describes the structural set up of the system with the notion of *self-organization*. Similar to the operations, the structure is internally produced. Operations demand a structure which is a result of operations. Structure and operations co-constitute each other in a *recursive* process (Borch, 2011).

According to social systems theoretical framework, an evolutionary achievement of systems without which they would be unthinkable is *meaning*. Meaning is the *medium* through which social systems reproduce themselves (Luhmann, 1995; Borch, 2011). Communication is only possible as communication *about something* (Kneer & Nassehi, 1993). Meaning is a medium that operates with the distinction of what is actual at any moment and a horizon of possibilities (Luhmann, 1995). Meaning can be decomposed into three dimensions: the *fact* dimension (distinction between 'this' and 'something else', the *temporal* dimension (distinction between 'before' and 'after') and the *social* dimension (distinction between 'alter' and 'ego') (Luhmann, 1995).

Luhmann acknowledges that systems interact with their environment and other systems, even changing their structures, due to irritations by the environment (they are interactively open). At the same time, they are closed by the boundaries of meaning, as the meaning creation takes place through the system's self-referencing. The system can *make sense* of the outside world through the observation of its own experiences. Social systems, by operating in the medium of meaning, are operationally closed (Hernes and Bekker, 2003). Luhmann defines social systems as

being principally boundary-maintaining systems. *Boundaries*, defining what is excluded, also define the conditions under which the self-referencing of what is included happens (Willke, 1993, 1997). So, they can only be drawn from inside the system as self-reference takes place inside the boundaries and represents a closure in relation to the environment (Hernes and Bekker, 2003). However, Luhmann (1995) argues that there is no contradiction between the openness and closure of the boundaries. Openness and closure are not only coexistent but also presuppose one another. Closure enables action because closure from the environment is what enables the environment to be observed and, hence, acted upon. A system must be closed in order to be open.

A central point in Luhmann's theory is also the concept of *observation*. Drawing his insights from the work of the mathematician Brown (1969), Luhmann argues that autopoietic systems are distinction processing systems and every operation of them constitutes an observation, i.e. a *distinction* and *indication* (Seidl, 2004). Moreover, Luhmann puts emphasis on the so called *second-order observation* or second-order cybernetics (von Foerster, 1984). While first-order observation refers to *what* an observer observes, second-order observation refers to *how* the first-order observer observes (Luhmann, 2002b).

Another important aspect of Luhmann's theory is how he considers the relation between social systems and human beings, or better in Luhmannian terms, *psychic systems*. Luhmann conceptualizes these systems as two different types of autopoietic systems which are operatively closed with regard to each other. Psychic systems operate on the basis of thoughts while social systems on the basis of communications. The two types of system constitute environment for each other. People only appear as semantic tricks in social systems and actions are a mere phenomenon of ascription in social systems (Andersen, 2003). However, the two systems do have a relation. This is not situated in the operational level but in the structural level. The systems are *structurally coupled* to each other which mean that their structures are adapted to each other in a way that allows mutual irritations. It is what Luhmann (1995) calls *interpenetration* between the two systems. With this

term is described the way in which something can be an element in two systems at the same time but with different functions. Interpenetration occurs when an autopoietic system presupposes the achievements of the autopoiesis of another system.

Combining the above mentioned elements of Luhmann's theoretical approach, the latter is termed by many scholars as *radical constructivism* (Andersen, 2003; Borch, 2011; Moeller, 2006, 2012); that is, reality is observable only as a *construction* that observers make. The production of a sense-making reality happens not *in spite of*, but *because of* system's operational closure. The distinction between system and environment is the necessary presupposition for the reality to emerge. Reality is a *product* of system's differentiation; hence it is not *pre-given* (Luhmann, 2006).

Luhmann's theory for the autopoiesis of the social systems has attracted criticisms from both the biological and sociological side (Cadenas & Arnold, 2015). From a biological point of view, Maturana and Varela, who had originally introduced the term *autopoiesis*, objected to the introduction of the term in the field of social systems. They basically argued that social systems are mere aggregates of biological autopoietic systems of first and second order and they are both a social and biological phenomenon (Maturana & Varela, 1987). Their criticism is shared by non-biologists as well (e.g. Mingers, 2002). From a sociological point of view, criticisms target mostly the supposed "neo-conservative" character of the theory (e.g. Zolo, 1990; Jameson, 2002), the dissociation of the human subject from the social systems (Mingers, 2002, and many others³³), and the reluctance to deal with the problems of reductionism and causality (Elder-Vass, 2007). However, despite the anticipated criticism for a peculiar theory like Luhmann's, the latter attracts an ongoing attention in many disciplines (from Law to Artificial Intelligence) and exceeds the European context where firstly was formulated and discussed.

³³ Maybe the most criticized aspect of Luhmannian theoretical endeavour.

3.5.4 Social Systems Theory and organizations

As it is shown in Figure 2.4 (p. 24), Luhmann (1995) identifies three types of social systems that reproduce their system/environment distinction on the basis of communication: *society*, (face-to-face) *interaction* and *organization*. Society encompasses the other two types of social systems. Organizations are characterized by two central features: they have rules for *membership* and reproduce themselves by a specific type of communication which is *decisions* (Luhmann, 2000a). Organizations' great advantages, as a type of social system, are the following: they can exist even if their members are replaced and this creates the capability of organizational specialization and therefore of handling large amounts of complexity; and their ability to connect to and bridge over different functionally differentiated systems - economy, politics, education, etc. - (Borch, 2011).

Organizations consist of decisions and they produce the decisions of which they consist through the decisions of which they consist (Luhmann, 1992; cited by Seidl & Becker, 2006; Luhmann, 2002a). That means that decisions are the particular mode of the autopoietic reproduction of an organization. Luhmann considers decision not as a mental operation, but as a specific form of communication. Decisions are communicative *events* which are not firstly made and then communicated, but decisions are decision communications. They are a kind of compact communications (Luhmann, 2000a) in the way that they communicate not only a specific content that has been selected – as every communication does - but also that there are alternatives that could have been selected instead. Decisions communicate their own contingency (Andersen, 2003; Seidl, 2004). Furthermore, he identifies *uncertainty absorption* as the *organizational process*; that is the process of one decision connecting to the other. Every decision is the product of earlier decisions and the basis for subsequent decisions (Seidl and Shoeneborn, 2010). For the second decision, the first one has been “decided” and doesn’t need to be decided once more. As a result of this process, every decision reduces the complexity of the following decisions by producing stable points of reference for them, which consequently makes possible extremely complex decision processes (Seidl and

Bekker, 2006). As any communicative event, a decision can be defined as such only retrospectively through ensuing decisions.

Luhmann also identifies *decision premises* as the *structure* of an organization; these are decisions which serve as premises for later decisions (Seidl & Becker, 2006). Two categories of decision premises are introduced: the *decidable decision premises* and the *undecidable decision premises*. The decidable decision premises are binding not only for the directly following decision, but also for a multitude of decisions and they are explicitly decided upon. Luhmann distinguishes three types of these premises: *programmes* (they define criteria for correct decision making), *personnel recruitment and assignment*, and *communication channels* (they define which decisions have to be treated as decision premises by which other decisions). The undecidable decision premises are premises which are not explicitly decided on, but are some sort of “by-product” of the decision process. Luhmann distinguishes two types of these premises: *organizational culture* (it refers to the way in which an organization deals with its own processes of decision making) and *cognitive routine* (it refers to the way in which the environment is being conceptualized by the organization).

A phenomenon related to the concept of decisions is the *deparadoxification*. Deparadoxification is a way to ignore paradoxes inherent to decisions in order communication to be continued (Andersen, 2003). According to Luhmann organizations are social systems which reproduce themselves on the basis of decisions (Luhmann, 1992). Decisions are a specific form of communication which is ‘compact’ because they communicate their own contingency (‘could be done otherwise’) (Luhmann, 2000a). As such decisions are always paradoxical; hence, organizations are fundamentally grounded in paradox (Shoeneborn, 2010). Decisions have to be deparadoxified, otherwise the organization will be paralyzed by its own paradox (Shoeneborn, 2010). One way of deparadoxification is to attribute a central player with preferences or interests or authority so decisions will eventually take the shape of an imperative (Andersen, 2003).

Organizational *individuality* refers explicitly to the *uniqueness* of the organization (Luhmann, 1993) as an element of the *organizational identity* – the other two elements are the *unity* of the organization and its *reflective identity* (perception of itself) (Seidl, 2002). In systems theoretical terms individuality is the outcome of the autopoiesis of the organization or the autopoiesis inevitably leads to individuality as every present operation is connected to previous and constitutes a premise for the next. This historicity individualizes the system (Luhmann, 2000a). Therefore, every organization cannot be the same with another because even very small differences between organizational operations result to different evolution. However, while the concept of autopoiesis refers to operations, the concept of individuality refers to structures. If one tries to describe the individuality of an organization, one must analyze the concrete structures of the organization which are the (decidable and undecidable) decision premises (Seidl, 2002). Moreover, a more detailed account must be given for the third element of the organizational identity which is the reflective identity and more precisely the *organizational self-description* (Seidl, 2002). Self-descriptions are a product of the organizational operations with which and through which the organization identifies itself and are not vanished the moment they are actualized as the other communications but they can be used in different communications (Luhmann, 2000a). It is a special achievement of the organization and refers to the organization as the *unity* of all its operations (Luhmann, 1995; Seidl, 2002). Self-descriptions function as structures – decidable or undecidable decision premises (Seidl, 2002).

In autopoietic systems we are dealing with the production and reproduction of the distinction between system and environment (Luhmann, 2000b). Hence, in organizations, every single decision draws the organization/environment distinction. The reproduction of decisions is actually the reproduction of this distinction and consequently leads to the reproduction of organization's *boundaries* (Seidl, 2004). Defining its boundaries, the organization closes itself off, generating a barrier for the environment (Mingers, 2002). What happens in the environment is perhaps an irritation or perturbation that triggers changes in the organization but it definitely cannot determine the outcome. This is determined by the organization itself.

Organizations are observing systems in the sense that they make and use distinctions. Their unique type of observation is decisions (Luhmann, 2000a; Mingers 2002, Seidl, 2004). On this basis, in the social world we are always observing other observers (second-order observation) (Mingers, 2002).

Within this theoretical framework *change* is not imposed by the environment but it is the outcome of variations inside the system (Morgan, 1986). The notion of change refers to the relationship between process and structure. Process, consisting of successive events over time, that is decisions, enables ceasing or continuing, which impact on the structures of the system (Hernes & Bakken, 2003, p. 12). Decisions, as selections between alternatives, bring forth the possibility of a different choice (Martens, 2006). In the end, since all organizational elements consist of transient events, the continuous change of the organization is guaranteed (Thyssen, 2002). Thus, the notion of change is only related to structures and not to the operations of the system. Operations, i.e. decisions, are events which once they take place, they cannot be reversed (Bakken & Hernes, 2003, p. 68); they disappear after their appearance (Luhmann, 2000a, p. 331). When we speak for organizational change we mean structural change as only structures can be reversible (Bakken & Hernes, 2003, p. 68). In other words, structures keep what can be continued (and therefore changed) relatively constant (Luhmann, 1995). Within social systems framework, organizational change is observed as a strictly *evolutionary* process which is explained as the interaction between three evolutionary functions: *variations* on the level of decisions, which are deviations from the established decision premises (structures), that serve as potential proposals for change; positive (or negative) *selection* of the deviating decisions; *retention* of organization's stability after the positive or negative selection of the 'proposals' (Luhmann, 2000a, pp. 351-352; Seidl & Mormann, 2014, pp. 143-144). In this way, the emergent character of change is emphasized and change becomes an uncontrollable evolutionary process. Change cannot be planned as planning becomes a component of the system's evolution (Luhmann, 2000a, p. 353).

In summary, we could highlight the main aspects of Luhmann's contribution to the organizational theory by arguing that organizations are one type of social systems, hence autopoietic, which reproduce themselves (and consequently the organization/environment distinction) on the basis of decision communications.

3.5.5 The contribution of Social Systems Theory

Social systems theory and especially Luhmann's contribution, has the potential to bridge existing gaps in the literature of organizational change and co-operatives. There are certain reasons for this. *First*, the reproduction of the system-organization happens through the constant reproduction of the distinction system/environment which in turn is performed in the basis of a single operation, namely *communication* or *decision* communication as far as organizations it concerns. Actually, the organization is nothing but a network of successive decision events where every decision is the outcome of earlier decisions and the basis for next decisions. As long as this process continues, the organization exists. If it stops the organization ceases to exist. It is obvious that social systems theory is a strongly processual theory. However, this does not imply that the role of structure is rejected. This theory supports a *recursive* view of the structure/process relationship. Operations demand a structure which is a result of operations and structures enable operations to be performed. Structure and operations co-constitute each other in a recursive process. Moreover, change is structure-determined and must always allow autopoiesis to continue. When we speak for organizational change we mean structural change as only structures keep what can be continued (and therefore changed) relatively constant (Luhmann, 1995). Concluding, social systems theory favors the transcendence of a strict process/structure distinction towards a process/structure duality.

Second, it was marked before that there is an urgent need for the hybrid nature of co-operative organizational form to be acknowledged in the studies of the organizational change. Social systems theory, by principle, conceives organizations

(hence co-operative organizations) as the specific type of social system that is characterized by their ability to connect to and bridge over different functionally differentiated systems (economy, politics, education, etc.). Co-operatives' hybrid nature argument seems to fit smoothly with this conceptualization of organizations. Moreover, it explains how co-operatives can handle the unprecedented volume of complexity that this organization faces (business entity vs. members' association, own complexity vs. members' complexity, etc.).

Third, if one adopts Luhmann's theoretical framework, a certain research orientation is implied. Luhmann puts emphasis on the so called *second-order observation*; that is, not *what* an observer observes (*first-order observation*) but *how* the first-order observer observes (Luhmann, 2002b). Subsequently, Luhmann's theory about organizations is not an explanatory theory of *what* an organization is or *why* organizations reach particular decisions. It is merely a theory of *how* organizations emerge through observations (Andersen, 2003). Strictly aligned with this theoretical path, answers regarding not *what* or *why* these changes happen but *how* the co-operative organization observe its change can be given. This can help to bridge the relevant research gap that was identified in the evaluation of the literature in change in co-operatives.

Finally, within the theoretical framework of autopoiesis, change is not imposed by the environment but it is the outcome of variations inside the system. The environment can irritate the organization to proceed with structural changes but it can in no way define the outcome of changes. This is defined strictly by the organization and must allow the continuation of its autopoiesis. So the role of the environment is not crucial for the final form that changes will take inside the organization. Within the same theoretical framework, human agency, or better *psychic systems* in Luhmannian terms, does not play the pivotal role that plays within the framework of other theoretical approaches. Actually, psychic systems constitute environment for the organization and vice versa. Their relation is mostly confined to offering mutual irritations to one another. The autopoiesis of the organization presupposes the special achievements of the autopoiesis of psychic systems

(thoughts) but the latter cannot define the outcome of the former. Consequently, both external environment and human agency can cause irritations or perturbations to the organization but change is defined by the inner workings of the organization, hence the need to continue the process of its autopoiesis.

3.6 AIMS AND OBJECTIVES

Summarizing the discussion regarding organizational change in the co-operative organization which stems from the relevant literature review, it can now be stated that the main aim of the present thesis is: *to re-examine the established and existing patterns of change in the co-operative organizations by observing the change process in a fundamental different way* which reveals the internal mode of change and the internal constructs that refer to it.

This endeavor will be rest upon the assertions of *social systems theory*. This theory satisfies the need to take seriously into account controversial, blurred or vaguely explained topics within the literature of organizational change and co-operatives like the ones that were explained before in discussion sections. Moreover, this theory offers an additional powerful tool. By considering the contingent and transient character of decision events which consists the main reproduction mode of organizations, by supporting a notion of organizations as forever emergent phenomena due to their recursive reproduction, as well as by introducing the fundamental assumption of organization's operative closure against the environment, social systems theory threatens a potentially irrevocable character of change. The 'one-way trend' of change could be validly questioned. Moreover, the radical constructivist character of the theory implies that the *reality* of change in the co-operative organization is not given or imposed from outside the organization, nor is there any a priori mechanism that change inevitably results from. The *reality* of change is actually a systemic own-achievement, an internal construction of the organization resulting from the way it observes the world outside and itself, hence the way of sense-making (Luhmann, 2000b; Moeller, 2012).

In order to achieve our aim we shall begin the research from cases that fulfill the criteria of the conventional thinking about change in co-operatives or, in other words, cases that converge to typologies of change stemming from first-order observation of change. Then, using the insights of the theory of the autopoietic systems, we proceed in a deep study of the change processes' evolution in each case. Hopefully, at the end we shall be able to reveal the complex, constructive and non-linear character of variations, immanent to the co-operative organizations in question, which trigger the change process and constructs the present character of it.

3.7 MAIN RESEARCH QUESTION AND ASSUMPTIONS

In Chapter 1 (Introduction), the main question underlying this study was stated as follows:

How does change unfold in the co-operative organization?

In the present chapter, the literature regarding organizational change and co-operative organization was reviewed and finally a set of controversial, less developed or blurred points were identified. Then, a less known theory – social systems theory – was selected due to its ability to handle these points in a consistent manner as well as its explicit reference to organizations. Therefore, a *presupposition* embedded in social systems theory was added:

Organizations, hence co-operatives, are social autopoietic systems which reproduce themselves on the basis of (decision) communications.

As a consequence, the organizational researcher, in order to make sense of the organization from the outside, can only observe the operations performed by the organization, which are decision communications (Luhmann, 2000a). In other words, the researcher should choose the distinction that the organization draws itself in order to distinguish itself from the rest of the world (Seidl & Becker, 2006). The

researcher must limit himself to the observation of system's observations and refrain from comparing the observations with "the world" in order to point out "errors" or "false consciousness" (Andersen, 2003, p. 241). Luhmann's theory about organizations is not an explanatory theory of *what* an organization is or *why* organizations reach particular decisions. It is merely a theory of *how* organizations emerge through observations (Andersen, 2003).

Combining this last epistemological assumption with the theoretical presupposition that was mentioned above, the initial main research question can be addressed by the formulation of the following research *assumptions*:

Organizational change in co-operatives follows logics inherent in the particularities of the production and reproduction of the co-operative organizational form.

And

Change³⁴ in co-operatives is mostly the emergent outcome of the inner workings of the system instead of the outcome of a linear, environmentally imposed and manageable process.

We can now operationalize the above assumptions introducing the following research (*sub-*) *questions*:

Q1: *How do co-operatives internally construct their external environment?*

Q2: *How do co-operatives perceive changes in their organization?*

Q3: *How do conditions for decision communication change when co-operatives perceive external environment as increasingly complex, vague and turbulent?*

Q4: *How is the co-operative/environment distinction, hence the boundaries of a co-operative organization, constantly reproduced during a change process?*

Q5: *How do the decision premises of the co-operative organization affect the change process and how are they affected by it?*

³⁴ We should note here that the term 'change' does not refer to a universal meaning but to the situation that the organization itself identifies as 'change'.

CHAPTER FOUR**RESEARCH METHODOLOGY**

“The eye sees everything except itself”

A. Schopenhauer

4.1 OVERVIEW

In previous chapter (Chapter 3), the research questions were stated and the theoretical framework that will underlie the research was analyzed. In this chapter, there is a focus on the methodological issues that govern the research under the influence of the selected theoretical framework which is Social Systems Theory (SST). The chapter begins with a statement regarding the philosophical (ontological and epistemological) basis of current research and its translation to a relevant methodology. Then, the methodological selections, regarding how the research is conducted, as well as approaches, principles, procedures and practices that govern it, are extensively presented and analyzed. A special notice is given to research quality issues and the selections were made to enhance the trustworthiness of the research project. Finally, limitations regarding the research methodology are presented and explained.

It must be noted that this thesis tries to adopt a *holistic* approach to research; that is, the nature of the research questions, the philosophical basis, the theoretical framework, the methodology selected and the methods employed are interrelated and can be seen as a nexus (Hesse-Biber & Leavy, 2011, p. 7). Therefore, in every selection that was made regarding the research design and process, this particular interconnectedness has been made visible.

4.2 PHILOSOPHICAL AND METHODOLOGICAL ISSUES

Ontological assumptions – i.e. assumptions regarding the nature of social reality – and *epistemological* assumptions – i.e. assumptions regarding the relationship between the “knower” and the “known” – establish the *philosophical basis* of the research project (Hesse-Biber & Leavy, 2011, p. 4). This basis influences the formulation of *methodological* assumptions – i.e. assumptions regarding how the (would-be) knower can gain knowledge of whatever can be known (Guba & Lincoln, 1994, p. 108).

The nature of research questions in this thesis, as well as the adoption of social systems theoretical framework imposes a certain stand regarding philosophical and methodological issues which is very close to a *radical constructivist* point of view:

Social reality is not something given waiting to be explored but it is the outcome of *cognitive constructions* made by systemic observations (Moeller, 2006, pp. 68-71; Borch, 2011, p. 61). Actually, SST assumes that the “world out there” remains unobservable and the system itself uses distinctions or schemes which are developed within the system by means of its own operations (e.g. communications). Thus, the system *constructs* its own reality for whatever lies beyond its boundaries (Besio & Pronzini, 2010, p. 3). As Luhmann (2000, pp. 6-7) explicitly states, “*Reality is produced within the system by means of sense-making*”.

Knowledge is only possible through distinctions (mostly the system/environment distinction), which are achieved through operations carried out by the system itself (Borch, 2011, p. 60). Given the fact that reality is conceived as a cognitive construct, which is an effect of systemic observation, the effort to describe reality becomes actually an effort to describe systemic observations. Therefore, an observer (e.g. a researcher) of a system (e.g. an organization) must direct his/her attention to the observation of system’s observations of reality; that is, conduct a *second-order observation*. This assertion does not entail a researcher’s objectivist stance toward the subject under examination. On the contrary, it must be acknowledged that “*the*

epistemologist becomes him/herself a rat in the labyrinth and has to reflect on the position from which he/she observes the other rats” (Luhmann, 2006, p. 250).

The above-stated philosophical basis of the current research implies some general terms applied at the empirical research. The research should be a *theory-driven* observation with a strong bond between theory and methods. Its main task should not be testing a hypothesis out of a representative sample but the adoption of an *exploratory* attitude towards the empirical material which, in turn, implies a search for tendencies that are relevant to the theory and for which it can offer meaningful interpretations (Besio & Pronzini, 2010, p. 4). Therefore, an *interpretive* methodological approach which focuses on understanding, interpretation and meaning is employed. This approach is associated with the *hermeneutic* tradition which is about deep understanding of social reality from the perspective of those involved within it - e.g. co-operative organization, in the case at hand (Hesse-Biber & Leavy, 2011, p. 17).

In order to avoid later misunderstandings, it must be noted, that concepts like *distinction, observation, sense-making, cognitive construction* and so on, refer to the systems (here, co-operative organizations) and not to concrete human beings. This is a fundamental (and radical) assumption of social systems theory which distances it from other constructivist approaches that refer to the mental constructions of persons or group of persons. This assumption poses certain difficulties or limitations that will be presented in following section of the present chapter.

4.3 RESEARCH APPROACH

The type of the research approach is specified by the selections made across three main categories:

- a) The primary research purposes: *exploratory, descriptive* or *explanatory*. Exploratory research seeks to examine a less-researched area. Descriptive research seeks to describe an aspect of social reality under examination by

developing “thick descriptions” of it³⁵. While, explanatory research seeks to explain an aspect of social reality and the relationship between different elements of it (Hesse-Biber & Leavy, 2011).

- b) The type of data gathered and analyzed in order to extract meaning: *quantitative* (focus on numbers) or *qualitative* (focus on words and texts) (Hesse-Biber & Leavy, 2011).
- c) And, the direction of reasoning: *deductive*, where a general explanation is applied to or tested against specific cases or *inductive*, where individual observations lead to a more general explanation (Brewerton & Millward, 2001; Delattre, et al., 2009; Hesse-Biber & Leavy, 2011).

The character of the research could be marked *exploratory*, as it investigates a less-examined topic which is organizational change in the co-operative organization. Comparing the volume of research in this topic with the total volume of research referring to organizational change in other - more conventional - forms of organization (IOFs, public sector firms, etc.), the outcome is disappointing for co-operatives. This research reality occurs despite the fact that a co-operative organization is an old-aged form of organization (since early years of 19th century). Moreover, within this weak body of research literature, research referring to retailer-owned co-operatives is rare, while studies referring to pharmaceutical co-operatives, to the best of our knowledge, hardly exist. In addition, taking into account the findings of the discussion in Chapter 2, change in co-operatives is not only a less-examined topic but also one-sided, as most of the undertaken research answers questions regarding *what* and *why* of change, while *how* questions are less-asked – if any. However, a *descriptive* character of the research must be also acknowledged. Despite the fact of investigating a less-examined topic, this research, however, aims to offer rich explanations regarding the way that change unfolds in co-operative organizations.

The nature of the research questions (‘*how*’) as well as the epistemological aspects of Luhmann’s theory (radical constructivism, second-order observation) and the fact

³⁵ For the term “thick descriptions” see C. Geertz (1973).

that this (merely abstract) theory is still ill-grounded to empirical evidence (Besio & Pronzini, 2010; Seidl & Mormann, 2014), leads to the adoption of a *qualitative* research approach. The main objective of this type of research is the in-depth analysis of the social phenomena and the extract of meaning out of data. Qualitative research approaches are suitable for describing, understanding and explaining the complexity of the organizations (Gummesson, 2006; Delattre, et al., 2009). Moreover, they are applied in fields where the key concepts are less-established or not well or fully developed like the case of change in co-operative organizations.

Finally, the reasoning follows a mixed direction. It was stated before that the research will be framed within the theoretical achievements of social systems theory. This provides the research project with an implicit *theory-driven* character as there comes an effort to apply and extend an existing theory by using its core elements (Becker & Seidl, 2007). One could argue that this particular theoretical selection influences the research methodology and design in a rather *deductive* manner. However, this thesis does not intend to test the hypothesis whether organizations, hence co-operatives, are *actually* autopoietic systems, but whether interpretations of phenomena like organizational change based on the *supposition* that co-operative organizations are autopoietic systems could offer critical and useful insights in the study of the organizations and their operations (King & Thornhill, 2003). Hence, a reverse strategy has been followed since data collection and after. While the research is framed within the context of this abstract theory, then proceeds to an inductive *theory-building* (Eisenhardt & Graebner, 2007) regarding especially change in co-operative organizational form; qualitative data gathered from the research field are analyzed in a way that makes possible more general and novel explanations. Nevertheless, one could also argue that a strictly inductive approach is not conceptually compatible with a theoretically-driven study. Finally, the outcome of the analysis of empirical findings and of the subsequent discussion will reflect back, both to research assumptions and the adopted theoretical framework itself. A schematic direction of reasoning is shown in next figure:

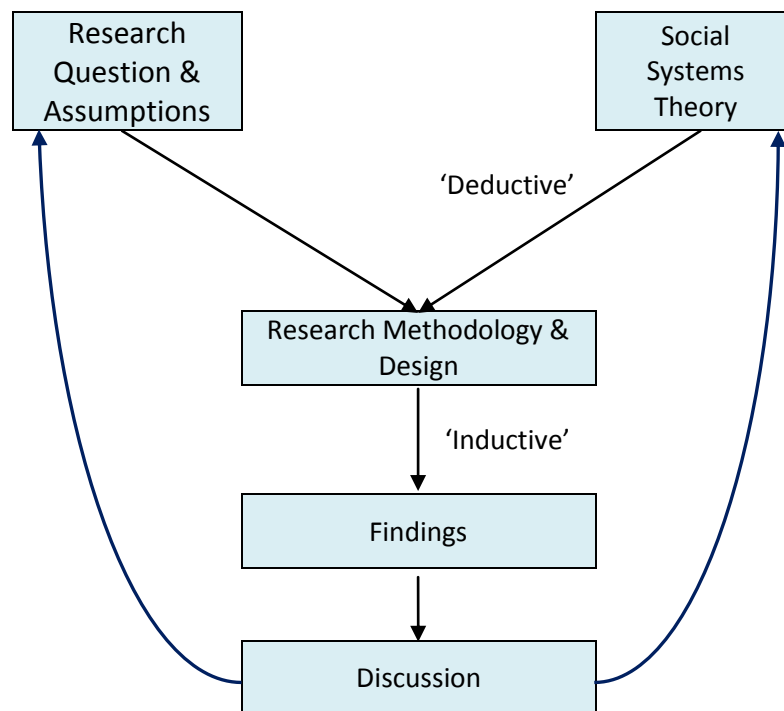


Figure 4.1: Direction of reasoning

To summarize, the research strategy begins as *deductive* regarding the fact of the application of an existing theory (social systems theory) to a real-world problem (organizational change and co-operatives) and ends up as *inductive* as far as the potential outcome of the research as a novel theoretical contribution regarding organizational change in the co-operative organizations is concerned. It is actually a strategy of *oscillation* between deductive and inductive reasoning, where the theory serves as a horizon of meaning which establishes a frame of reference for the empirical observations (Rennison, 2007, p. 152); the outcome of the observation could also reflect back to theory and expand the horizon of meaning. De Vaus (2001, p. 8) has explicitly described a circular process of the research logic which resembles the one drawn on in this study, where deductive and inductive reasoning are not necessarily competing but complementary, in the following figure:

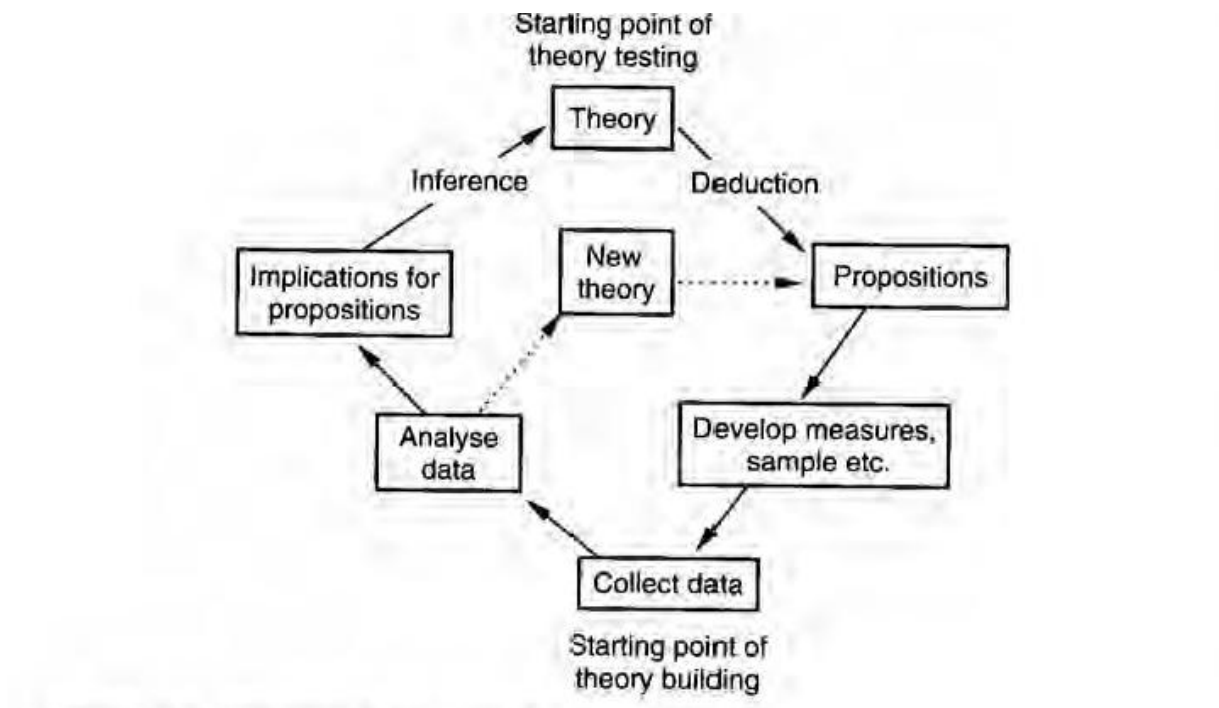


Figure 4.2: The logic of the research process

4.4 RESEARCH METHODS

4.4.1 Case Study

Among a large variety of methods suitable for qualitative research, the main method used is *case study*. Case study research method is suitable for studying complex social phenomena and typically answers questions like “*how*” and “*why*” while carries the ability to extend and enrich previous theoretical assumptions (Yin, 1994; Soy, 1997; Brewerton & Millward, 2001; Dooley, 2002; Eisenhardt & Graebner, 2007). It is often employed in organizational studies (Hesse-Biber & Leavy, 2011) as it helps to reveal and understand the dynamics present within single settings (Eisenhardt, 1989, p. 534). Considering that change in co-operatives is a rather under-developed topic and moreover studying it from a ‘*how*’ perspective

establishes a new research topic, then case study method seems an appropriate choice (Eisenhardt, 1989, p. 532).

From the three general types of case studies that Stake (2005) introduced – *intrinsic*, *instrumental*³⁶ and *multiple* – in this research *multiple case study* (selection of a sample of co-operatives that experienced organizational change) is used in order to investigate a larger phenomenon (i.e. change) from multiple cases of a larger population (i.e. co-operatives) (Hesse-Biber & Leavy, 2011, p. 258). The adoption of a *multiple-case* approach is also justified by the provision of a stronger base for a more robust, generalizable and testable theory (Yin, 1994; Eisenhardt & Graebner, 2007).

Finally, the selection of case study method fulfills a specific role in the theory-building endeavor of the present thesis. Lynham (2002, pp. 231-234) introduced five phases within a general description of a method of theory-building research in applied disciplines: *conceptual development – operationalization – confirmation or disconfirmation – application – ongoing refinement and development*. Taking into account the further development of this general method to case study research by Dooley (2010, pp. 349-351), case study method in the present thesis refers to the ‘application’ phase of theory-building process in a twofold character: case application of an already conceptualized and operationalized theory (i.e. social systems theory) as well as case application for advancing the conceptualization and operationalization of the theory. According to Lynham (2002, p. 232): “qualitatively oriented theory-building research methods, for example, case study, grounded theory, and social constructivist approaches, typically begin with inquiry in the application phase and then use the results of such inquiry to inform the development of the conceptual framework”, which is the case in study at hand.

4.4.2 Sampling of cases

³⁶ *Intrinsic case study*: to understand a particular case holistically. *Instrumental case study*: to generalize or provide insight into a larger topic (Hesse-Biber & Leavy, 2011, p. 258).

The selection of the cases that were examined followed a *purposive sampling* approach. Purposive sampling allows the researcher to choose cases because of the feature or process of great importance for the research questions as well as because of the consideration of the resources available to the researcher (Silverman, 2000; Hesse-Biber & Leavy, 2011). The logic of this type of sampling (e.g. instead of *random sampling*) is to select *information-rich* cases for study in depth. These are cases that deal with issues of central importance to the *purpose* of the research inquiry (Patton, 2002, p. 230). Following Patton's (2002) typology of purposive sampling, in present thesis *intensity sampling* was employed. That is, selecting information-rich cases which manifest the phenomenon of interest intensely (Patton, 2002, p. 234).

In the study at hand, the phenomenon of interest is organizational change in pharmaceutical co-operatives in Greece. Therefore, the sample ought to be Greek pharmaceutical co-operatives that experienced certain types of change; actually, a shift from the traditional co-operative model to different entrepreneurial models. As it was stated in Chapter 3, there had to be selected cases that converge to typologies of change stemming from first-order observation of change. For this reason, the novel typology that was developed in *Table 3.3* (p. 70) which combines to a single body the contribution of various scholars who studied the restructuring trend in co-operatives, was adopted. To remind, the new typology contains the following non-traditional models of co-operatives:

- *Differential policy co-operatives*
- *Proportional investment co-operatives*
- *Member-investor co-operatives*
- *Co-operatives with Subsidiaries*
- *Co-operatives with mergers and acquisitions*
- *New generation co-operatives*
- *Investor-share co-operatives*

Pharmaceutical co-operatives establish the original pool of cases, which was then narrowed down to a pool of co-operatives that experienced types of organizational change that fit with the above typology. From this final pool, the sample of *three cases* was pulled out in the present thesis. To achieve this, a preliminary exploratory survey based on a brief questionnaire (APPENDIX I) had to be conducted among pharmaceutical co-operatives in order to identify information-rich cases that could satisfy the *intense* criterion³⁷.

4.5 DATA COLLECTION TECHNIQUES

The initial aim of the research was to investigate each case gathering data from multiple sources. More precisely, data from interviews with top organizational members as well as data from corporate documents, public statements, minutes, etc. This is consistent to the SST framework as Luhmann (2000a, pp. 147-149) identifies two techniques that organizations use in order to make the decision practice visible: the construction of an accountable addressee (decision-maker); and the staging of the decision process (e.g. routines, documents, meetings, etc.). Therefore, the initial effort of this study was to gather data from both fields.

The primary data collection technique was *interviews*. Interviews offer an efficient way to gather rich, empirical data in a flexible way (Eisenhardt & Graebner, 2007, p. 28) from relatively few participants and can lead to specific and productive suggestions. They also play an important role in organizational research for the study of phenomena like change (Alvesson & Ashcraft, 2012). Within SST framework, interviews with organizational members are used most often as the appropriate methodological procedure which helps the researcher gain access to the mechanism and orientation of decision making, hence to the basal operations of an organization (Besio & Pronzini, 2010, p. 4). The format of interviews was *semi-structured*. Within this interview structure, the researcher introduces the topic and guides the

³⁷ Patton (2002; p. 234) suggests that intensity sampling involves a prior exploratory work to determine the nature of the situation under study.

conversation by using a certain set of questions which, however, leave plenty of room for the respondents to emphasize issues of great importance or interest for them (Rubin & Rubin, 1995; Hesse-Biber & Leavy, 2011). In this way, the conversation can follow unpredictable paths and reveal things not been thought in advance while the researcher can obtain rich and salient data from each individual. Consequently, in this research a certain pattern of questions were also in hand before each interview, strongly connected to the theoretical framework, hence the research questions (see the set of questions, their relation to the theoretical framework and their implied reference to the initial set of research questions in Table 9.1 in APPENDIX II). This fact does not mean that interviews were limited to these questions. Questions were enriched, abandoned or changed according to the factuality of each interview.

The logic of *purposive sampling* was also followed in the selection of interviewees from each case-study. The selection did not follow a random, statistical-like, manner which is common in quantitative studies. The qualitative approach of the study at hand led to the selection of highly knowledgeable informants among each co-operative organization's members – i.e. *key informants*. They are organizational members who do not simply express and describe "their personal feelings, opinions, and behaviors" but they mostly generalize "about patterns of behavior, after summarizing either observed (actual) or expected (prescribed) organizational relations" (Seidler, 1974, p. 817). Hence, they are chosen precisely because they have special qualifications such as particular status, unique access to organizational information or specialized knowledge about group or organizational properties or events and they are able and willing to communicate about them (Philips, 1981; Kumar, Stern, & Anderson, 1993; Hughes & Preski, 1997). The initial effort was to select at least three respondents-informants from each case-cooperative, assigned to different hierarchical positions (mainly executives from at least two hierarchical levels and members of board of directors). The aim of this approach is to limit bias (Brewerton & Millward, 2001; Eisenhardt & Graebner, 2007). The limited number of interviewees is justified by the low total number of workers in the studied cooperatives and their not fully developed hierarchical structure. Actually, there

were one or two top executives and one or two members of board of directors that were able to present a complete point of view regarding changes in their cooperative. Moreover, interviewing a sample of respondents who experienced the same structural and organizational conditions (i.e. co-operative organization, organizational change), offers great power to the responses of the supposed few participants (Seidman, 2006, p. 55). It must be pointed here that the aim of the research was not to investigate the effects of change on or the attitude against change from all the organizational members (e.g. employees, managers, stakeholders, etc.), so as to formulate a representative account regarding change within the organization. Instead, the aim was to understand how change unfolds in the co-operatives. Being aligned with the adopted theoretical framework (SST), this could be achieved by investigating, among other data, the perception of change and organization among organizational members closely related to the decision process, the implementation of decisions and the evaluation feedback after decisions were made (hence, to the potential point of irritations which could ignite a new sequence of decisions). In SMEs, and particularly in Greek pharmaceutical co-operatives, only a handful of persons (top executives and experienced decision-makers – pharmacists, members of the Board) could assume this position.

One of the cases was selected to conduct a *pilot-study* in order to test the interview design and remove obvious barriers and problems (Soy, 1997). Supplementary to interviews, an effort was made for gathering *archival data* from other sources as well (documents, letters, minutes, publications, etc). This effort would increase the trustworthiness of the study. Moreover, the plurality of data sources is consistent with the notion of the researcher as an observer of organization's observations.

Finally, the trustworthiness of the research was increased by including *member review* (or *respondent feedback*); that is showing drafts of writing which represent researcher's conclusions to the people who were the source of the material (Locke & Velamuri, 2009). The whole process followed in the data collection phase is shown in the next figure:

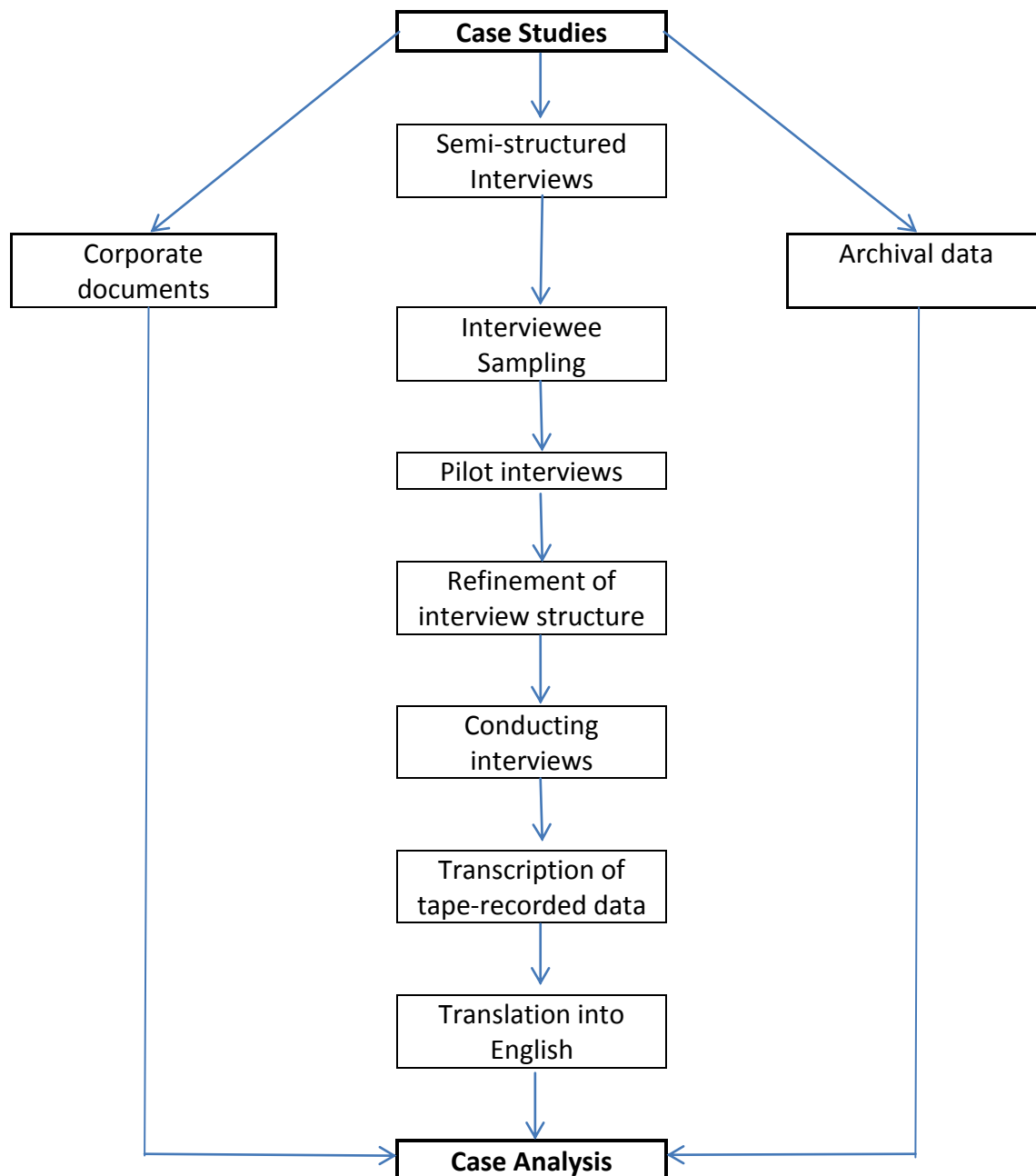


Figure 4.3: Data collection process

At this point, more clarification needed as the particular non-humanistic stance of SST may lead to methodological misinterpretations. Within the conceptual framework of SST, when a researcher observes an organization, he/she does not observe actors, actions or causalities but communications (decisions) instead (Mayr & Siri, 2010). It must be stressed that people who are interviewed are not treated as “subjects” (e.g. of change actions) but as “persons”, i.e. individuals who are treated by the organization in a way that corresponds to the immanent logics of it (e.g.

decision makers or decision implementers, etc.) (Mayr & Siri, 2010, ¶ 16-19). Therefore, the interview is not used as a tool to find out interviewee's real motives or the effectiveness of the organization but to interpret how the organization reduces the contingency inherent in every social situation (Mayr & Siri, 2010). Seidl and Becker (2006, p. 22) state that psychic systems (humans, in Luhmannian terms) "serve as a memory as they can remember communicative events beyond their momentary point of existence". So, it is exactly this "memory" that is useful for the researcher during the interview as interviewees, because of their structural coupling with the system/organization, interpret organizational phenomena like change. One must be cautious enough to acknowledge that the communication generated in an interview *does not represent* the actual communication within the organizational system. Instead it rather presents a *construction* shaped within the independent system of interaction (interviewer/interviewee) which is established when an interview takes place (la Cour, Knudsen, & Thygesen, 2005). Hence, the value of a constructed reality is not its representativeness but the *information* that it carries *about* a specific phenomenon (i.e. change). The informant (organizational member) functions as an observer of the organizational communication and the interview takes the form of a system observing observations (Rennison, 2007, p. 154). I must stress once more that the aim of the interview (and the challenge to the researcher) is not to reflect the thoughts, ideas, or values of the informant but to *distinguish* among them and *indicate* (hence, to observe) communication themes that arise within the interview related to the phenomenon in study.

4.6 DATA ANALYSIS

Data analysis was based on the *content analysis* and particularly on the *qualitative* content analysis of transcription data collected from the nine interviews as well as any other data that could be attributed in textual form (e.g. letters). Within this form of analysis emphasis is put on meaning rather than on quantification (Brewerton &

Millward, 2001). It must be noted that in any transcription, respondents' names have been replaced by code names for reasons of confidentiality³⁸.

More analytically, *coding* was a central part of the analysis of the transcribed data. It is a process through which one extracts meaning from a text by marking meaningful segments in the textual data and *labeling* them with a code (Seidman, 2006; Hesse-Biber & Leavy, 2011). For the needs of the research both *literal* (consisting of words appearing within the text) and *analytical* (relying on researcher's insights) codes were used (Hesse-Biber & Leavy, 2011). When the initial coding of each text had been completed I waited for few weeks and then a *recoding* process of the same text was undertaken in order to increase the internal consistency of the research (Krefting, 1991). Finally, results were compared and the most appropriate codes were selected. The whole process on each respondent's transcribed material is shown in APPENDIX VI.

Proceeding with the marking and labeling task, *categories* began to be shaped, that is groups of data that shares a commonality (Krippendorf, 1980). During this phase I was aware to keep categories' labels tentative. Indeed, continuing to mark texts from the following interviews, other passages connected to the same category while promising categories died out and initially distinct categories merged. Some others remained in flux almost until the end of the process.

Some of the techniques employed during the coding process were: word repetitions, key words in content, searching for metaphors and analogies, connectors (Ryan & Bernard, 2003) as well as identifying excerpts with direct linkage to literature and searching for contradictions and inconsistencies (Seidman, 2006). A certain effort was made no coded data to be excluded due to lack of a suitable category and no data to fall between two categories or fit into more than one category (Graneheim & Lundman, 2004).

³⁸ The code is formed by a capital letter indicating the organization ('C' for cooperative), a number identifying the case, a capital letter indicating respondent's position ('E' for executives, 'B' for board's members) and another number identifying the person. For example, the code name C1E1 means that the respondent is cooperative one's the first executive to be interviewed.

These efforts are consistent with the main concepts of the theoretical framework adopted for this research (autopoiesis, change, social systems theory, etc.) which has been presented in the previous chapter. It is important to mention that this endeavor was backed up by the constant writing of *memos* for each sub-category and category that arose within interviews' material. In these memos, ideas and concepts that are generated by the reading and coding process of each interview were written down, supported by textual evidence and linked to theoretical framework. By writing memos, codes can be raised to the level of category (Hesse-Biber & Leavy, 2011). Coding and memo-ing entered a dynamic process in which refinement of coding led to new memo-ing and so on. Memo writing is an important link or the intermediate path to interpretation as it helps the sense-making effort.

Finally, as the outcome of the abovementioned process certain *themes* emerged. Themes are connecting threads and patterns within categories and between categories and carry the underlying *meaning* on an interpretive level (Graneheim & Lundman, 2004; Seidman, 2006). Because of their interconnected and universal character, identification of themes will eventually mark and orient the further interpretation of the research findings. Moreover, within Social Systems theoretical framework, themes are available for quick and understandable reception in communicative processes, so their relatively steady function through time enables the reproduction of communication and helps formulate system's semantics (Luhmann, 1995, p. 163).

We should note that the research questions presented in a previous chapter are interrelated because of the very nature of the adopted theoretical framework (SST). Actually, they were developed by the operationalization of the main research assumptions. So, the outcome of the research process is expected to be a narrative that will explain features of change in co-operatives. Moreover, within the qualitative research framework, research questions may arise through the interaction between theory and empirical realism. Even the initial research questions can be modified during the research according to the results of the field study

(Delattre, Ocler, Moulette, & Rymeyko, 2009) and this actually happened in the presented research, too.

Concluding, the overall analytical process is shown, for descriptive reasons, in the following figure:

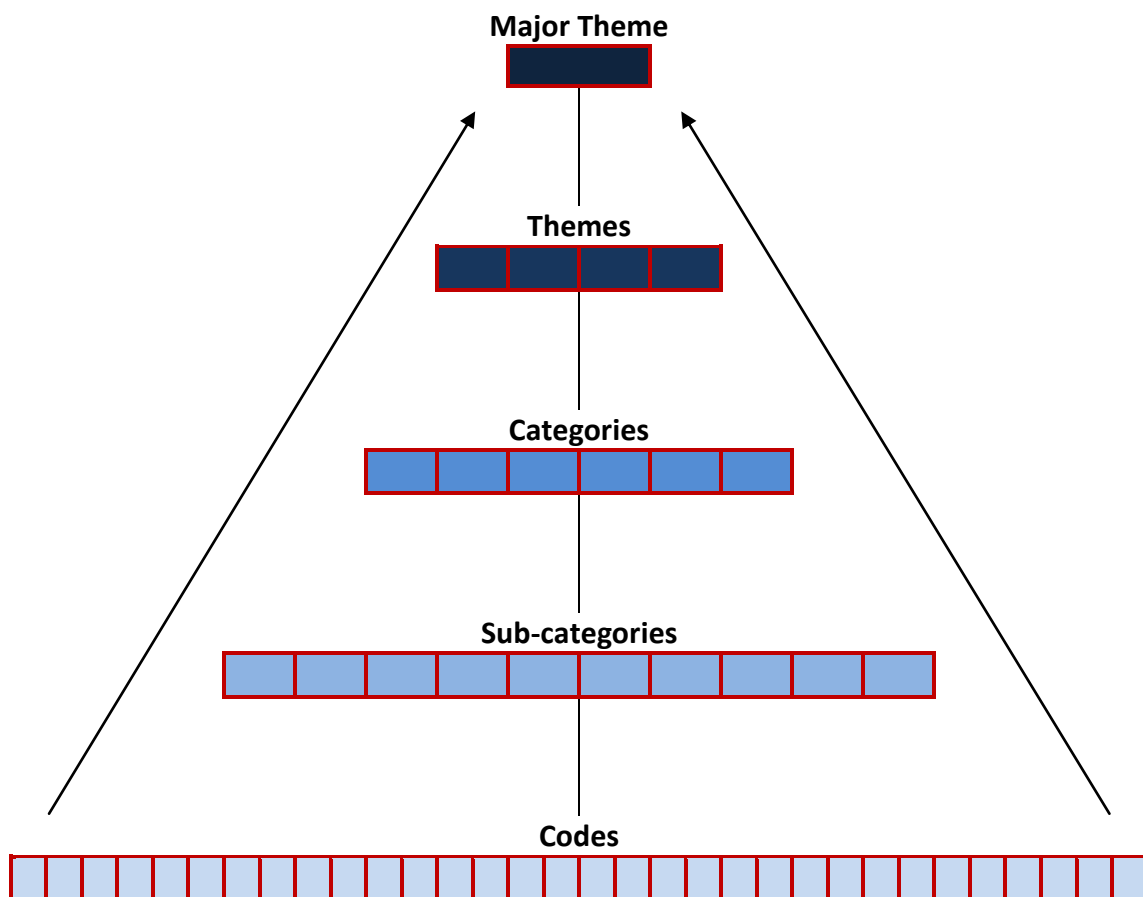


Figure 4.4: Data Analysis Process

4.7 ETHICAL CONSIDERATIONS

It is obvious from the previous sections in this chapter that a large part of this study is based on the implicit or explicit participation of human subjects. Both members of the administration of each co-operative who allowed the researcher to examine their organization as a case and, organizational members that took part as respondents during the interviews, could be affected by the process or the outcome of the study. Any misuse or delinquency during the data collection and analysis or

within the findings presentation and dissemination could harm both the organization as a business entity and the participants as persons. For this reason, very careful steps were taken in the research design so as to secure that organizations' interests and human subjects' rights and privacy are not exposed to any, at least legible, risk. Seidman (2006) writes about the *voluntary participation*, *the right to withdraw*, *to review and withhold interview material* and *the right to privacy* as the most important participants' rights to be respected in a research that is based on interviews. He also adds the need for *the confidentiality of records* and *the careful use of interview data during the dissemination* phase. Therefore, Seidman's and other scholars' (e.g. Silverman, 2000; Brewerton & Millward, 2001; Hesse-Biber & Leavy, 2011) remarks as well as the ethical guidelines of Salford University led to a series of relevant measures which are presented extensively in APPENDIX VII:

4.8 AN ACCOUNT OF THE FIELD RESEARCH

The field research process could be distinguished in three phases: i) *preliminary phase*, ii) *main phase*, and iii) *review phase*.

4.8.1 The preliminary phase

During this phase an exploratory survey was conducted in order to select the sample of cases that would be examined. A brief questionnaire was distributed to the 27 pharmaceutical co-operatives that operate in Greek pharmaceutical wholesale market. From the potential answers, one could identify the characteristics of certain types of change that these co-operatives had experienced last years, consistent to the typology of observed changes in co-operatives that introduced in section 3.3.4. 14 co-operatives completed and returned the questionnaire, which is 51.85% of the existing co-operatives. However, in terms of annual turnover these co-operatives sum almost the 80% of the total annual turnover of Greek pharmaceutical co-operatives. While in terms of members, they sum 82% of the total number of

pharmacists who participate in co-operatives. It is obvious that the 13 co-operatives that did not respond are rather small or very small entities which, in my view and experience, could hardly experience departures from the traditional co-operative model because of their size and the consequent underdeveloped organizational structure. From the answers of the 14 co-operatives that responded to the survey, only 5 of them seemed to experience a plurality of change types (more than four types). With these co-operatives a further contact was established in order to explore the willingness of their administration to participate as cases in the research. Three of the five co-operatives were definitely positive in such a possibility. So, a letter was sent to their administration and senior management explaining the research project in a more detailed way, assuring them for the confidentiality of the project and requesting their contribution with high ranked people (members of Board of Directors and executives) and documents. All the three of them (which incidentally belong to the six biggest pharmaceutical co-operatives in Greece) agreed with their participation to the research.

4.8.2 The main phase

In each co-operative under examination, a *person of contact* was defined in a consensus manner, in order technical details of the field research to be regulated (e.g. dates of meetings for the interviews, allowances to personnel, type of corporate documents to be given, etc.). In all the three co-operatives, as person of contact was defined the top executive (general manager, managing director, etc.). With their contribution, three persons from each co-operative were selected as interviewees. The selection criteria were their deep knowledge of organization's history and procedures, their status, their unique access to organizational information and their position in different hierarchical levels. For the Co-operatives Two and Three, one member of Board of Directors and two senior executives from two hierarchical levels were selected, while for the Co-operative One, two members of the Board of Directors and one senior executive as it was estimated that there

was no other executive with deep knowledge of cooperative's history. Then, an informational letter and a research participant consent form were sent to each of the selected persons. Finally, eight of nine persons signed the consent form while the last one, an executive from Co-operative Three, refused to participate in the research for reasons of discomfort.

The interviews took place between March and October of 2011 in each co-operative's headquarters, which were located in different parts of Greece and several visits were needed to complete the interview plan in each co-operative. Before interviewing the participants a preliminary short discussion was made with the person of contact in the co-operative in which information about firm's history, evolution and performance was given and hand notes were kept. The main interviews with the selected persons were tape-recorded after each interviewee's strict permission. During the transcription phase of the recorded material, few phone contacts were made with some of the interviewees for clarification reasons. It must be mentioned that interviews were recorded in Greek language. Transcription of the recorded data was also in Greek. Therefore, I had to translate all the transcribed material into English language. Both, transcription of interviews in Greek and translation in English, verified by an external official translator, can be found in APPENDIX V. Co-operative Three, with only two participants, was selected as the case to conduct a *pilot-study*. From the pilot study proved that questions were understood by the participants and a set of new questions was incorporated mostly regarding the role of the members/users of the co-operative.

Simultaneously, an effort to gather written data from other sources was made. However, the outcome was extremely poor as relevant to SMEs' internal organization problems appeared: minutes of internal decision processes regarding organizational changes were written in poor – telegram-style –manner (if any) while the reluctance of administrations to hand them out became apparent. Only a couple of informational letters, that were sent to members at the time that some of the changes had occurred, were given from two of the co-operatives but their analytical

value was too low as they were actually announcements without further analysis. Seeking evidence from written archival data soon proved useless.

Confronted the research process with the above reality, an alteration to the initial design had to be made in order to keep the target of increased construct validity visible. From my working experience and the informal conversation with members of the administration of the co-operatives a new person was evaluated as a crucial *key informant*. It was one of the founding fathers and the Head, for almost two decades, of the Federation of Greek Pharmaceutical Cooperatives who also held the position of the President in the Board of Directors of the largest pharmaceutical co-operative in Greece. This person's pivotal role to the development of pharmaceutical co-operative movement was acknowledged by all the interlocutors. From both of his positions, he played active role in the enhancement of a pro-change culture in co-operatives - members of the Federation - and he witnessed organizational changes in the Greek co-operatives as well as in his own co-operative. After a direct contact, he happily agreed to take part in the research as the ninth interviewee.

4.8.3 The review phase

After the completion of transcription of recorded data and the first analysis of the material, a draft form of those points in each interview that were used in further interpretation as well as the main corpus of findings were communicated to the participants. No reaction worth to mention happened, except some clarifications of completely minor importance.

Moreover, in Pharmaceutical Co-operatives' Annual Conference (held in city of Drama, in June 2012) a short face-to-face meeting with the heads of the 14 co-operatives that had answered the initial questionnaire regarding changes in each co-operative, took place. The reason was to double-check initial answers using the advantages of physical presence, so as to ensure that any misunderstandings of the questions were identified and eliminated. The answers to all 14 questionnaires were

successfully verified and the only alteration was a limited update of list of changes in three co-operatives due to developments that happened between the two phases.

4.9 ISSUES OF RESEARCH QUALITY

4.9.1 Criteria

It is widely accepted that the quality or the evaluation of a research project is assessed by the *validity* and the *reliability* of the project (Merriam, 1995; Silverman, 2000; Hesse-Biber & Leavy, 2011). *Validity* is concerned with truth; i.e. whether the conclusions of the research project represent the social phenomena to which it refers (Hammersley, 1990, p. 57; O' Leary, 2004, p. 58). It is deployed in three dimensions, as: i) *Construct validity*; the selection of correct tools or methods for the particular concepts under examination. ii) *Internal validity*; the sufficient demonstration of the causal conclusions is warranted. iii) *External validity*; the findings of the study can be generalized beyond the study at hand (Dooley, 2002, p. 340). *Reliability* is concerned with the internal consistency; i.e. the degree that the data collected and results generated can be repeated in different occasions or by different observers (Hammersley, 1992, p. 67; O' Leary, 2004, p. 58). In the above two notions, the notion of *objectivity* (i.e. whether the conclusions are based on the unbiased stance and neutrality of the researcher) could be also added, establishing an additional criterion for the quality of the research.

Some scholars (e.g., Long & Johnson, 2000; Morse et al., 2002; Seale, 1999, 2004, in a particular way) argue that validity and reliability can be used appropriately in qualitative research, too, because they keep their value as rigor-attaining concepts in any scientific paradigm. However, many others (Lincoln & Guba, 1985; Agar, 1986; Krefting, 1991; Sandelowski, 1993; Guba & Lincoln, 1994; Merriam, 1995 - to name only few) argue that the notions of validity and reliability derive from the experimental/quantitative studies and the positivist scientific paradigm where measurement is based on standardized instruments and techniques and reality is

considered given and waiting to be explored, whereas in qualitative studies the main research aim is to extract meaning, understand and interpret social phenomena and reality is usually considered multiple and constructed. Therefore, Merriam (1995, p. 53) suggests that “notions of validity and reliability need to be grounded in the worldview of the qualitative research”. Guba and Lincoln (2007, pp. 16-18) state that the ontological, epistemological and methodological differences between the two paradigms are important enough to question the appropriateness of criteria developed for the one paradigm applying to the other.

Many scholars, based on the seminal works of Guba and Lincoln in the 80's (Guba, 1981; Lincoln & Guba, 1985), made a big step forward adopting the notion of “*trustworthiness*” as the measure of research quality in qualitative studies, instead the notion of “*truth*”. *Trustworthiness* is actually the degree in which data collected and analyzed are believable, trustworthy, and persuasive and reflect as closely as possible the meaning of what described by the participants (Lincoln & Guba, 1985; Sandelowski, 1993). Lincoln and Guba (1985) proposed the following set of criteria that establish trustworthiness: *credibility* (parallel to internal validity), *transferability* (parallel to external validity), *dependability* (parallel to reliability) and *confirmability* (parallel to objectivity). Finally, there are also some other scholars who although they recognize the need for a different conceptualization of quality regarding qualitative studies (Sandelowski & Barroso, 2002; Rolfe, 2006) they resist the idea of a pre-established set of criteria regarding the quality of the research, arguing that quality is revealed in the writing-up phase and also resides in the research report so the qualitative researchers have to leave a ‘super’ *audit trail*³⁹ recounting: research decisions amid the research process, the actualization of this process and the introduction of issues of self-critique and self-appraisal. According to this point of view, quality judgments are finally the outcome of the *subjective* reading of the

³⁹ *Audit trail* is the detailed presentation and documentation of the research course (data collection, categories formulation, decision made by the researcher, etc.) which allows an observer to trace the whole research process step by step. Information must be given in order to draw the “trail” is: raw data, data reduction and analysis notes, data reconstruction and synthesis notes, process notes, material related to intentions or dispositions and preliminary development information (Lincoln & Guba, 1985).

research report and not the outcome of the rigorous application of a set of criteria (Rolfe, 2006, p. 309).

Taking into account this contesting landscape in the evaluation of qualitative research, in the study at hand it was attempted to synthesize the assumptions and remarks of the last two scholar stances. On the one hand, the need for evaluation criteria that are distanced by a strict positivist stance of conducting and evaluating research was acknowledged, in order to fit with the broader theoretical framework which underlies this research; therefore, the notion of *trustworthiness* was eventually adopted. On the other hand, a position which, among other criteria, favors the usefulness of an extensive *audit trail* was backed.

4.9.2 Strategies for trustworthiness

Among a wide range of strategies which enhance trustworthiness in qualitative research, proposed by many scholars (Lincoln & Guba, 1985; Krefting, 1991; Merriam, 1995; Shenton 2004; Lincoln & Guba, 2007; Carcary, 2009), the following are deliberately employed in the current study:

A. Regarding *credibility*

- *Adoption of well-established research methods and tools*, consistent with the situation and the concepts under examination in order to ensure methodological coherence; that is, an effort the research question to match the methods and methods to match the data collection techniques and analysis (see sections 4.4 – 4.6: pp. 102-111).
- *Multiplicity of investigation approaches* in order to enrich understanding. In the current study, I used multiple data sources (multiple informants from different hierarchical levels), multiple data collection tools (interviews, archival data and corporate documents) and I gathered data from multiple sites (multiple cases from different territories).

- *Member review* (or member check or respondent's feedback) – check of the interpretations of data by the people who were the sources of data (see section 4.8.3: p. 116).
- *Prolonged engagement* in the research situation. It was ensured by my long professional experience in the pharmaceutical co-operative field and my extensive knowledge regarding other co-operatives as well as by the preliminary meetings with persons in contact from who additional information acquired through informal conversations (see section 4.8: p. 113).
- *Tactics to ensure honesty by informants*. It was gone about by the strictly voluntary participation of respondents, the confidentiality measures and the right of the participant to withdraw at any phase of the inquiry without giving any explanation (see section 4.7: p. 112).
- *Statement of researcher's background, experiences, assumptions, qualifications, etc.*, in the introductory chapter (see sections 1.3, 4.9.3, 6.4: pp. 6, 122, 206).
- *Detailed description of the phenomenon and cases under examination*, which was actualized in case presentation and data analysis phase that follows (see sections 2.2, 2.3, 5.2.1, 5.3.1, 5.4.1, 5.5.1: pp. 14, 20, 130, 143, 158, 171).
- *Relating the findings to an existing body of literature* in order to identify the degree that findings are congruent to those of past studies (see sections 6.3, 6.5, 6.6: pp. 202, 208, 210).
- *Frequent reporting sessions between me and my supervisors* that were held in every phase of the research process. This attitude helped me to discuss my actions, findings and assumptions with more experienced researchers, widen my scope, draw attention to flaws and develop alternative approaches.

B. Regarding *transferability*⁴⁰

⁴⁰ It must be noted that the concept of transferability, which is parallel to generalizability or external validity, is considered by many qualitative researchers (Krefting, 1991; Merriam, 1995; Lincoln & Guba, 2007; to name few) as much problematic in qualitative studies. It is very difficult for a qualitative researcher to demonstrate that the findings and conclusions of his/her work could be applied to other situations or wider populations due to often small sample of cases and small number of individuals taking part in the research (instead of the statistical generalizations used in quantitative

- *Detailed description of the phenomenon and cases under examination*, so that future readers of the thesis could decide whether their situation matches with the research situation and findings could be transferred (see sections 2.2, 2.3, 5.2.1, 5.3.1, 5.4.1, 5.5.1: pp. 14, 20, 130, 143, 158, 171).
- *Detailed information about various issues regarding research*, just as: number of participants, data collection methods and sessions, data collection time period, number and location of cases under study (see sections 4.4, 4.5 and 4.8: pp. 102, 105 and 113).
- *Full description of sampling procedures* regarding cases and participants and demonstration of the underlying logic (see sections 4.4 and 4.5: pp. 102 and 105).
- *Multi-case and multi-site design* – the variation could help the results to be applied in a larger spectrum of similar situations.
- *Demonstration of the typicality* of the phenomenon, the sample, etc. The selected cases were not excessive or exceptional nor were changes they experienced excessive or exceptional, comparing to the wider co-operative population. They were part of an organizational change trend that influenced many co-operative of the same type but in a more intensive manner (see sections 4.4 and 4.8: pp. 102 and 113).

C. Regarding *dependability*⁴¹

- *Multiplicity of investigation approaches* – see above in credibility paragraph.
- *Analytical description of the research design* and its implementation (see sections 4.3, 4.6 and 4.8: pp. 98, 109 and 113).

studies). Therefore, they suggest that it is a *reader's* (or *user's*) *decision* whether the results of a qualitative research could be transferred to another situation or population. The duty of the researcher is to provide as complete description of contextual factors have impact to the research as possible in order the reader/user to compare instances and decide respectively.

⁴¹ Many scholars (Lincoln & Guba, 1985; Krefting, 1991; Merriam, 1995; Shenton, 2004) argue that dependability, which is parallel to notion of reliability, cannot be considered as the phenomenon in which same results are obtained when the research is repeated, because of the changing nature of phenomena and people under examination in qualitative research. The real question regarding dependability in qualitative inquiry is “whether the results of a study are consistent with the data collected” (Merriam, 1995, p. 56). Therefore, research processes must be reported in detail in order a future researcher to repeat the work no matter what the results will be (Shenton, 2004).

- *Detailed presentation of data gathering process* (see sections 4.5 and 4.8: pp. 105 and 113).
- *Adoption of a coding – recoding practice* during the data analysis phase (see section 4.6: p. 109).
- *Clear demonstration of the “audit trail”* – the first part of the strategy in which every research procedure is described as well as the decisions was made by the researcher during the inquiry. In this way, a future researcher can follow the “trail” and replicate the study (see section 4.9.3: p. 122).

D. Regarding *confirmability*⁴²

- *Multiplicity of investigation approaches* – see above in credibility paragraph.
- *Acknowledgement of researcher’s predispositions, etc.*, in the introductory chapter and elsewhere (see sections 1.3 and 4.9.3: pp. 6 and 122).
- Demonstration of limitations of the study (see section 4.10 and 7.5: pp. 126 and 239).
- *Clear demonstration of the “audit trail”* – the second part of the strategy in which research procedures and researcher’s decisions regarding the data collection and its reconstruction are described in detail. In this way, the data “trail” can be followed and verified (see section 4.9.3: p. 122).

4.9.3 The audit trail

Following the suggestions made by Carcary (2009, pp. 19-21), two distinct audit trails are developed in order, as it was outlined above, to enhance the trustworthiness of the research as well as to help readers of the study and other researchers follow and verify the outcome of the research: the *intellectual* research audit trail and the *physical* research audit trail. The former refers to the evolution of researcher’s way of thinking throughout the study. The latter refers to the key research methodology decisions made throughout the study.

⁴² In qualitative research there is a shift from the neutrality of the researcher to data and interpretation confirmability (Guba, 1981). To achieve this aim, there must be employed strategies that largely ensure that the findings of the study are mostly the outcome of informants’ experiences and ideas than of researcher’s (Shenton, 2004, p. 72).

Intellectual research audit trail

- *Philosophical stance before the research.* Due to my previous positivist education as well as my familiarity with conventional managerial doctrines, I was confident about the planned, measurable, linear and adaptive character of change; irrespectively the organizational form of the firm.
- *Questioning earliest stance.* My professional involvement with change projects in the firms I have been working for, for the last 15 years and my confrontation with unexpected developments and outcome of the change process, made me realize the complexity of organizational phenomena; especially, those applied in already complex organizational forms like the co-operatives.
- *Adopting a new philosophical stance.* A significant reading on research methodology and epistemological issues helped me to adopt a constructivist view for the study through the insights of Social Systems Theory. Within that theoretical framework, social reality is not something given but the outcome of communicative constructs made by social systems (i.e. organizations) in order to handle with and reduce the complexity of the organizational world. A further adoption of an interpretive methodological position was considered suitable for focusing on the understanding, interpretation and meaning of organizational phenomena.
- *Considering the research approach.* The need for an in-depth analysis of complex organizational issues, like change, in complex organizational forms, like co-operatives, as well as the obscurity of the chosen theoretical framework led to the adoption of an adapted qualitative approach. The research oscillated between an exploratory and descriptive character as far as its primary purpose it concerns and also between an inductive and deductive direction as far as its reasoning it concerns.
- *Evidence analysis and interpretation.* The analysis and interpretation of evidence gathered by the field research was based on the content analysis and particularly on the qualitative content analysis of transcribed data.

Within this form of analysis emphasis is put on meaning rather than on quantification. I interacted with and reflected on the evidence in multiple layers (theoretical, empirical, cognitive, etc.).

- *Emergence of novel theory.* Due to the complexity of issues related to organizational change and their interrelation, the evidence from the field research was reported in the form of a narrative. Thus, the relationships among issues and complex situations could be marked and better understood. Those primary narratives were combined and a higher narrative of change was evolved and then, the latter was processed through the adopted theoretical framework creating novel theoretical insights.

Physical research audit trail

- *Primary identification of the research problem.* My professional involvement with the management of co-operatives and the management of change within them proved to me that co-operatives were broadly perceived (even by the people in charge of the co-operatives) as another business firm in which the conventional tools and procedures regarding change could be applied. This was happening to the neglect of their organizational particularity (hybrid organization – business firm and association of persons) and could mislead the change efforts with unpredictable consequences.
- *Reviewing the literature.* A large body of literature regarding the co-operative organizations and particularly the change in co-operatives was reviewed and critically examined. Gaps, inconsistencies and theoretical controversies were identified. The outcome of this process was connected with a similar reviewing process regarding the concept of organizational change, in general. Conclusions derived by the combination of the two discussions confined the forthcoming research. Then, a review on organizational literature and concrete epistemological aspects followed in order the proper theoretical framework that could meet the requirements derived by the previous discussions to be traced and selected.
- *Final identification of the research problem.* The review in literature regarding change in co-operatives affirmed my initial skepticism concerning the issue.

Focusing on the type of changes occurring in the co-operatives and explaining them through the lens of the alleged structural inefficiencies of the organizational form, most of the relevant studies do not capture the issue of the hybrid nature of this organization. Therefore, the study of change is aligned with a linear perception of organizational change under which change inevitably leads to the partial or complete demutualization of the co-operative organization. Moreover, most of the studies are focused on the agricultural co-operatives attributing a one-sided dimension in the study of change. Hence, the need for the re-examination of the established patterns and explanations regarding change in co-operatives, by focusing on answers about how change unfolds, rested on the heart of the proposed research. At the same time, the research also had to take into account the need for studying change in other types of co-operatives than agricultural and the need to be aligned with concrete requirements derived by the review on organizational change literature, in general.

- *Designing the research framework.* Given the selection of a qualitative research approach and the nature of the research problem, a multiple case-study method was selected, initially based on multiple evidence sources. Semi-structured interviews with top executives and administrators of co-operatives which experienced a series of changes were the primary source of evidence. Interviews were prepared by taking into account issues emerged in the review of literature, the adopted theoretical framework and issues related to the research problem.
- *Selection of cases and respondents.* The selection of cases followed a multi-sited, purposive sampling in order information-rich cases to be studied. The selection of respondents also followed a purposive sampling among highly knowledgeable informants - members of the organizations under study – with deep involvement in change processes.
- *Data collection.* Finally, eight highly-ranked persons were interviewed across three Greek pharmaceutical co-operatives. A key-informant, with a long history and involvement in the co-operative pharmaceutical wholesales trade was also interviewed for reasons of construct validity. The interviews were

recorded, transcribed and translated into English, while the respondents become aware of the transcriptions.

- *Analyzing empirical evidence.* Through a thorough investigation of transcribed data, meaningful segments in the textual data were marked and labeled with a code. Then, an also thorough reflection on the codes led to the conceptualization of higher order subcategories and categories. A cross examination and comparison between those categories revealed emergent themes.
- *Data interpretation and set of findings.* A narrative of change for each case was developed enhanced by respondents' exact statements. The separate narratives were combined and cross-examined and verified or enriched by key-informant's narrative about change. Thus, the primary narratives were reduced to the main research findings. The systemization of those findings across the emerged categories and themes escalated the interpretation to a higher level.
- *Emergence of novel theory.* The systemization and further interpretation of findings were confronted with literature; contradictions, paradoxes and affirmations were traced and interpreted through the lens of the adopted theoretical framework. Thus, the final conclusions and answers to initial research question and assumptions were stated and the main theoretical and practical contributions of the study were established.

4.10 RESEARCH LIMITATIONS

Despite the as much as possible careful design of the current research, a number of shortcomings remain. *First*, while the *multiplicity* of data sources and the site *multiplicity* were achieved, the effort to gather data by using multiple data collection tools (interviews, archival data and corporate documents) failed because of the implicit unwillingness of co-operatives' administrations to hand written material to the researcher as well as the poor and uninteresting content of those few that were delivered at last (mostly balance-sheets and announcements). Therefore, it must be

noted that the research did not follow the explicit nexus of basic autopoietic operations which are decisions regarding change, according to social systems theoretical framework, but the interpretations of those decisions by the people involved in it. From the two techniques that Luhmann (2000a) has identified and organizations use in order to make the decision practice visible - the construction of an accountable addressee (decision-maker) and the staging of the decision process -, the study of the latter was not achieved. The apparent failure to gather evidence from reliable documents left only the former – accountable addressees – to be explored.

Second, following the previous remark, the apparent contradiction to adopt a non-humanist theoretical framework (SST) and at the same time gather data by interviewing humans (organizational members) remains going and it should be further discussed. It is true that most of the empirical studies based on SST employ interviews as the main (often among others) instrument to gather data (e.g. Vos, 2003; Knudsen, 2005, 2006; Rennison, 2007; Andersen & Born, 2008). Besio & Pronzini (2010), in their work about the methodological tenets for empirical research based on SST insights, urge the readers to use interviews for a variety of research aims related to basic concepts of SST: to trace the chain of decisions, for semantics analysis, to explain trivialities, for functional analysis, etc. On the contrary, Seidl (2003, p. 146) argues that organization's self-concept and identity cannot be found by interviewing organizational members (hence, observing their psychological perceptions regarding the organization) but by observing organizational communication and the relevant texts that the organization uses. If Seidl's suggestion is taken literally, then numerous business organizations of small and medium size (like the cases in my study), with underdeveloped structures or informal procedures could not been investigated through the lens of SST. This situation does not do honour to a (super)theory that intends to explain the organizational world, as it restricts its application to only a segment of this world which uses texts, documents, minutes, public statements, brochures, etc. (e.g. big firms, multinationals, public firms). On the other hand, Renisson (2007, p. 154) also justifies the selection of interviews for empirical research driven by SST, provided the

researcher uses depersonalized questions during the interview in order to avoid personal opinions or attitudes and focus solely on the organizational communication itself. From my research experience, this suggestion remains void in real circumstances. Even if the questions that one poses are depersonalized, the respondent cannot but express his/her perceptions and thoughts. Hence, the real challenge for the researcher is not whether he/she must use the interview as a methodological procedure, or whether she/he can help expressing or hearing personal beliefs, but how she/he can distinguish through the large volume of those beliefs and opinions and identify communicative themes that could be attributed to the organization. Nevertheless, my opinion is that this methodological limitation inherent to SST will remain active and will be processed only retrospectively by new SST-driven empirical research.

Third, as it was stated in section 4.8.2 (p. 114), the original language in which the interviews were recorded was Greek. I had to translate them into English first and then proceed with the content analysis. However, minor modifications happened during the translation due to the fact that the recorded speech was natural and not always technocratic; this means, a speech with syntactic laxity and idioms. Unavoidably, during the translation the laxity had to be restricted in order the final text to be understandable in a different language than the original one. This fact attenuates, in a small degree, the expressiveness of the recorded speech.

Fourth, from the five cases of co-operatives that were identified in experiencing multitude organizational changes, three were studied. In my impression, the remaining two could have agreed to participate in the study, if a further smooth pressure had been exercised on their administration. Time constraints for the completion and presentation of the study as well as financial (travel expenses) and professional constraints (taking leave from the job) prevented me from making the face-to-face contacts that needed to convince the co-operatives' administrators.

CHAPTER FIVE**FINDINGS**

“Everything said is said by an observer”

H. Maturana

5.1 OVERVIEW

In the present chapter, the data collected by the respondents' views are organized in the basis of main issues raised in the research question and assumptions in order to facilitate the coming interpretation and the final discussion of the research results.

First, each one of the three cases that were studied is briefly presented and the outcome of the coding process⁴³ of the material originated by the interview texts is analyzed and backed up by exact extracts from the interviews. In each case a certain effort to formulate a narrative was made, emphasizing the group of data that share commonalities and could be merged into categories. Then, the same process is also followed in data taken from the analysis of the key informant's interview.

Finally, the outcome of each case and the relative conclusions are combined and also tested or enlightened by the outcome of key-informant's review; the objective is to formulate larger categories. Within and between these categories certain patterns and threads are identified which constitute the main themes that will carry the underlying meaning on an interpretive level.

Discussion and further interpretation of the findings will take place in Chapter 6.

⁴³ The analytical coding process is shown in APPENDIX VI.

5.2 CASE ONE

5.2.1 The case

Co-operative One (C1, hereafter) is one of the biggest commercial enterprises in Western Greece with an annual turnover of 77.7 million Euros and it employs a staff of 75 people (2011). It was established in 1932 from five local pharmacists and it is one of the oldest pharmaceutical (and urban, as well) co-operatives of the country. Today (2011), the number of its members amounts to 190 pharmacists. Its headquarters and its main warehouse facilities are located in privately owned premises in a major urban center in Western Greece while it has established two subsidiaries in minor urban centers of the region and one more in the city center: the first (public limited company) in 2003, the second (limited liability company) in 2008 and the last (limited liability company) in 2010. All three of the subsidiaries work as minor wholesale companies. C1 also participates as a minority stakeholder in a local virtual chain of pharmacies (public limited company) and in two nationwide distribution centers (public limited companies) established by the majority of the pharmaceutical co-operatives in Greece.

From the mid '80s to mid '90s, C1 witnessed a boom in its sales and in the number of members which actually followed an equivalent high growth of the co-operative sector of the economy in Greece. However, in the late '90s, C1 faced a life-threatening crisis which led to its depreciation and nearly its bankruptcy. In 1999, the new Board of Directors hired a new General Director and together with a group of external consultants realized an urgent business plan which finally stabilized the situation of the co-operative in 2000. After 2000 and during the whole '00s, C1 underwent a wave of changes, instructed by the administration and senior management that jeopardized its traditional character. At the same time, C1 experienced the highest rate of growth, in terms of turnover, profitability and number of members within the co-operative pharmaceutical sector during the largest part of the first decade of 2000; e.g. its annual turnover grew from 16.6 million Euros in 2000 to 80.4 million Euros in 2010.

The most important changes, which mark a departure from the traditional co-operative model, are shown in the following table in a time sequence and they are related to the non-traditional co-operative models that are included in the typology of Table 3.3:

Year	Type of change	Co-operative model
2001	Differential policy among members	Differential policy co-operative
2001	Engagement in value-added activities other than wholesale trade	<i>Co-operative with Diversification</i> ⁴⁴
2003	Participation as stakeholder in virtual chain of pharmacies	<i>Co-operative with vertical integration</i> ⁴⁵
2004	Establishment of 1st wholesale subsidiary	Co-operative with subsidiaries
2004	Establishment of a courier service – subsidiary (eventually abandoned)	Co-operative with subsidiaries / Co-operative with Diversification
2006	Introducing optional shares as a funding measure	Member-investor co-operative
2008	Establishment of 2nd wholesale subsidiary	Co-operative with subsidiaries
2010	Establishment of 3rd wholesale subsidiary	Co-operative with subsidiaries

Table 5.1: Type and sequence of changes in C1

A short narrative of the change sequence illustrated in the above table is as follows: After having avoided its bankruptcy, C1 tried to earn back the trust of its most important (in terms of size) members. Therefore, a differential policy regarding the supply of quantities and the discounts or credit lines that members acquire, was

⁴⁴ This particular model has not been discussed in Chapter 3. Hence, it is not included in the Table 3.3. Its detection in the empirical evidence of the study will be further discussed in Chapter 6 (Discussion).

⁴⁵ This particular model has not been discussed in Chapter 3. Hence, it is not included in the Table 3.3. Its detection in the empirical evidence of the study will be further discussed in Chapter 6 (Discussion).

adopted in 2001. At the same time, C1 started to engage in value-added activities other than the traditional supply of medicines to its members (e.g. parallel exports) in order to rapidly increase its earnings, hence the return on members' equity. In 2003, the administration decided to take part as a minority stake-holder in a then pioneer initiative of a group of 55 local pharmacists to establish the first virtual chain of pharmacies in Greece. The aim of this move was to control the unknown development of the venture and at the same time to cultivate its sales to a pool of pharmacists that they had no (or very low) association with C1 before. Next year, the first subsidiary of C1 was established in a territory where C1 was ousted from, ten years before, due to intra-administrative conflicts as well as the bad performance of C1. Through local and fast wholesale service, C1 intended to come back to that territory and increase its diminished market share. The same year, C1 expanded its value-adding activities by establishing a courier subsidiary focused solely to the fast transportation of pharmaceutical products and cosmetics from suppliers to their clients. The investment eventually failed and the subsidiary was shut down 3 years later. Having experienced a significant growth in terms of turn-over for almost five consecutive years, C1 started to face the problem of financial overheating as its equity remained low comparing with the growth of sales. Two successful efforts to increase the nominal value of co-operative share did not yield the needed amount and the bank borrowing cost hit high scores. So, in 2006, the administration proposed and the Assembly decided positively upon the introduction of optional shares (maximum five for each member) in the current nominal value of the basic co-operative share (the first appearance of this funding tool in the Greek co-operative sector). Under the new situation, the holder of optional shares could acquire more returns than the one who holds only the basic co-operative share. In 2008, the pharmacists-members who lived in an isolated island area, motivated by the establishment of the first subsidiary, demanded the establishment of a second subsidiary (wholesale activity) in their island and the administration of C1 eventually accepted the demand in order to keep the members satisfied, as well as the high market share in that territory. The same happened in 2010 when, after a planned investment and the subsequent relocation of the main warehouse facility to a brand new facility off the city center, numerous old members of C1 demanded the

establishment of a subsidiary in the city center in order to keep the level of their service high. The administration accepted that demand, fearing a potential decrease of sales in the city center. After two years of operation that subsidiary suffers from great losses.

5.2.2 The interviewees

Three respondents from C1 took part in the study: the second in rank executive, who serves as a logistics and quality manager as well as a quasi-deputy general manager for the last 10 years (her code name will be *C1E1* hereafter) and has a very good knowledge of the change processes; and two members of the nine-seat Board of Directors (their code names will be *C1B1* and *C1B2* respectively) who are actually pharmacists, members of the co-operative and they simultaneously run their own independent business (pharmacies). They have both witnessed almost all the changes that have occurred the last 12 years, from various administrative positions. *C1B1* now (2011) serves as Secretary of the Board (the second in rank hierarchical position after the Head of the Board) while *C1B2* as a simple Member of the Board⁴⁶.

5.2.3 Basic interpretation of data

The factor environment is widely acknowledged as a key influence on change initiation. The features of the environment as well as changes and alterations happened within it, posed an urgent call for changes in the co-operative as well. The need to “adapt”, to “respond” and to “align” with a changing environment became a pressing factor:

⁴⁶ It must be mentioned that according to Greek legislation (as well as the international co-operative practice) the highest authority in a co-operative (hence, for all the three co-operatives of our sample) is the General Assembly of its members which is convened necessarily once a year. The General Assembly decides for the strategic issues and elects the Board of Directors for a two, three, or four-year term. The Board of Directors implements the strategic decisions taken by the Assembly and it is responsible for the daily work of the co-operative at all levels. In each one of the three co-operatives of our sample all the seats of the Board are occupied by elected pharmacists, members of the co-operative, but one seat, which is occupied by a worker of the co-operative who is elected by the workers' assembly. Suffice to say, that the executives that were interviewed in the three co-operatives are not pharmacists themselves.

“I have the feeling that this was an adaptation to a reality” – C1E1,

“Simply, we could respond more easily and better to what the environment requested” – C1B1,

“we have to emphasize that it is necessary to make the changes because we have to align with changes made in the era of globalization. The first thing is that I believe that regarding our own cooperative [...] the first steps were taken because we realized the changes around us and we took those actions.” – C1B2.

Interesting enough is also a statement for the irritating role that the competition from privately-owned wholesalers has played:

“Moreover, competition is sometimes positive. It forces you to do new things, to develop, to change and always to a positive direction” – C1B1.

Moreover, the role of the environment in change process is not limited only within the era when changes in study were happened. Today, in the middle of a global financial and a national debt crisis, elements of the environment are changing or being re-oriented, new threats and challenges arise and the call for organizational changes becomes rather constant. In the center of the new discourse about change stands the anxiety for the existence of the pharmacy as an independent store within new conditions in a *“much fluid”* and in a state of *“panic”* environment which cause radical changes to pharmaceutical market:

“It is the suspension of the pharmacy as the unit we used to know” – C1E1,

“It depends on the future of medicine itself. We are [...] talking about some other direction.”, “[Pharmacies are threatened] through other networks!” – C1B2.

Respondents also recognize the negative role that another element of the environment, the government’s attitude, has played and is still playing for the existence and development of the co-operative:

“The greatest threat, the biggest opponent is people in charge, people in government, who cannot understand the importance of co-operatives and that they should be backed without delay” – C1B1.

However, the importance of environmental factor does not create a sense that changes were dictated by the environment. Respondents consider conditions of the external environment at the time that changes happened rather positive for the activity of the co-operative or at least not harsh, especially comparing with nowadays:

“I think that the past few years that I have worked in the cooperative, the environment was very positive; both for the cooperative and the pharmacies as well. It was also positive for the possibilities it [C1] had to expand...” – C1E1.

Therefore, it is not surprising that all of them acknowledge the role that processes internal to the co-operative organization played in those organizational changes; especially, decisions which were taken in order to enhance the *“expansion of co-operative’s activities”* and *“satisfy members’ needs”*, both commercial and financial. This interplay between external and internal environment was impressively stated by one of the respondents:

“There could be another dimension; that the one who derives from the external environment constitutes -as far as the firm in which one is involved - the internal environment, as well. No, it does not seem contradictory to me. It seems to me complementary, in a way.” – C1E1.

One can also notice that the notion of ‘members’ occupy a central position in the above discussion either in the form of anxiety regarding their future as independent pharmacies and the threats that they face or in the form of a key factor that its needs must be met and satisfied by the co-operative.

The ambiguity regarding the priority either of the external environment or the internal needs of the organization meets an unclear field in the discussion regarding

the development of change process, as well. A kind of strategy is sometimes implied but never presented clearly, except maybe in the form of an adjustment to environment or a pro-active character of change. Statements about a possible “connection” among changes or the generation of one change from the previous one are more frequent. Moreover, allegations about the lack of a “*comprehensive plan*” or the role of “*intuition*” are more indicative for the perception of the change process:

“But those [changes] which first made and because it was a kind of intuition about things were changing and responding to certain needs...”, “I do not think they came under a more comprehensive plan on how the co-operative movement will be tomorrow”, “I do not think that they fall within an overall planning, right?” – C1B2.

The avant-gardist role that small group of persons (executives, administrators, “progressives”) have played inside the organization rather diminishes the role of “*overall planning*”. This implicit deviation from a programmed, planned and linear notion of organizational change is amplified by the acknowledgment of the fact that “*might were other solutions*” and the existence of alternative paths even from respondents that still believe that the given solutions were the best in hand:

“You asked me if there were other alternatives... Yes. There might be alternatives but unless something was done that may have had a very serious consequence, to us. I think that these choices, in relation to the reality, would lead there.” – C1E1.

Finally, the change process meets its limits there where organizational changes could question the very nature of the co-operative and cross the “*red lines*” by toppling its vital relations with its members:

“How to define the red lines today? I say there is one, to put this. The cooperative should not be opposed to the pharmacy. This is the red line. We have to think about the rest.” – C1B2.

But, what are the particular characteristics that compose this “nature of the co-operative”? All the respondents agree that this is based in the strong bond that the co-operative retains with its pharmacy-members. The co-operative works for the “*interest of the members*”; that is to serve them and meet their needs. It simply cannot exist outside its members:

“Everything is done in the interest of the member” – C1B1.

Nevertheless, this does not mean that the organization forgets its own interests as a business unit. It is just trying to balance between the interests of its members and its own interests without becoming a completely autonomous unit:

“In this sense, the changes we made were those which had be taken in order to enable the cooperative to be competitive, to serve its members and to have the financial liquidity to preserve itself.” - C1B1.

The particularity of co-operative nature attributes some unique characteristics to the organization (e.g. the diversity of attitudes, the decision making process, the distribution of profits) which, on the one hand, makes the co-operative a “*key form of intervention*” and on the other, makes it depart from the figure of a “*pure private enterprise*” assigning it to a different business form which is not focused on profits but on “members’ needs” or, at least, tries to balance between them as the “*golden ratio*”; in this way, it also preserves values as the democracy in decision making, transparency or the spirit of efficacy through the “*joint action of people*”⁴⁷:

“I think that the basic difference is ... it has to do with customer service as a priority and the needs our customers have; we struggle to meet these needs. I think this is the most important difference and it is expressed so...” – C1E1,

⁴⁷ “[Change to preserve] the joint action of people; because they cannot cope with anything. We cannot cope with anything from the 1 square meter occupied by each of us when stands on one’s feet. This is the fact: that each of us is an immeasurable small unit; immeasurable small not even unit but subunit. To create a unit that can intervene, we must cooperate with each other” - C1B2.

“On the contrary, the cooperative is something like a golden ratio between profit and customers’ service.”, “I cannot say that we are purely a private enterprise” – C1B1.

The acknowledgement of this particularity is also enhanced by the comparison of the co-operative with a special part of its business and commercial environment which is its competitors; i.e. pharmaceutical wholesalers in the form of investor-owned firms or single proprietorships. The major difference lies in the way that the competitors perceive their relation with the pharmacies and the way that they pursue their own interests, focusing solely on profitability, to the neglect of pharmacies’ interests.

“Competitors may focus on profitability only and on finding ways to achieve it.” – C1E1,

“The only concern of private wholesalers is profit.” – C1B1,

“The philosophy of private capital is in favor of its own interests” – C1B2.

Against them, the co-operative does not only recognize an almost constituting distinction but also an implicit superiority, both ‘moral’ (as it pursues the interests of its members) and ‘business’ (as it escaped successfully from their competition). An alleged superiority or effectiveness of private enterprises is actually rejected. Not only do the private competitors pose no threat to the existence of the co-operative but also they often have to follow and imitate co-operative’s actions and initiatives:

“I say, then, that so far co-operatives have helped remedy the market they didn’t permit the irresponsibility of private [wholesalers] who would exercise their own power and would drain the pharmacy, to focus on the pharmacy, the pharmacist would be drained by their capabilities” – C1B2,

“No! This [competition] is not our problem” – C1B1,

“So we got to the current situation when they watch the movements of the co-operative respectfully. I would say that it makes great impression to me to watch that large wholesalers have copied the initiatives taken by the pharmacists’ co-operative during this phase of the existing economic crisis” – C1B2.

Hence, the co-operative can present special achievements which secure its survival as a business entity, serve the interests of its members and help it play successfully its intervening role in the market. A strong feeling that the co-operative will definitely survive because it is *“the healthiest commercial unit”* is apparent. These achievements are properly enhanced by the outcome of the change process, too. The respondents reserve little doubts regarding the success of changes occurred in their co-operative the last decade: objectives were achieved, the co-operative came closer to environmental demands and its function was enriched and raised to a higher level. Furthermore, the respondents are fully aware of the fact that the type of changes that they chose creates a sense of adopting the features of or, coming closer to a private enterprise:

“Sometimes I feel like going towards a direction closer to the private sector, regarding various policies, commercial ones, which we have chosen” – C1E1,
“but, if you ask me whether we did steps towards private enterprise, then, yes, we really did!” – C1B1.

Yet, the profound success and a tendency to characteristics of private enterprises did not challenge at all the strict co-operative character of the organization. *“Red lines”* still exist and the institutional difference of the co-operative remains active:

“but this difference seems to remain a substantial one, although we are closer [to a private firm]” – C1E1,
“I cannot say that it becomes weaker. That the one is purely a private enterprise while the other is a company composed of partners who sell medicine. I cannot say that the difference is weakened.” - C1B1,
“But we do not lose the character because as I said earlier there is a red line that the cooperative is in favor of the interests of the pharmacy, this is the basic goal. So, since we do not lose it,...”, “I think this red line we mentioned above will remain”,
“The differences are still active in the sense that everybody has its own way of thinking.” – C1B2.

Despite the almost ideal picture of co-operative's achievements, the respondents are preoccupied with a list of shortcomings regarding their organization. This negative assessment refers to various problems such as delays in decision-making, lack of planning, etc., or to administrative malfunctions:

"The overall planning is still lacking.", "Because the existing lags and delays are too large" – C1B2,

"one cannot define a long-term policy." – C1B1.

Other problems could be assigned to the very nature and the structure of the co-operative:

"I say that our co-operative has a story of conservatism", "Being all the same [the members] means that we have no reflexes in the market.", "Today [...] the structure of the cooperative do not enable us to plan the new." – C1B2.

The broad acknowledgement of these problems leads subsequently to the acknowledgement of the change continuation; change will probably be radical and unpredictable:

"Possibly, it [radical changes] will be needed" – C1E1,

"Simply, the co-operative will change. It will change with an impressive manner that we may even not know" – C1B2.

The aim of this new wave of changes is sketched as an effort to *"ensure sustainability"*, to improve performance and to help that part of pharmacists which is aware of the need to face the new threats coming from the environment in novel ways either regarding planning or *"alliances"* and *"legal framework"*. For these to be achieved, both measures of financial impact and measures that change the relationship among members as well as between members and the co-operative must be taken:

“But you have to enable those [members] who want to go further to novel forms, to do it properly. The other issue now is to clarify what this model will be.”, “Also in what we said earlier that it should give the opportunity to be able to create new forms that will assist us in the future” – C1B2,

“to change our economic policy, to make spending cuts, overtime cuts and other actions that will reduce the cost, let's say; to expand into several other areas, as we said before, besides selling medicines” – C1B1.

However, once again, these changes must meet the limits of the co-operative characteristics of the organization.

There are also interesting quotes regarding the role that the turn to activities other than the main service line (wholesaler) already played or going to play in the coming wave of changes:

“I think it has to do with how quickly they can overcome this shock and see on what other activities they could be expanded” - C1E1.

“The third change was that we offered to both our members and our customers services irrelevant to the original object, that is to say, selling drugs.” - C1B1.

Finally, one can notice a much interesting contradiction. The presence of ‘members’ is dominant in a large part of the discussion. They mark the peculiarity of the co-operative organization as its founders, customers and administrators; their needs and their survival are being taken into serious account in change process while they also indicate the range and the margin of changes; they are the key factor that distinguishes the co-operative from other organizational forms. However, the respondents hardly recognize them as an internal part of the organization with the exact interests as the co-operative’s:

“Well, I say it is the environment in which I act. As my non-member client constitutes a part of the environment, so is also one member part of the environment in which I act. When I will try to analyze the overall environment, I will not analyze it only as members of the co-operative; I will analyze it altogether as the world of pharmacy.”

– C1B2,

“On the one hand, I think they are external environment because we do not receive only messages but we are also dealing with the situation of the pharmacy which reflects the situation in the market. Although some of them may be involved in the administration, the pharmacy is an external unit.” – C1E1. “[However] the co-operative is an economic enterprise and customers are customers.” – C1B1, “What I am saying is that, whatever the pharmacy wants is not also for the benefit of the co-operative. [...] So we must find the balance between the interests of pharmacy and that of co-operative. We cannot say they are the same. They operate in equilibrium.”, “I say we have to see it as two organizations that operate in parallel, right?” – C1B2.

Even the one respondent who acknowledges an internal function of members concerning the organization, he makes this assumption not because of the fact that members possess such a property per se but because he cannot consider them otherwise; namely, as *“rivals or competitors”* against the co-operative.

5.2.4 Concluding remarks

Gathering the outcome of the analysis of the extended discussion with the respondents from C1, one could end up with the following remarks: The external environment plays a central role in the change process; internal factors and especially the need to satisfy “members’ needs” do the same, yet. Change process could not be considered linear or strictly planned. The lack of a comprehensive plan or the role of intuition and avant-garde is acknowledged by the respondents. However, it definitely led to a successful outcome as the co-operative came closer to environmental demands and helped its members. Moreover, it came closer to the operation of privately-owned enterprises but this did not make it lose its co-operative character. The particularity of co-operative organization rests in the fundamental relation between the co-operative and its members which establishes the main difference with other similar business entities. It also orients change efforts and poses the limits to their development. However, members are hardly considered as an internal part of the organization. The idiosyncratic nature of the co-operative is

responsible for its special achievements as well as the remaining problems. These problems together with radical changes and new threats to the current business environment subsequently create an urgent call for new radical changes. Their aim will be the survival of the co-operative and its members even if both need to be transformed.

5.3 CASE TWO

5.3.1 The case

Co-operative Two (C2, hereafter) is one of the three biggest pharmaceutical co-operatives in Greece and one of the biggest commercial enterprises as well, with an annual turnover of 205 million Euros and it employs a staff of 175 people (2011). It was established in 1980 from thirty pharmacists and experienced a long period of constant growth in terms of turnover and membership until 2010 when the financial crisis strokes the country. Today, the total number of its members has risen up to 540 pharmacists. Its headquarters and its main warehouse facilities are located in privately owned premises in a major metropolitan area in Greece while it has established two subsidiaries in minor urban centers of the region and one more in a distant island: the first (public limited company) in 1996, the second (public limited company) in 2001 and the last (public limited company) in 2009. All of them work as minor wholesale companies. Moreover, it has participated as a minority stakeholder (41%), together with another pharmaceutical co-operative (59%), in a fourth wholesale company in another minor urban center in the region since 2006. It has also established a local virtual chain of pharmacies (public limited company) in 2005 and it also participates as a minority stakeholder in two nationwide distribution centers (public limited companies) established by the majority of the pharmaceutical co-operatives in Greece.

C2 has undergone a wave of changes, instructed by the administration and senior management, already since the mid '90s. The most important changes, which mark a

departure from the traditional co-operative model, are shown in the following table in a time sequence and they are related to the non-traditional co-operative models that are included in the typology of Table 3.3:

Year	Type of change	Co-operative model
1991	Engagement in value-added activities other than wholesale trade	<i>Co-operative with Diversification</i> ⁴⁸
1995	Capital pool (eventually abandoned)	Proportional investment co-operative
1995	Developing own brands (eventually abandoned)	<i>Co-operative with Diversification</i>
1996	Establishment of 1st wholesale subsidiary	Co-operative with Subsidiaries
2001	Differential policy among members	Differential policy co-operative
2001	Establishment of 2nd wholesale subsidiary	Co-operative with Subsidiaries
2005	Establishment of a virtual chain of pharmacies	<i>Co-operative with vertical integration</i> ⁴⁹
2006	Establishment of joint-venture subsidiary	Co-operative with Subsidiaries
2009	Establishment of 3rd wholesale subsidiary	Co-operative with Subsidiaries
2010	Introducing optional shares as a funding measure	Member-investor co-operative

Table 5.2: Type and sequence of changes in C2

A short narrative of the change sequence illustrated in the above table is as follows: In 1991, C2 became a pioneer of the pharmaceutical co-operative sector with the engagement in value-added activities different from its main activity (which is supplying its members with medicines). It began the parallel exports of medicines to

⁴⁸ See footnote 44.

⁴⁹ See footnote 45.

EU countries in order to improve its cash-flow (hence, avoid bank borrowing) and increase its profitability. It continued in the same path in 1995 when C2 developed and introduced its own brands (parapharmaceuticals and cosmetics) but eventually abandoned this activity few years later because of its members' low response. The same year, in order to align the capital structure with the sales, C2 introduced capital pool measures. According to those, members, except their basic co-operative share, should deposit extra money in a separate account proportionally to their annual purchase from the co-operative. The measure was lifted few years later because of the conflicts that were raised between the members and the administration for the high level of payments. In 1996, the first subsidiary of the co-operative was established (PLC with wholesale activity) in a distanced territory in order to face the fierce competition from an IOF. The second similar subsidiary (PLC, too) was established in a neighbouring territory as an effort to expand its activities outside its main center. The same year, the policy towards members was changed. Invoice discounts, credit lines, supply quantities, and special offers and services were aligned with each member's purchase volume in an apparent move to offer incentives for the commercial commitment of members. The third subsidiary (PLC) was a joint-venture with a neighbouring co-operative, so the two co-operatives avoided the competition between them in a disputed area and finally, in 2009, C2 established its last subsidiary (PLC) in an isolated island area with a problematic service from the center till then. Since 2005, C2 has entered the field of virtual chain of pharmacies by having established its own chain and offering scale purchase, guidance, management and special services to the members who wants to. Finally, in 2010, C2 introduced optional shares as a measure to raise equity from members in an alternative way.

5.3.2 The interviewees

Three respondents from C2 took part in the study: the general manager of the co-operative, an economist who has served in this position for almost 20 years (his code name will be *C2E1*, hereafter) and has personally implemented the abovementioned series of changes; the second in rank executive who has served as supply manager

and deputy general manager for the last 10 years (her code name will be C2E2, hereafter) and had a prolong engagement in the implementation of various changes; the Head of the seven-seat Board of Directors who is one of the founding members-pharmacists of the co-operative and also runs his own independent pharmacy (his code name will be C2B1). He has served the co-operative from various administrative positions since its establishment. Therefore, he has witnessed and taken actively part in almost every change that has occurred in the co-operative the last 20 years.

5.3.3 Basic interpretation of data

Environment is considered as a key factor in the initiation of change process and the co-operative was constantly “*forced to adopt its lines*” (C2B1) and be aligned with the changes within this environment:

“The changes come over time, over the years depending on the needs of each period”,

“The needs of pharmacies and pharmaceutical wholesaler are now completely different from those in the past and therefore we must follow each time period and each situation.” - C2E2.

However, it is clear that, from all the elements that constitute the external environment and despite the significant role that governmental attitude or big pharmaceutical industry’s policies have played, it was the competition from privately-owned wholesalers that gave the big push to change:

“So our needs, the big companies’ policy, the needs of pharmacies and mainly the external factors - that is competition from private wholesalers - made us proceed to the changes.” - C2E2,

“Regardless of whether we make decisions due to the pressure from the external environment,[...] , let's say one reason was the competition, right?” – C2E1,

“It [change] was a defensive movement in order to prevent competitor’s achievements.” – C2B1.

The chapter of change is not closed for the co-operative, no matter how big changes have been processed in the previous years. Unprecedented threats and new challenges (e.g. the allegation stated by all three respondents that the big industry is trying to “bypass wholesalers”) have arisen amid the financial crisis, which consequently mark the fact, that *“the situation in the external environment is quite fluid”* (C2E1) and the call for constant change or even *transformation* becomes louder:

“Due to the new changes that occur every day, we are in anticipation of the next changes in order to take a decision” – C2E2,

“That’s why I’m telling you it’s too big ... There will be so big changes that we cannot predict the future.” – C2B1,

“Maybe its model could be completely transformed, its mode of action, its legal form, all these can be transformed completely.” – C2E1.

Finally, in the core of respondents’ interests one can find the anxiety about the changes that the pharmacy-members are going to experience and which will probably jeopardize their current form. This change will question co-operative’s role as well:

“Rightly, therefore, the basis of the co-operative is the retail market, the pharmacy, and because actually the pharmacy will be rapidly transformed, [...], so this will “force” simultaneously transforming the role and presence of the co-operative. So, we estimate that this total number of pharmacies cannot survive; [...]. The market estimation is that the 15,000 pharmacies are not able to survive so the numbers will start to decrease, and the pharmacists, who will be able to remain they will seek for aggregation, for pharmacies merger; either mergers or establishing pharmacy [chains] companies.” – C2E1,

“The pharmacies have to change form. I do not know if some of them can cope with the current situation; there are already problems with pharmacies which ask for more credit, for a temporary liability settlement, which cannot handle a large number of issues such as the rebate and all that pharmacies already pay ...” – C2E2,

“Here now there are many concerns. What will we do tomorrow? How will we operate? Because the pharmacy itself is in danger. The danger lies in our own members...” – C2B1.

Taking into account the discussions with the respondents, one can identify a contrast between an environmental status, when the changes happened, which was rather smooth despite the various problems that used to exist (legal framework, competition, indifferent government, etc.) and the demanding environmental conditions nowadays. However, there is a sense that even the radical changes happening in the current environment of firms in general, could be, on certain conditions, positive for the co-operative:

“The subject has been widening, but I think recently the environment is more positive for co-operatives.” – C2E1,

“I believe - there are many people who have the same opinion, too - that all these changes are opportunities.” – C2E2.

This ambiguous stance against the features of the environment comes along with an explicit or implicit (with the constant invocation of “needs”) acknowledgment of the role that internal necessities and requirements have played in the change of the co-operative:

“Because ... It [change] was an internal necessity.” – C2E2,

“Needs really made us to do so.” – C2B1.

So, “needs” are often translated as needs of the members or need to satisfy members. As explicitly stated by one executive respondent when he explained the rationale of a particular change, it was not (at least, only) an effort to overcome a certain environmental pressure (e.g. increased bank loans’ interests) but simultaneously an effort to solve the problem by satisfying the base of the co-operative, the members:

"I think, regarding the other issues that the decision still walks on two legs, meaning that the optional shares do not cost less than outside borrowing; the cooperative does not definitely solve a financial problem, it wasn't established just for this purpose. It was established in order to give some money to the pharmacist, some interest, which earlier went to the banks. Why these costs which anyway will be made by the cooperative, not go back to our members? Therefore, there was a thought to do this for our members too, while at the same time we display a better picture on our balance sheet because we have less borrowing." – C2E1.

And the Head of the Board sketches the same picture saying:

"[...] everything that has been done here is due to the needs of the pharmacy. Why exports? To serve pharmacy better! To give a better credit! [Why] optional shares? Funds to escape bank interest and give it back to the pharmacist ..." – C2B1.

It is obvious that it is not a typical linear attitude: environment demands – organization responds/adapts. Reasonably, the chief executive acknowledges:

"I think that the changes were made having considered both issues; the cooperative and the external environment. At least I cannot separate them." – C2E1

Even the socio-economic character of the environment within which the co-operative acts cannot completely influence what is really going inside the organization:

"We live in a highly capitalistic environment, but my life, or the group's or cooperative's lives are expressed every time in a way to fit best with itself, isn't it?" – C2B1.

Moreover, discussions about the change process reveal a rather proactive character of change, an effort to *"be ahead of events"* (C2E2) which further supports the argument that a strict adaptive response to the environmental demands is not the case:

“So then, a co-operative that wants to continue to play an important role in the retail market, such as it played in the past 30 years, will have to adapt its services and its role in order to run in advance of the pharmacies, for the sake of the pharmacies.” – C2E1,

“You should not get into the channel of change. We can make the change! We can bring the changes before them!”, “We need to bring the changes ourselves, we need to be ahead of the curve.” – C2E2.

One can also identify an almost complete absence of references to a comprehensive plan of change while, on the contrary, references to “*subversions*” during change process or to “*innovative thinking*” of executives or administration can be traced. Another important factor in change process is the acknowledgement of the importance of decisions regarding the development of services or products other than the main object of the co-operative (wholesale trade).

Enough evidence indicates a rejection of the idea of one-way change route; alternatives existed and still exist and the direction cannot be predetermined. As clearly summarized by the chief executive:

“Since the environment is fluid, no direction can be predetermined and be one-way. Definitely there are different scenarios, different options. [...] And clearly, beyond any solution found to be the most viable, the most correct, clearly there must be a scenario no 2. I do not think that it is possible one says: we’ll do this because this is a one way route.” – C2E1.

Finally, the change process is restricted by the particular characteristics of the co-operative organization which put extra limitations to its evolvement:

“Possibly, yes it has [limitations]. Paths like the one when an individual says: ‘I’ll sell my business’. I think pharmacists would not have, at least not very easily, such an option, such a scenario. Clearly, a private wholesaler has to negotiate and think far more scenarios than a co-operative, which has stiffness in decision making regarding such major changes.” – C2E1,

“Those who had the fortunes of the co-operative in their hands had this way of thinking: with sensitivity to the community, with sensitivity for the small pharmacy, sensitivity to the customer, sensitivity to the patient. So we had these sensitivities which restricted our decisions, and showed us to which direction we would go.” – C2B1.

What shapes the particularity of the co-operative is the full commitment and dedication to the support and service of its pharmacy-members. One can definitely trace it in numerous relative references from all the three respondents; as it was explicitly stated by the Head of the Board:

“[...]our inner and first need was to serve the pharmacy” – C2B1.

The co-operative serves as the *“tool”*, the *“umbrella”*, the *“wall”*, or the *“bulwark”* which protects the independent pharmacy from a vulnerable environment and ensures its profitability and its existence. Co-operative and pharmacy-member are interdependent and cannot be seen as separate:

“Pharmacy is the co-operative and the basic concept of the co-operative is pharmacy.” – C2B1.

This vital bond between the co-operative and its members also constitutes the basic difference that distinguishes it from similar enterprises which belong to private owners. The previously described anxiety for the role that private competitors play as part of the external environment now meets a definite declaration of the *“complete difference”* between them:

“completely different from the purpose of a private wholesaler” – C2E1,

“I believe that co-operatives have nothing to do with private wholesalers...” - C2E2,

“Huge difference [between the co-operative and private wholesalers].” – C2B1.

The reason for seeing this complete distinction is that private wholesalers/competitors are only attributed to the profit generation and to an

opportunistic behavior within the market that neglects any other attitude but earning more money:

“The essential difference is: Think of a model of two identical businesses, the one being cooperative and the other being private, with same organization, same benefits - credits, discounts, with same clientele, with a similar market power and with similar benefits to the pharmacist; the main feature which distinguishes the identity of these two companies is that the one is a company purely for profit on behalf of the private wholesaler, who has aimed solely to profit, the profit of the current year and next years but possibly also to exploitation, exploitation of any investment gains made by the company, which means: I make a good business to be able to resell it at a large Greek or foreign group later. While a co-operative is not at all involved in this process; it aims, on the one hand, at having autonomously good results and increasing its turnovers, which is similar to a private wholesaler, and on the other at supporting the pharmacy, the pharmacy member. This is the central point: the support of the retail pharmaceutical market - the local market in which it operates - and its members; this is completely different from the purpose of a private wholesaler, who can also operate in an absolutely opportunistic manner: “I will try to develop my business for the next 5 years and then I will sell it at a good price. I do not care how my market will evolve over the next 5-10 years, so to do such a long-term planning, [...]”. These issues do not concern the private wholesaler. The private wholesaler [...] seems to have a more short term horizon, unlike a cooperative, which aims to be in the market for the next 20 years, say. A private investor may work by making a much shorter planning.” – C2E1.

On the contrary, this co-operative is not focused on profit, despite the fact that it takes care of it, but on its long-term existence which enhance the sustainability of the retail market where its members belong. Actually, it is not only a wholesaler but an organization with a multiple intervention. In other words, it is an organization which distances itself from typical business organizations in the way that it embodies non-economic values such as “transparency”, “co-operation”, etc.:

“Co-operatives have never functioned in a way like that; since their setup they de facto cannot be run for profit.”, “All these answers are from people who have certain ideological thinking. And I think everyone who belongs to the administration

of co-operatives has such ways of thinking. Purely capitalist administration in a co-operative cannot stand.”, “Organized groups, where there are organized groups, can cope better than each one alone. This is absolute, the prevailing! [...] That’s why we say that the organization at the base, organized people, is one that can lead to better results for their very lives of the people; when there are organized units, groups, ...” – C2B1,

“Communication, education ... we can do many things more than what we offer now. We are not just wholesalers!” – C2E2.

Consequently, a sense of a rather powerful organization arises and contradicts with the previous stated analysis about the crucial role that competitors have played as a real threat which in turn ignited the change process:

“The opponents of the co-operatives are not private wholesalers. Private wholesalers cannot topple the co-operative.” – C2B1.

This sense of powerfulness could be considered as a special achievement of the overall route of the co-operative; a fact that makes the respondents to be almost sure and convinced for the survival and long existence of the co-operative regardless the hard and demanding environmental conditions:

“[...]the co-operative will be there! The co-operative will be!”, C2B1,

“Since cooperatives have always found ways to overcome difficulties so far, they will find a way out; it may be a way different from the beaten track but, I believe that, whatever it comes, co-operatives will always exist. [...] However, there will always be cooperatives. This is what I believe and I will do everything for [my cooperative] to be one of those who will exist, in five years from now.” – C2E2.

This attitude is enhanced by the outcome of organizational changes under examination. Changes were *“always successful”*, although few of them were eventually abandoned (e.g. capital pool, own brands production) and the final assessment is positive:

“By the results, because everything is measured and numbered, by the results we see that we, as C2, have really developed as an enterprise...”, “I believe that now things are different and we are much more organized, as an enterprise, and if we had not done this we would have lost the game” – C2E2.

The respondents are aware of the fact that these particular changes led the co-operative closer to the operation of a privately-owned wholesaler but they are definitely sure that this has not altered the character of the co-operative and has not changed its direction:

“The models may have been in a state of convergence but the objective still remains as different as it was. Probably, the mechanism is closer to the private pharmaceutical wholesaler; Yet, I think the main goal still remains the same, the strategic aim. That is, we have a co-operative enterprise, which exists in order to serve the development and sustainability of the pharmacy.” – C2E1.

The alleged success of the change process and the overall positive route of the co-operative do not make people in charge blind against certain deficiencies from which it suffers. Dominant position in this negative self-assessment holds the infamous delay in decision making, especially if this is compared with the way that privately-owned enterprises (the main competitors, once again) behave:

“While cooperatives have this disadvantage: they delay to make decisions; this is negative [...]” – C2E2,

“... There is one bad thing with the co-operatives. I am saying it for you to learn. They are slow. There is no speed of action, as a private [wholesaler] has, say.” – C2B1.

Many times, the co-operative seems to enter a stage of *“inertia”* or to *“make two steps forward, one backwards”*. In time of crisis, this *“frozen”* decision making situation, the *“suspended step”* of decision process, may pose a threat to the stability and existence of the co-operative. Administration is indicated to be mostly liable for this outcome. Pharmacists who are members of the Board often show

weakness in the identification of the real needs of the enterprise; they do not realize the need for change or simply show less concern for the interests of the co-operative than for their own business:

“...when they are in the administration’s shoes they [pharmacists] primarily think of the pharmacy and then of the cooperative. They must change their attitude. They must change, we cannot operate that way. They should work as if the cooperative was their own business. They still see things from the pharmacists’ perspective. They are not the kind of entrepreneurs we would like them to be.” – C2E2,

“Regarding our cooperative, if we talk at the administration level on behalf of the pharmacists, I feel that there is a difficulty either in identifying opportunities or in understanding the directions which they should take. There is a difficulty to understand these changes and what to do. I feel, therefore, that at the administration level, things are pretty awkward...” – C2E1.

Therefore, the C2 has to continue with radical changes and be transformed in order to get rid of its disadvantages and stay active and alive in the forthcoming developments within the market:

“Now, the demand is the organization to change course and get out from its orbit and be transformed. That needs a ... more action. [...] If it is left in the foregone and prescribed orbit, it will simply start deflating. So, a more revolutionary change needs to be done in order to be a different [orbit] anyway...” – C2E1.

The demand for constant change, the anxiety to “ensure survival” and most of all, the struggle to help pharmacy-members stay alive, though transformed, in a fast changing and unprecedented environment shape the new targets of the co-operative and consequently guide its change efforts. It must be marked that the respondents wish the co-operative to achieve this difficult task by undertaking a more active role towards the operation of its pharmacies-members:

“they [co-operatives] will have a key role in changing and shaping the pharmaceutical retail business of tomorrow. That is, to take over the organizing of pharmacy chains during the transformation period.” – C2E1,

“It [co-operative] will be a service company, as well as a wholesaler and it will meet the needs in all levels ... That is, category management of pharmacies, promotion of products, economies of scale, all these... stock management, economies of scale, all these ...” – C2E2,

“Thus, the co-operative must give directions to those pharmacies, make studies how to aggregate pharmacies.” – C2B1.

The co-operative showed foresight regarding the current situation and prepared itself with the previous wave of changes and also warned the pharmacies. But now, it needs innovative ideas, a more entrepreneurial way to act and a plan to help members transform their own business. The co-operative has to constantly prove and reproduce its difference from similar organizations; even if this means that it has to establish *“joint ventures”* with big industry, to *“operate as public limited company”* or totally transform itself and become something different than a simple wholesaler:

“Towards any change that we see, we know, we expect and finally comes, the cooperatives should be ready to make the difference and proceed to those changes that will distinguish us from other individual wholesalers...” – C2E2,

“To help them in their transformation so as to preempt this evolution and be able to provide all those services, for which it will still be necessary for the operation of the pharmacy” – C2E1.

Finally, a surprising situation emerges as far as the role that the respondents ascribe to the members of the co-operative is concerned. Despite the dominant and fundamental role that the notion of members plays in almost every aspect of the discussion; despite the fact that it is the members that founded and run the organization, they are not considered as full and definitely inner part of the organization. The views range from a strict rejection of their inner placement within the organization, to an intermediate position between internal and external depending on the beliefs of the members or their dedication to the co-operative purpose.

*“The members of the co-operative belong to the external environment so far.”,
 “They don’t care about the loss of the cooperative; they don’t think that if the stock costs many millions, they are going to lose more money. Their only concern is to have the medicine in order to give it to their client.” – C2E2,*

“We could draw it in concentric circles... In the center there is the core consist of the administration of the co-operative and the executives who are the internal environment. There is also the environment of the members which is an outer shell and outside this there is the external environment. So, I am seeing it in three levels. So, I am seeing it in three levels, not in the sense of internal-external. I would classify the member-pharmacists within internal environment but not in inner environment, a little bit outside.” – C2E1,

“There are conscientious pharmacists who, [...], they dealt with the co-operative as the only shield that can defend them from [bad] situations that the elderly pharmacists had lived, right? There were many pharmacists, however, who for a very long time have had a hostile attitude towards the cooperative. And I will say this. I think this is an ideological relic” – C2B1.

Moreover, if one adds to these the previously stated argument regarding the apathy that pharmacists-administrators sometimes show for the affairs of the co-operative, it becomes clear that the actual role of members is, at least, a debatable issue.

5.3.4 Concluding remarks

Summing up the outcome of the analysis of the discussion with the respondents from C2, one could sketch the following picture: The external environment triggers the change process in the co-operative, especially in the form of privately owned competitors. However, it cannot guide its evolution. The change process is also strongly influenced by internal needs of the co-operative and especially the need to satisfy its members. Hence, change process is not ascribed to a comprehensive plan and is characterized by the existence of alternatives and a proactive trend. The particularity of co-operative organization rests on its full commitment to the satisfaction and protection of its pharmacy-members’ interests; therefore, they become interdependent organizations. This fact, in turn, establishes the main

difference between the co-operative and other similar business entities which are mostly focused on profits. This particularity orients change efforts and restricts their range. As a result, the co-operative seems to be closer to the operation of a private wholesaler but its character has not been altered in any sense. Change proved to be successful but new challenges in the environment which mainly pose threats to the stability and existence of the pharmacy-member, attribute a constant character to the change process. A new direction to change should aim to the survival of the co-operative as well as the survival through transformation of its members. In order the latter to be achieved the co-operative should engage in a more active and intervening role. It might be completely transformed so as to confirm its ability to survive under any circumstances. The full commitment of the co-operative to the interests of its members does not make the latter a definite part of its organization. Members belong to the external environment or to an intermediate position.

5.4 CASE THREE

5.4.1 The case

Co-operative Three (C3, hereafter) is one of the five biggest pharmaceutical co-operatives in Greece with an annual turnover of 94 million Euros and it employs 83 persons (2011). It was established in 1994 – it is actually the youngest and the last pharmaceutical co-operative established in Greece - from seventy six pharmacists and witnessed a long period of constant growth in terms of turnover and membership until 2010 when the financial crisis strokes the country. Today, the total number of its members rises to 217 pharmacists. Its headquarters and its main warehouse facilities are located in privately owned premises in an urban center of south Greece while it has established two subsidiaries in minor urban centers of the region: the first (public limited company) in 2000, the second (public limited company) in 2004. All of them work as minor wholesale companies. Moreover, it participates as a majority stakeholder (59%), together with another pharmaceutical co-operative (41%), in a third wholesale company in another minor urban center in

the region since 2006. It also participates as a minority stakeholder in two nationwide distribution centers (public limited companies) established by the majority of the pharmaceutical co-operatives in Greece.

C3 has undergone a wave of changes, instructed by the administration and senior management, already since the first five years of its existence. The most important changes, which mark a departure from the traditional co-operative model, are shown in the following table in a time sequence and they are related to the non-traditional co-operative models that are included in the typology of Table 3.3:

Year	Type of change	Co-operative model
2000	Establishment of 1st wholesale subsidiary	Co-operative with Subsidiaries
2004	Establishment of 2nd wholesale subsidiary	Co-operative with Subsidiaries
2005	Capital pool (eventually abandoned)	Proportional investment co-operative
2006	Establishment of joint-venture subsidiary	Co-operative with Subsidiaries
2010	Differential policy among members	Differential policy co-operative
2011	Introducing optional shares as a funding measure	Member-investor co-operative

Table 5.3: Type and sequence of changes in C3

A short narrative of the change sequence illustrated in the above table is as follows: C3 was confined in the small area where it was established. Moreover, it was the last pharmaceutical co-operative to be founded in Greece, so the market was already fixed, in one way or another, by the time it came into being. In order to modify this given situation, C3 focused on profitability and geographical expansion. To achieve the latter, C3 established two wholesale units (subsidiaries in PLC form) in years

2000 and 2004, within the broader region but away from the area of its origin. In 2006, C3 established its last distant subsidiary (PLC) together with a neighbouring co-operative in order to avoid the competition between them. The constant growth of the co-operative in terms of turnover, mostly as a result of its geographical expansion, and the difficulties to raise capital from a planned increase of the nominal value of the co-operative share, led C3 to alternative solutions. So, in 2005, the co-operative introduced a capital pool schema. According to that, members, except their basic co-operative share, should deposit extra money in a separate account proportionally to their annual purchase from the co-operative. The measure was lifted few years later because of tax problems. In 2010, in an apparent effort to give both incentives to the large members-customers and enhance members' commitment, C3 differentiated its commercial policy. Invoice discounts, credit lines, supply quantities, and special offers and services were aligned with each member's purchase volume. Finally, in 2011, C3 tried to resolve the problem of low capital adequacy, by introducing optional shares as an incentive to promote members' investment. The holder of optional shares could acquire more returns than the one who holds only the basic co-operative share. The year when this research was conducted (2011), C3 was ready to expand its activities in value-added services, other than the pure wholesale trade and expand to the field of virtual retail chains.

5.4.2 The interviewees

Two respondents took part in the survey from C3: the general manager of the co-operative, an economist who has been serving from this position since the establishment of the co-operative (his code name will be *C3E1*, hereafter) and has personally implemented all the changes mentioned above; and the Head of the seven-seat Board of Directors who is one of the founding fathers of C3 and has been elected and constantly re-elected in the Board since the establishment of the co-operative (his code name will be *C3B1*). He has been serving the co-operative as Head of the Board for the most of these years and at the same time he runs his own independent business (pharmacy). He has witnessed and actively taken part in the decision making regarding any change those 20 years of existence of C3. Another

respondent, the second in rank executive who serves as a supply manager and deputy general manager for the last 10 years, finally denied the interview.

5.4.3 Basic interpretation of data

The respondents are definitely aware of the role that external environment has played in the deployment of the changes under study. Conditions in the market cause the need of change, no matter how radical it will be. It is not random that the phrase “*market conditions*” is repeated tens of times during the conversations:

“The truth is that we started based on market conditions. The key issue which confused us was where the market is heading; where the market goes. So we had to adapt our business to new market data.”, “If the market conditions are of this nature that one must make changes even in one’s structure and operation, one has to make them; otherwise one will be thrown out of the market.” – C3B1.

At the same time, they acknowledge the impact to change from internal necessities and especially the demands of their members:

“Today, our member has much more demands than before. Previously, one’s anxiety was only to be served properly [...]. Today, realizing through the new market conditions that one must improve some things in the operation of the pharmacy; one demands different services in order to be able to do so.” – C3B1.

Moreover, it is interesting to indicate that respondents charge the internal operation and functioning of the co-operative with a key-irritation role to change process. The same impact had the ‘political’ decision, from the very founding moment of the co-operative, not to be a traditional co-operative organization:

“our operation was such that it really touched these points [of change]”, “The nature of the operations of our enterprise was such that forced us to move to the

next one.”, “From the beginning; since our establishment. We wanted to get away from the stereotype of co-operative function” – C3B1.

It is implied by the discussion that most of the changes happened within a rather smooth environment for the co-operative and its members which caused a kind of laxity both to the co-operative and the pharmacies:

“The answer is today because the old environment – stability and market expansion - left no space, within the daily running and the market function, to think in a more selective level and about more specialized issues concerning the operation of the pharmacy. And something more, it was also the pharmacy that did not need us so much because the market expansion was so large that the biggest problem that a pharmacy had was to supply the products that it needed to cover its needs and nothing else more; everything was fine and good.” – C3B1,

“Some years ago, there wasn’t any need to do so. Everything was predictable. Some sectors of the environment were predictable.” – C3E1.

However, the current financial crisis is the turning point for these ‘smooth’ conditions that enabled the changes under study. The market growth stops, it starts to shrink with a fast rate and rapid changes happen to the environment of the co-operative; it is characterized now *“difficult”*, with banks, government decisions and suppliers becoming tougher for the co-operative. And the worst development is that pharmacies-members face now *“serious problems”* which threat their existence. Yet, tougher environment still works as an advantage for the co-operative to process advanced changes:

“On the contrary, it was an advantage because we all see the difficulties and since we have been proved reliable and capable to cope with the function of a co-operative pharmacy, by standing on its side and serving it, things were easier for us. In other words, our role was recognized in the new situation. And probably, it made some people to realize that their perspective is to operate through the co-operative. Hence, it facilitated us. I found no difficulties, neither in the General Assembly nor in the Board of Directors, to pass advanced suggestions; whereas the previous years

we would have a long discussion, we would hear all the arguments and wait until things were better absorbed;” – C3B1.

The views of the respondents regarding the change process are contradicting. The executive seems certain for the planned and linear character of change:

“The changes do not bring one another”, “We knew where we wanted to reach in every change that we made.”, “we knew where we wanted to go from the beginning to the end; we knew what we had dreamt of” – C3E1.

The Head of the Board instead, adopts a more evolutionary perspective. He also considers that it was the daily operation of the co-operative that was pushing constantly for new changes:

“Yes, it was an evolutionary process, which provided us with new data to grow every day [...] It was our function itself that opened new paths to us.”, “The operation of an enterprise is a very dynamic thing. It’s very dynamic. Many times it does not leave one afford a break. It constantly pushes one forward. It pushes you forward and it functions in a dynamic way. It pushes you, whether you like it or not.” – C3B1.

Moreover, he interestingly indicates a change process which follows unplanned paths, sometimes despite initial intentions and creates novel situations:

“The development and the operation of an enterprise, regardless its co-operative form, with complicated structures regarding its decision making, etc., [are interconnected] with the very market conditions and reality which in their daily deployment and evolution force one to make setbacks, or follow zigzags and maybe, without realizing how, to arrive at C having passed by B. [...] Yes, yes, many times. Many times. Because it is the conditions and changes that happen during the time one needs to go from A to B that one is being overtaken and one already finds oneself at C.” – C3B1.

Both respondents converge to the important role that administration and executives played:

“It was the administration’s decision... It was a strategy, because the administration had to deal with the pharmacists.” – C3E1.

They also acknowledge the fact that there were alternatives to the solutions finally adopted however these changes were the best in hand and most of all they preserved the co-operative character of the organization:

“Yes, there were alternative choices[...]”, “I think they were the best possible solutions at that time.” – C3E1,

“The most fundamental criterion was that other changes would create problems in the co-operative structure.” – C3B1.

The outcome of the change process brings the co-operative closer both to the demands of the environment and to the operation of a privately-owned firm, as well:

“We are closer... to the organized operation that meets specific conditions of current market.” – C3B1,

“We are closer [to private firm]... Yes. There are some criteria applying to a merely private enterprise. [...] Criteria of effectiveness in whatever is done.” – C3E1.

Changes were successful as the co-operative showed better reflexes to environmental alterations, its structure was advanced and it became more efficient. Changes dispersed to the whole body of the organization: executives changed, administration changed and the structure now differs impressively from the structure that used to be the time before changes began.

Moreover, the co-operative has been oriented to the development and further deployment of services which add value to the chain pharmacist-cooperative despite the fact that this is not the main object of co-operative activities (wholesale trade):

“as we add and develop this part by offering additional revenue, additional services for the development and operation of the pharmacy through the cooperative.” – C3B1.

“The co-operative’s strategy now is to expand to other sections too, that do not have any relation with the medicine. They have to do with local [farming] products.” – C3E1.

The development of these services leaves a sense of a more intervening activity in the retail operations by the co-operative, where a large part of pharmacy’s operation could be managed by the co-operative:

“We offer our specialized staff to draw up an inventory, we organize the storehouse, we support the computerizing system and the only thing that the pharmacist has to do is to adjust to the new data: how to buy and sell products and how to get economic information about his pharmacy either through his accountant or through us. We talk about a pharmacy as a well-organized enterprise.” – C3E1.

But the most interesting finding is that changes managed to alter the old co-operative mode of operation which was the initial intention of the administration providing that the fundamental choice was to operate *“at a purely co-operative level but at the same time, with purely private economic criteria”*:

“[...] we stopped operating with the old cooperative mode, according to which all members enjoy the same benefits, independently of their participation, their passive or active function; we changed taking into account each member’s function and the attitude he takes towards our enterprise. Does one want to invest here? Then, one will enjoy these services as well as financial benefits and more services.” – C3B1.

Yet, despite the fact that the old co-operative mode changed and the organization operates closer to a private one, the co-operative character remains active and strong as well as the difference between the co-operative and other forms of business organizations:

"I suppose they [changes] reinforce the differences.[...] Yes, that's what I believe." – C3E1,

"So, these are elements which necessarily differentiate among members without losing the cooperative identity.", "They enhance them and this is proved recently." - C3B1.

Therefore, there were no *"centrifugal effects"* traced among members. On the contrary, the organization turned to be more *"specialized towards members"* and members are *"snatched up from co-operative"*.

What it constitutes this *"enhanced"* difference of the co-operative is its full dedication to the prosperity and existence of their members. Its whole function is focused on achieving this aim:

"The aim is offering services [to its members] along with making profit, ok?", "You can't sacrifice everything in the altar of profit and lose customers (pharmacies). I (the cooperative) will do everything I can to offer to the pharmacies services, so as to become necessary for them." – C3E1,

"What we care about is our pharmacies to exist.", "For example, it [the co-operative] doesn't work in only one level, let's say the level regarding the supply of some products that the pharmacy needs. It is trying, through its operation, to highlight some strong points of each pharmacy-member and respectively to add value through discounts or special offers, developing parts that every pharmacy can develop depending on the different level that it is placed. Therefore, it is a constant pursuit." – C3B1.

Therefore, the co-operative is a *"lifeboat"*, a *"lifeline"* or an *"island"* within a vast and rough sea which functions as a *"point of reference"* for the pharmacy-member:

"From the evidence that we already have out of the market conditions, it consists a point of reference for everyone, for every member that participates all these years in this course." – C3B1.

Co-operative and pharmacy are interdependent and cannot live the one without the other:

“If pharmacies go bankrupt, then it definitely closes down; there is not any reason to exist.” – C3B1,

“[C3] will continue to exist[...] As long as pharmacies exist” – C3E1.

However, it must be mentioned that the executive respondent, elsewhere, does not refrain from imagining a transformed co-operative which does not need the pharmacies in their current form in order to exist:

“It [C3] would try to transmute in order to meet other needs [...] At the present, we are thinking of... not only thinking, but we have already started processes and activities totally irrelevant to the field of medicine. We are still addressing to the pharmacies, of course, since they still exist. If pharmacies don’t exist anymore, then the products we offer may be sold to other kind of stores, as well.” – C3E1.

The particular orientation of the co-operative differentiates it “*enormously*” from similar business entities especially entities connected to the dominant economic paradigm:

“We are far away from a private enterprise. This does not mean that we deny any positive elements of an enterprise which functions under private-economic criteria. But we do not have the same goals, let’s say.”, “They [principles and values that make people active in a co-operative] are not necessarily economical” [...] “Well, it’s not the profit. Let’s put profit in the end.”, “As an enterprise we have a big difference. We show the highest possible social responsibility. We feel we have responsibility towards the society, not because we cause damage but because we must offer to the society.” – C3E1.

On the contrary, respondents consider that co-operative’s competitors act solely for the satisfaction of their narrow economic interests and they don’t care for the pharmacy and its well-being:

“A private enterprise, a warehouse let’s say, has as a major goal to maximize its profits, [...]. Its goal is, obviously, to increase the profits.” – C3E1,

“[...] the private owner is interested solely in his profit and nothing else. He doesn’t care whether the pharmacy earns more or less, whether the pharmacy... He is interested only in a market in order to sell his products; he doesn’t care whether this market is pharmacies or export trade or anything else. So what he cares about is how much money he can put in his pocket from his operations.” – C3B1.

So, the majority of the competitors do not actually constitute a potential danger for the co-operative. They are focused on easy profitability; therefore they remain underdeveloped, without the ability to offer novel services to their pharmacies-clients. Only few private enterprises with organized structure could compete against the co-operative. However, it was exactly this organized structure and operation which the co-operative tried to achieve with the changes under study and it finally did it:

“Personally, I don’t know any private warehouses offering services to the pharmacies.[...] Private warehouses don’t usually offer services that need at least much time on the behalf of those who develop them.[...] services which private enterprises have never, as far as I know, until now developed.”, “the relation with its customer has no depth” – C3E1,

“a private wholesaler or a multi-shareholder wholesaling company is not able to offer any of those we were talking about because those add costs in a firm, both financial and investment costs to create this infrastructure” – C3B1.

For both the respondents, the co-operative is *“an ideal case, the ideal firm”* equipped with particular capabilities which enable it to overcome any difficulty, under any condition in the environment:

“[...]we can work through any difficulty, under any circumstances. By changing few things in our structure we can rise above the circumstances regarding the newly created market conditions.” – C3B1,

“Personally I believe that cooperatives in general can deal with the environment easier than any other private enterprise.”, “...the cooperatives will always play the most important role.”, “but the [co-operative’s] decisions are always right” – C3E1.

This sense of co-operative’s almighty is only moderated by the acknowledgement of the problem of delays which is inherent to the co-operative organizations in general:

“There are problems. Problems in decision making, in estimating things, in implementing things immediately;” – C3B1.

Despite its current and past special achievements, “transformation” is the key-word for the future aims of the co-operative. The change process that was ignited years ago cannot stop because the fast changing conditions in the market do not permit so. The co-operative must be transformed in order to “*stay alive in the market*” and keep serving its (also transformed) members. It is implied that its role would be more active in the operation of the retail unit itself:

“It [co-operative] would try to transmute in order to meet other needs.”, “The only threat would be if the wholesale trade stopped. Even in this case, the cooperative would survive through other activities which we are planning.” - C3E1,

“the co-operative could be perfectly transformed into a co-ordinating and logistics company serving these new entities [merged pharmacies or pharmacies belonging to a chain] that will be established in the [altered] market conditions in order to manage the operations of associated or corporate pharmacies.” – C3B1.

Finally, an interesting contradiction rises regarding the concept of members. Pharmacists-members dominate a large part of the discussions, but their real role as a part of the organization, which they actually founded and run, is questioned. The one respondent considers members as an “*organic part*” of the co-operative but at the same time he acknowledges that they enter co-operative not because they believe in the co-operative ideals but because of various gains:

“...the member who was going to come to us and co-operate with the enterprise, would not come because of a general and vague acceptance of the co-operative ideas and nothing else but one would come because of the specific work samples concerning the enterprise’s operation and the efficiency that one could gain through this process. That is, the benefits one could have. I believe that this was clear.” – C3B1.

Hence, some of them come closer to the co-operative but some other act in isolation and are distanced from it. It depends on how they “realize” new market conditions and demands.

The other respondent is much more concrete and strict about members’ role. He places them in the external environment of the organization:

“I consider them as environment”, “No way! They constitute the environment. Why? Because, as customers, they behave like being the environment and they are influenced by our external environment...”, “No, they aren’t. They require from us to be the best in order to gain the money they have given. When they find somebody else, they may buy from him because he gives more. Hence, I can’t consider them as part of the enterprise. Ideally, they should be...” – C3E1.

Moreover, their behavior is not only opportunistic against the co-operative but also short sighted, focused only on their interest and not on the co-operative’s as well:

“Every member might be satisfied with a small warehouse, with a small enterprise, where it could get everything it needed. A big enterprise might make things more complicated. Each member would probably want to come here and take the product from the shelf and then go...it would be more convenient, I mean...but this is a “narrow” scope of seeing things.” - C3E1.

5.4.4 Concluding remarks

Summing up the outcome of the analysis of the discussion with the respondents from C3, one could notice the following: The external environment and especially

market conditions played an important role to change process. However, members' demands, internal functioning and the aim of administration to be different from a typical co-operative organization mostly influenced change. The outcome of these changes was the increased efficiency of the co-operative and mostly the fact that it meets better the demands of the environment and it comes closer to the operation of a well-organized IOF which was the target of the administration from the beginning. Despite this evolution, changes did not alter the co-operative character of the organization; actually it was enhanced and members got more bind up with the co-operative while a wide range of services developed in order to facilitate the daily operations of the pharmacy. This means that the particularity of the co-operative to exist and act for the interests of its members remains as the top differentiating factor from other business entities. Its competitors act solely for its profitability and ignore pharmacists' interests. Hence, they pose no threat for the co-operative which is a powerful organization capable to overcome difficulties. Environment used to be smooth during the period that changes under study occurred but now it turns into a threatening situation, particularly for the existence of pharmacists-members. This development creates the need for continuous change aiming to the transformation of current form of the co-operative, as well as of the pharmacy. By this way both the existence of the co-operative and the pharmacy-member is secured. Members, despite the fact that are positioned in the center of co-operative's planning and operation, they are hardly considered as a definite part of the inner structure of the co-operative.

5.5 KEY-INFORMANT'S CONTRIBUTION

5.5.1 The person

The key-informant was a person who witnessed all the stages of recent development of the pharmaceutical co-operatives in Greece the last two decades; for most of these years as a member or Head of the Board of Directors in the Federation of the Greek Pharmaceutical Co-operatives (OSFE) and at the same time as a member or

Head of the Board of Directors of the largest pharmaceutical co-operative in Greece and one of the twenty biggest commercial enterprises in the country. At the same time he owns and runs his own business, an independent pharmacy. His point of view was crucial for the verification and explanation of the conclusions which were derived by the respondents of the three case studies. More analytically:

5.5.2 Basic interpretation of data

Key-informant considers that certain developments in the environment of the co-operatives led to certain changes like those under study. The most important of them was a world-wide turn to forms of participatory economy in order to escape from world economy's dead-ends as well as an effort from the co-operatives to escape from dead-ends and obstacles that the dominant economic and governmental environment put to their development and growth:

"...a debate began on Rifkin's suggestion that the solution to the problems of the current phase of the capitalist system is to return to participatory economy [...] The second reason was that a huge embarrassment to the predominant form of economic development was created by finding huge cooperative ventures in the first level of economic enterprises."

It is interesting to mention that besides those developments in the environment, there were also some special features within it that offered protection to the co-operatives and at the same time they enabled their change. Greek market was a small one, of rather compradorial character and protective for middle-class entrepreneurs like the pharmacists. All these prevented big multinational competitors from entering the pharmaceutical wholesale market and dominating it. Co-operatives had the space and time to grow and change using their own slow tempo inherent to this organizational form:

"As pharmacists' cooperative movements generally followed similar paths, [...] it seems that this was based on non-high centralization in economic activity like the one which is observed in Anglo-Saxon, North American and other countries. Here, in

southern countries, we didn't have the capitalist ... the capitalist accumulation which got huge scale in the U.S. and Anglo-Saxon world. This gave us, therefore, opportunities to grow through holes in the system", "There would be the problem of small domestic market. Two projects that were implemented [by multinationals],[...], led to failure precisely because of the singularity of the national characteristics regarding the middle-class social formation of the pharmacists who they did not want to give power - came into their hands through the cooperatives - back to a private businessman, even capital company.", "This very Greek economy functions clearly as a comprador [...]this gave opportunities to other more introvert efforts like ours to be created, developed and take huge market share."

But now, the combination of problematic features of the environment used to be, like the governmental indifference against co-operatives and the non-stable rules which cause planning inability, with new characteristics merely imposed by the world financial crisis, such as: fast changing economy, great lack of funding resources, extended social spending cuts, shrinkage of insurance systems, possible change of the rather protective legal framework, etc., creates a danger situation for the co-operatives. In the society that will be formed during and after crisis, companies with old-style management, like traditional co-operatives, will face severe problems. Especially, the pharmaceutical co-operatives which work as intermediaries will face the possibility of extinction or the possibility of losing the common ownership characteristic and become an IOF. The respondent is sure that not all of the co-operatives will survive crisis as a result that not all of the pharmacies will:

"Therefore, the first question arises: In the forthcoming economic environment, will there still be our potential clients – the pharmacies - as they were? Straight answer: no. Will 27 cooperatives with 47 distribution centers still remain? Straight answer: no. Will 350 pharmaceutical agents or producers remain? Straight answer: no. Will 72 insurance companies remain? No. Even now as we speak, they hardly have been five.", "Given that since the late '90s in pan-European and Greek level, it is not forbidden anymore for other legal entities to be shareholders of the cooperative. In Spain and Portugal, in Italy and Greece there is the ability of legal persons to be shareholders of the cooperative. This involves huge risks. I say it allusively."

Therefore, the call for radical changes in structure and operation of the co-operatives, which will distance them from the traditional form, becomes more intense; actually, it becomes a matter of survival both for themselves and for their pharmacy-members:

“What we took advantage against them [private firms] in the phase of the '80s, '90, '00's, there is the danger to suffer from, today; the inability of transforming our companies from “family” ones - closed systems of pharmacists of this and that area - to companies capable, flexible and quick in their decisions to adapt to the new environment coming. What I mean is that if we do not do so, we shall not exist. Those who will not do it, they will not exist either.”

Beyond all these, the respondent also acknowledges the impact of inner dynamics to change initiation, especially efforts from the co-operatives to overcome the bureaucratic and inflexible style of management that the traditional form of the co-operative organization imposes as well as to overcome problems that are related to the enlargement of the co-operative and follow the demand for social enhancement of their members:

“They [co-operatives] tried to find new forms of cooperation and overcome the difficulties and the bureaucracy that the Green Book system created.”, “They had either to invest their profits or to find other forms ... to be able to stimulate the members.”, “[...]Now, it is an enormous, world-class power. Well, that led them to look for new forms in general, especially through the motivation of optional portions and investment shares.”

The respondent pays great attention to the particularity of the co-operative organization comparing with the dominant economic system and the dominant form of enterprises. Co-operatives have a “social dimension” which is “is counter to the prevailing form of capital accumulation” and especially to what he calls “deification of individuality” which is responsible for the current global crisis. Although they function as capitalist firms in the way that they operate and the way they create

surplus value, this value is distributed in a different way to the member-patrons of the firm. This fact constitutes the major difference from all other forms of enterprises. Co-operatives form a “*mound*” in behalf of their members and function as a “*leaven*” for the request of “*new collectives*” which will resolve the problems created by economic individualism. In the core of the co-operative enterprise lies the concept of the common ownership which arose from real needs of their members:

“The pharmaceutical cooperatives were emerged by real needs of the pharmacies of the '70s and '80s”

On the contrary, the privately-owned wholesalers which are the main competitors of the co-operatives function totally different. They are focused solely on profits so they develop an opportunistic behavior which often falls back against pharmacies’ interests:

“in the cooperative, the emerging surplus value [...] is distributed in the 100, 200, 300 members while in the private pharmaceutical wholesaler, whatever the surplus value is, it goes to the pocket of one person or one family. They are not companies”, “that time wholesalers and distributors of products, mainly the industry, were not concerned at all with outlets. Pharmacies had to get bleed to get medicines.”

Moreover, he hardly considers the competitors superior to the co-operatives. They are rather family businesses, organizationally underdeveloped which produce no fear. As he explicitly stated:

“our capitalists had been more stupid than us [the co-operatives].”, “I would not be frightened by no competition, at least speaking personally regarding the responsibility I have about the strategy in the country level or the responsibility I have in my own cooperative.”

And this is a good reason which explains why the co-operatives have prevailed the Greek pharmaceutical market so far. However, he acknowledges that there are weaknesses inherent to the co-operative organizations which grow as the co-

operatives getting larger; and this is what happened to the co-operatives under study:

“This creates, then, handicap when you reach a point of enlargement at which you are unable to follow the possible needs of the financial system in power.”, “[The danger lies not in changes but it is hidden] in our weakness, because of our multi-shareholder form”

As a consequence, he proceeds with a series of negative characteristics which create a possibly dangerous situation. The traditional form of the co-operatives has reached its boundaries and leaves the co-operative behind the developments of our times. It is incompatible to the current economic trends and its incompatibilities (e.g. difficulty to increase equity by its own members, lack of technostructure, etc.) create the “*risk of paralysis*” for the organization:

“All of us relied on the Green Paper of Cooperatives during the 70's, 80's when these cooperatives were set up. But it turned out to have some boundaries.”, “This [inability to increase equity unthinkable in a flowing, moving, fast, and easily adjustable economy...”

Administrations are “*cumbersome*”, work in inertia and are “*unable to update*” or to form a “*new imperative*” for their co-operatives. And this becomes a “*scary*” situation:

“The developments are so fast that even the leaders are unable to capture, decode them and transform them into a new imperative. An additional inefficient element is that many cooperatives do not have the technostructure that would provide these elements of analysis and synthesis that any elected administration is unable to do by itself. Today, it is more blatant than ever, for the cooperatives which have not adapted a pyramidal structure or have built a pyramidal structure with slow rates of renewal, the inability to adapt to new conditions and to the emergence of the new financial reality. This is the point that scares me most of all.”

The conclusion of this assessment is that co-operatives cannot continue with their present form and should adapt or be transformed, otherwise their existence is questioned and they may either vanish or lose their co-operative character and be captured by private interests:

“So, in the phase of shrinkage we cannot, by any law of the economy, no matter how we will approach them, either with the brutal neo-liberal model, or with more social approaches of managing the economy, we cannot keep these firms as they are.”, “Whoever does not adapt to the speed and the finding of new co-operation that create new gains will leave the game.”, “On the other hand there is a serious concern and we have the example in England and in Holland, whether opening the equity to capital stock market, even in a minority level, will or will not result to the loss of the cooperative nature of these companies.

Therefore, pharmaceutical co-operatives have a difficult and complex task to perform. They must act quickly and leave behind their “*bureaucratic form*” and slow reflexes and find novel solutions to their problems. They must “*find new forms of funding*”; proceed with “*synergies*” with the primary sector and the industry, as well as among them in national and “*pan-European level*”; “*develop new activities*”⁵⁰ and “*enter production*” field besides wholesale trade. But, everything must be done in a way that the co-operative will not cross the red line and lose its co-operative nature or become an IOF:

“This is something that is socially acceptable, rationally acceptable and entrepreneurially useful; without disputing the core of cooperative ownership, joint ownership and distribution of surplus value, which is an essential tool to preserve the cooperative character. We must not become investor owned firms both for economic and social reasons, especially in sectors like ours.”

⁵⁰ “*this is a new situation that creates performance problems and therefore new activities and new areas of greater surplus and new forms of constitution of our capital structure are required.*”

On the contrary, radical changes must aim to preserve their difference from other business organization forms, remove egotism, and help acquire a new collective adjusted to the demands of the new era:

“They [co-operatives] should keep their difference, yet by using tools of a new type.”, “In this country, with this bankrupt regime - a process that will last at least 30 years - if we, who already have the leaven and have shown practical results, do not manage to find a new collective by using new tools for capital structure and accumulation, we will find ourselves in a financial dead-end-street; it will be also socially criminal for us; [...] During this phase [...] we should develop a political, social discourse tied to a vision of social outcomes that will lead us one step further. Unless we do it, both jobs and posts will be lost.”

The ultimate objective is to ensure their members’ survival, hence theirs. This implicitly ascribes the co-operatives with a particular capability to secure members’ existence despite their rather simple traditional role as co-operative wholesaling units; hence, it implies a different function, more focused on retail operations, than the one used to possess till now:

“Therefore, the challenge for cooperatives is: the strategic objective is to maintain their points of sale, their shareholders’ points of sale in the market, competitive to the non-cooperative ones and the second to make such a centralization of capital so as to create new capital gains, if not up to the lost amount due to the recession, but at least at a level where it would be meaningful and effective for those who participate /who are members.”

An interesting conclusion also derives by the indication of the change process as a procedure which was mainly pulled by avant-garde of executives and administrators without a full awareness by the co-operatives’ members. In some cases, members realized the changes and participated to the process but in some other cases, changes happened within an environment of members’ indifference. The respondent considers this awkward phenomenon as the outcome of a general trend among members, in the era of prosperity, to underestimate or neglect the role of their co-

operative. They used to behave mostly as customers instead of shareholders. However, he strongly believes that co-operative becomes “*a matter of life*” for pharmacists in the current era of recession and they will realize it and tight their bonds with the co-operative:

“In the expansion phase of the economy the concept of the customer dominated. The other two [investor, shareholder] were inferior although extremely efficient. In the shrinkage phase, when the primary activity is disputed - throughout the margin reduction, the intervention in prices, the turnover reduction – then, the other two take on new dimensions for the same person.”

5.5.3 Concluding remarks

Summing up the outcome of the above analysis, the key-informant acknowledges the fact that changes in the co-operatives were aligned with equivalent changes or situations in the external environment. However, there is no reference to a comprehensive change plan or to pressing external situations. On the contrary, the environment used to be rather protective and safe for the co-operatives, while their competitors were weak and shortsighted, and the role of avant-garde and internal organizational necessities was important enough. Although changes were useful and based on real needs, radical alterations in the external environment cause a constant demand for more radical changes in the structure and operation of the co-operatives. They have to overcome the inherent disadvantages and negative characteristics of the traditional co-operative organization, adapt, and be transformed. By doing so, they increase the possibilities to survive and, most, of all, to help their pharmacy-members survive. At the same time, they run the risk to convert to IOFs. Hence, the demand for radical changes meets its limits where changes could jeopardize the very nature of the co-operative, which is the common ownership of its users. Co-operatives must preserve their particularities which distinguish them from other business entities considering that they possess a social dimension that distances them from conventional forms of capital accumulation.

Finally, pharmacy-members run the risk of extinction within new circumstances and need a strong co-operative to enhance their existence. However, they used to behave not as founders and shareholders but as simple customers. In many change cases, members were indifferent or unaware of them.

5.6 COMBINING RESULTS

5.6.1 Common features

Taking a closer look at the discussion, one can indicate the following interesting findings referring to almost every respondent in every case. *First*, the expressions 'member', 'pharmacy/pharmacist', 'customer' are used by the respondents interchangeably in order to mark the condition of the membership to the co-operative.

Second, the term 'co-operative' as the particular business unit that the respondents work for and the term 'co-operative(s)' as a type of business organization are very often used without distinction. During the conversation the subject 'we' means interchangeably 'my co-operative' and 'pharmaceutical co-operatives', in general. Very often, a question about the respondent's co-operative follows an answer about co-operatives, in general. The identical character of each organization seems to be melt in the pot of the organizational form.

Third, the respondents acknowledge as a distinct and important feature of change the orientation to services or products which are different from the main scope of their co-operatives (wholesale activities), although this factor was not explicitly introduced in the preliminary questionnaire or the design of semi-structured interviews.

Fourth, the identification of the type of changes that the co-operatives under study have experienced (Tables: 5.1, 5.2, 5.3: pp. 131, 144, 159), as well as interviewees'

responses (including the key-informant's) reveal a common tendency: the co-operatives have implicitly engaged in the activities of pharmaceutical retail sector, either by establishing /participating in virtual pharmacy chains (C1 and C2) or by stating their aim to exercise stronger control over the management of their pharmacy-members. It used to be the retailers (pharmacists) who established the co-operatives in order to organize their supplies in an effective and profitable manner. But now, it is the co-operatives which intervene in the retail market in order to help pharmacies organize and transmute their retail activity; hence, ensure their existence.

5.6.2 Emerging (sub)categories

In sections 5.2.3, 5.2.4, 5.3.3, 5.3.4, 5.4.3, 5.4.4 (pp. 134, 142, 146, 157, 161, 170) the basic interpretation of data and the concluding remarks which summarize the analysis of the transcribed material coming from the interviews with the respondents of the three selected cases were presented. While in sections 5.5.2 and 5.5.3 (p. 172 and p. 179) the same occurred for data coming from the interview with the key-informant. The next and most demanding step was to combine the outcome of the analysis of each text of each case and identify emerged *categories* which are common for all three cases and strengthened or verified by key-informant's arguments. Behind this, there is a very analytical and complicated procedure which rests in the *coding* process of each text and the subsequent emergence of *categories*. The whole scheme of analysis was extensively presented in Chapter 3 while the coding process as well as the formation of categories regarding each text is analytically shown in APPENDIX VI.

In the following table, the main findings of each case as well as the key-informant's, are presented in a cohesive way which leads to and schematically explains the formation of the categories. They are organized and matched together according to the organizational issues which they are related to in the basis of common features (hence categories). The selection of those issues is not arbitrary but closely related to the main research question and assumptions of thesis, as well as connected with

core conceptualizations of the adopted theoretical framework under the following scheme: environment – organization (co-operative) – process (change). Suffice to say, that the findings illustrated in the table as well as the correlation of each of them with a special organizational issue are an outcome of my personal perception of respondents' arguments and explanations.

Main Findings C1	Main Findings C2	Main Findings C3	Main Findings INF	(Sub)Categories
Environmental influence	Environmental influence	Environmental influence	Environmental influence	External demands for change
Competition's role	Competition's role			
			Avoid obstacles	
Internal necessities	Internal necessities	Internal necessities	Internal necessities	Internal nature of change
Members' needs	Members' needs	Members' needs	Members' needs	
		Internal function		
		Need to avoid stereotype		
Not a typical linear attitude	Not a typical linear attitude			Change process
		Typical linear attitude		
Proactive character	Proactive character			
No comprehensive change plan	Absence of reference to a change plan	Evolutionary character / Unplanned paths	No reference to a comprehensive change plan	
Matter of avant-garde and intuition	Matter of innovative people	Matter of people	Matter of avant-garde	
Alternatives existed	Alternatives existed	Alternatives existed		
			Constant call	
Restricted by co-operative's particular characteristics	Restricted by co-operative's particular characteristics		Restricted by co-operative's particular characteristics	
Always successful	Always successful	Always successful	Useful	Change results

Function enriched		Everything changed		
Closer to environmental demands	Closer to environmental demands	Closer to environmental demands	Closer to environmental demands	
Closer to the operation of privately-owned firms	Closer to the operation of privately-owned firms	Closer to the operation of privately-owned firms	Closer to the operation of privately-owned firms	
Co-operative character not altered	Co-operative character not altered	Co-operative character not altered	Co-operative character not altered	
		Distanced from old co-operative mode		
Unprecedented threats and new challenges	Unprecedented threats and new challenges	New threats and new challenges	Major threats and new challenges	Features of the environment
Threats for members' existence	Threats for members' existence	Threats for members' existence	Threats for members' existence	
Quite fluid	Quite fluid		Fast changing	
Positive for the co-operative	Positive for the co-operative	Positive for the co-operative	Protective once	
			Deification of individuality	
Will change in impressive manner			Will change impressively	
Negative role of governments			Negative role of governments	

Competitors focused solely on profits	Competitors focused solely on profits	Competitors focused solely on profits	Competitors focused solely on profits	Features of the competition
	Competitors opportunistic		Competitors opportunistic	
Competitors follow and imitate co-operative		Competitors underdeveloped	Competitors weak	
		No threat from competitors		
	Hard competition from private wholesalers			
	Emerging competition from pharmaceutical industry			
Exists to support the interests of its members	Full commitment to the support and service of its members	Full commitment to the support and service of its members	Exists for real needs of its members	Co-operative's essence
Co-operative and pharmacy interdependent	Co-operative and pharmacy interdependent	Co-operative and pharmacy interdependent	Co-operative and pharmacy interdependent	
Completely different from similar enterprises	Completely different from similar enterprises	Completely different from similar enterprises	Completely different from similar enterprises	
	Distanced from typical business organizations		Social dimension	
Preserves non-economic			Preserves non-economic	

values			values	
Not pure private enterprise			Not pure capitalist enterprise	
		Co-operative function with private economy criteria		
Not focused on profits	Not focused on profits			
Balance between the interests of its members and its own interest				
Balance between profits and members' needs				
Existence and survival guaranteed	Existence and survival guaranteed	Powerful and ideal organization		
			Existence questioned	
Key form of intervention	Organization form of multiple intervention		Key tool for members' survival	
Special achievements	Special achievements	Special achievements		Co-operative's self-assessment
Great delays in decision making	Great delays in decision making	Great delays in decision making		
Administration responsible for inefficiencies	Administration responsible for inefficiencies		Administration's responsibility	

Co-operative nature responsible for inefficiencies				
			Cumbersomeness	
			Lack of technostucture	
			Traditional form outdated	
Possible radical changes and transformation	Must continue radical change and be transformed	Must continue radical change and be transformed	Possible radical changes and transformation	Co-operative's aims
Aims to enhance survival and help members stay alive	Aims to enhance survival and help members stay alive	Aims to enhance survival and help members stay alive	Aims to enhance survival and help members stay alive	
	Should intervene in pharmacies' operation	Should undertake co-ordinating role for the retail units		
Aims to change without changing its character	Aims to reproduce its difference		Must be transformed without changing its character	
			Demand for new tools	
	Members show less concern for the co-operative than their business	Members show less concern for the co-operative than their business		
		Members seek for gains		Perception of its members
Members hardly belong to	Members not actually inner	Members not actually inner	Members behave as	

the inner part of the organization	part of organization	part of organization	customers, not shareholders	
			Members unaware of changes	

Table 5.4: Main findings organized in sub-categories

Ten categories were shaped within this intensive analytical process, consisted by data which share commonalities:

- External demands for change
- Internal nature of change
- Change process
- Change results
- Features of the environment
- Features of competition
- Co-operative's essence
- Co-operative's self-assessment
- Co-operative's aims
- Perception of its members

Allocating codes in these categories was not a random process. Emerging categories are strongly consistent both with the main concepts of the present research project which are *co-operatives* and *change*, and the social systems theoretical framework which puts the distinction *system (co-operative organization)/environment* in the center of any endeavor to explain how organizational phenomena like change emerge. Moreover, they are consistent with the pattern of questions which were asked in order to orient conversation with the respondents. The identification of each category as well as the conclusions of the discussions referring to each of these is as follows:

External demands for change. This code category describes situations in the environment of the co-operative which caused demands for change. This type of responses emerged mostly in relation to questions about a potential tempo of change, the external/internal character of it and a potential adaptive character of it.

It is definitely acknowledged by the respondents that indeed there is an adaptive and responsive (to the environment) character of change. The co-operative has to follow alterations or demands created within the overall environment it functions within;

be it economic, political, societal or commercial. Very often, it is the competition from privately-owned wholesalers which ignites the change process while in other occasions it is a maneuver of the co-operative to avoid obstacles that the environment puts in its development

Internal nature of change. This code category describes factors of change ascribed to the internal sphere of the co-operative. This type of responses emerged in relation to questions about whether the pressure for change came from outside or from inside, the characteristics of the environment of the co-operative and whether in decisions about change were any alternatives or not.

Despite the fact that the respondents widely acknowledge the key role that external factors have played, at the same time they argue that the inner formation and workings of the co-operative and the dynamics derived by these, played a significant role in the change process, too. Especially the need to meet members-patrons' needs holds the top position in the relevant argument. Therefore, change has been influenced both by the environment and the inner dynamics of the co-operative.

Change process. This code category describes elements of the change process and the way it unfolds. This type of responses emerged in relation to questions about whether the co-operative responded to its environment, whether a causal sequence in changes exists, whether in decisions about change there were any alternatives or not, the way the co-operative faces its environment and its reaction to radical environmental changes.

One can identify a rather contradicting view about whether the change process was actually planned and had a sequential mode or not. However, from the in-depth analysis of the discussions it is implied that a comprehensive plan of change probably either did not actually exist or it was not followed to the letter. It was mostly the intuitive, proactive and innovative role that small groups of people – avant-garde – among the executives and the administrators of the co-operatives, played to the deployment of change process. Moreover, the majority of the respondents reject the

idea of a one-way change route as they clearly acknowledge the existence of equivalent alternatives. The potential solutions were eventually restricted by the very nature of the co-operative as a mutual organization.

Change results. This code category describes respondents' evaluation of the change process regarding its existing or potential outcome. This type of responses emerged in relation to questions about whether the change process led the co-operative closer to environmental demands as well as closer to the way private wholesalers work and the way the co-operative faces its environment and its reaction to radical environmental changes.

Changes that occurred were definitely successful, affected the co-operatives positively, and enhanced their function, their efficiency and their ability to survive in changing situations. They helped the co-operatives to be closer to the environment and its demands. The respondents are also fully aware of the fact that these changes led the co-operatives to be closer to the operation of a private firm. However, and most interestingly of all, the co-operatives still preserve – even enhance - their constitutional difference from private firms. The co-operatives changed impressively but their co-operative character is immune to those changes.

Features of the environment. This code category describes prominent or distinctive elements as well as the main characteristics of the environment of the co-operative as they are perceived by the respondents. This type of responses emerged in relation to questions about the characteristics of the environment of the co-operative, whether the change process led the co-operative closer to environmental demands, the role of the environment in decision making, its reaction to radical environmental changes as well as changes to the environment of their members.

The respondents keep an ambiguous stance towards the environment. They speak about environmental demands and conditions that influenced the change initiation but at the same time they consider that the environment used to have positive features for the co-operatives which protected their development and the change

process under study. For some of them the environment is still positive for the co-operatives, in spite of the big alterations occurred the last few years. However, they also admit that, whether the environment used to have negative features also in the past or these are the outcome of recent politic-economic development (national fiscal crisis, global crisis, governmental decisions) it now becomes turbulent, fluid, fast changing, obscure and involves risks for the co-operatives. The main and constant source of their anxiety is the fact that the recent environmental changes create potentially dangerous situations for their members-patrons which may threat their current form and their existence. Thus, the change process has not been completed but it needs to continue within novel conditions.

Features of the competition. This code category describes prominent or distinctive elements of a specific part of the environment of the co-operative as they are perceived by the respondents, namely the competitors. In a state regulated market as the pharmaceutical retail one, in which prices and margins are completely fixed by health authorities, competition is limited to few areas – mostly to credit lines and services – and because of it, it becomes harsh and of major importance for the evolution and the survival of the organization. It's worth mentioning that for a lot of the respondents, the first reaction to questions regarding the environment was to think of the competition (namely, privately-owned pharmaceutical enterprises, be it single proprietorships, partnerships or joint-stock companies). This is the reason why this category is presented distinctively from the other features of the environment. This type of responses emerged in relation to questions about the characteristics of the environment of the co-operative, whether the change process led the co-operative closer to the way private wholesalers work, the main difference between co-operatives and IOFs and its reaction to radical environmental changes.

What is perceived as competitors' main characteristic is their only and fully dedication to profitable activities which often ends up to an opportunistic behavior or to a behavior hostile against pharmacies; an issue of a major importance for the co-operatives. Co-operatives seem to pose a limit to the 'private greed'. Therefore, and despite the harsh competition, the respondents do not acknowledge any

superiority or threat from the private firms that compete against the co-operatives. On the contrary, one can identify a wide-spread sense of disdain against the true capabilities of the competitors which matches with a type of moral disdain because of their immanent orientation to profit making.

Co-operative's essence. This code category describes the attributes that make the co-operative what it fundamentally is. This type of response emerged in relation to questions about the relationship between co-operative and its members, the main difference between co-operatives and IOFs, future changes in its form as well as about its reaction to radical environmental changes.

The most indicating, clear and universal finding is the co-operative's absolute and fully dedication to its members and their interests which subsequently constitutes its major difference from similar organizations and other business entities. This dedication to members' interests produces phrases that could validly serve as self-descriptions of the co-operative ("steady island", "wall", "lifeboat", "bulwark", etc.) Within this framework, the operations of the co-operative and those of members' businesses are interdependent and interrelated. The co-operative remains a key form of multiple intervention in the market, on behalf of its members' interests which can secure their survival. A sense of a completely different organizational form becomes immanent; different from other organizations performing the same tasks, inconsistent to other organizational forms especially IOFs, but also different per se. The co-operative may try to balance between the interests of its members and the pursuit of its own interests and its efficiency as a typical (though peculiar) firm does, but it also embodies not trivial social dimensions and preserves non-economic values. This fact distances the co-operative a lot from a pure capitalistic enterprise. Not surprisingly, a sense of a powerful and ideal organization, capable to overcome any difficulty, is implied (or clearly stated).

Co-operative's self-assessment. This code category describes an orientation in which the respondents as active and high-ranked members of the co-operative organization assess the co-operative itself according to a set of standards which does

not take into account external judgments. This type of responses emerged in relation to questions about members' attitude towards the co-operative, the role of the environment in decision making, the role of the administration in decision making and the way the co-operative faces its environment.

Analyzing the responses, one can identify the belief that co-operatives can present special achievements which secure its survival as a business entity, serve the interests of its members and help them play successfully their intervening role in the market. These achievements are properly enhanced by the outcome of the change process, too. However, there is a strong negative assessment for the capability of the co-operatives to overcome delays in decision making and show good reflexes when it is needed. This problematic situation rises to alarm level when environment becomes turbulent and needs fast responses. For some of the respondents the problems are ascribed to the administration (pharmacists - members of the Board). While for some others, problems arise from discrepancies inherent to the traditional co-operative organizational form. Reasonably, this assessment ends up to an urgent call for changing co-operative's function and structure and for some of the respondents it takes the character of a grave necessity.

Co-operative's aims. This code category describes points towards which co-operative's change efforts are or should be directed or restricted. This type of response emerged in relation to questions about the way the co-operative reacts to its environment, the role of the environment in decision making, the main differences between co-operatives and IOFs and a probable alteration of them because of change efforts.

Most of the respondents share the estimation that co-operatives must continue changes to different directions and even speed up. Transformation, innovation, constant renewal, strategic partnership, developing new products and services, joint companies, etc., are concepts that the respondents are not afraid to use when speaking for the aims of future change efforts of their co-operatives. Almost all of them recognize the need for a partial or even complete transformation of their co-

operatives. They are fully aware of the fact that changes must be continued following the same path that leaves behind the traditional form of the co-operative. These efforts mainly should aim at the enhancing or survival of their member-patrons who should also change their current form of operation. This would ascribe the co-operative organization a different and most sophisticated role than the one of a simple wholesaler; they would be more actively involved in the operations of the retail unit-pharmacy. However, there is a strong warning that the limit where the mutual character of the co-operative is threatened constitutes also the outer limit of these objectives.

Perception of its members. This code category describes the way that the co-operative as an organization perceives its patron-members, i.e. the pharmacists. This type of responses emerged mostly in relation to questions about the leading force of change (environment/inner necessity), the factors that influence decision making, the placement of members (internal/external to co-operative) as well as the main difference between co-operatives and IOFs (investor owned firms).

From the responses a major contradiction to the commonsensical thinking about co-operatives arises. Members, who are the founders, customers and governors of the co-operative, are placed either explicitly outside the organization, in its environment, or in an intermediate position depending on the way that they use or benefit from the co-operative, on members' ideology, on trust, etc. Moreover, one can identify a skeptical or even critical stance regarding members' behavior against the market and the co-operative in the way that they often show indifference for co-operative's matters or prove an opportunistic and short-sighted attitude; both as simple members and sometimes as members of the administration.

5.6.3 Emerging categories

The abovementioned categories were actually *sub-categories* that subsequently sorted and abstracted into three larger *categories*:

- the individuality and self-perception of the co-operative (co-operative identity)
- the construct of change
- the perception of the environment

The way that these categories were shaped is shown in the following table:

SUB-CATEGORIES	CATEGORIES
Perception of its members	Individuality and Self-perception
Co-operative's self-assessment	
Co-operative's essence	
Co-operative's aims	
External demands for change	Construct of Change
Internal character of change	
Change results	
Change process	
Features of competition	Perception of the Environment
Features of the environment	

Table 5.5: Reduction of sub-categories to categories

Once again, the emerging large categories are strongly consistent with core elements of the social systems theoretical framework that were presented elsewhere and a further analysis would be evolved based on these elements so the outcome to be theoretically consistent. The identification of each category as well as the conclusions of the discussions referring to each of these is as follows:

Individuality and self-perception. This category describes various steps of a process which converge to the distinctiveness and the self-understanding of the co-operative, hence the largest part of its identity. This is the way that the co-operative

develops idiosyncratic structures and understands itself by interpreting information coming from various sources: environment, change process, organizational life, organizational structure, etc. This process produces an image of the co-operative which is expressed by the respondent.

The co-operative is been understood as an organization fully dedicated to its members and because of this, different from any conventional organizational form; even distinctive within the overall economic environment in which it functions. The co-operative is not only an organization which is committed to the overall service and empowerment of its members-patrons but it also reproduces and enhances the difference between itself and the others strictly through this relation with its members. However, despite the immanent self-description of a co-operative—servant of its members or within this self-description, one could find out explicit evidence which present an organization that was established by members-patrons but it exceeds itself beyond or outside them. Co-operative organization seems to be aware both of the importance of problematic situations in decision making which impose dangers for the reproduction of its existence and of the need for a constant change. At the same time, the sense of organizational uniqueness as well as the acknowledgement of co-operative's special achievements based on its mutual character, seems to create subsequently a sense of a rather powerful organization.

Construct of change. This category describes a concrete image of what is observed as being change in co-operatives, formed from the outcome of the analysis of the (sub) categories that were integrated into this larger category.

One could find contradicting views about the priority of environmental factors or inner dynamics and members' demands in change process as well as about the sequential and planned character of it. Moreover, it is widely acknowledged that change efforts were successful though there were alternatives to the solutions finally given. They definitely led to a closer relation to demands coming from the environment, even to an evident similarity with other business entities distinct to the co-operative organization until now. However, a most interesting finding is that

despite these organizational changes which lead the co-operative form closer to an IOF form, respondents are completely sure that the fundamental difference between the co-operative and a private firm remains active, even enhanced.

Perception of the environment. This category describes the way that the co-operative organization evaluates and store information about its environment so that the environment becomes an internal construction in the system.

The responses indicate a certain ambiguity regarding the way the environment is perceived. When changes occurred, the environment seemed to be rather positive, or indifferent or at least with easily manageable negative features towards the co-operatives. The last few years, due to the current economic disorder, it is considered very turbulent, fluid and risky; a state where dangers concerning the co-operatives are involved; and above all, and of a great concern of the respondents, dangers concerning the pharmacy-member which threaten its current form, its operation, even its existence. The factor 'competition', especially this which is related to the opponent organizational form, the investor or private owned wholesalers who are strictly focused on profitable activities, is underestimated (particularly comparing with competition threats coming from new competitors, e.g. the pharmaceutical industry itself). The co-operatives seem to be one step ahead the competition from private firms.

5.6.4 Themes

Taking a closer look at the findings, one could identify certain key themes: 'members', 'survival', 'co-operative character', 'competition'. Their existence is traced in almost any of the three categories presented above. However, only the theme '*members*' has the explicit, extending, interconnecting and universal character which offers a robust interpretation of the collected and analyzed data: 'Members' constitute the fundamental element of the co-operative and the main interest of its function and activity; they shape its distinct character as organization

comparing with other organizational forms; their survival in the market and the survival of the co-operative is strongly interconnected through their interdependency; their existence and their service offer the co-operative an advantage against the competition from private firms. As a consequence, any other potential theme like the ones mentioned above, can be only seen through or in the basis of the dominant position of the theme 'members'.

The emergence of this particular theme serves as the direction indicator for the interpretation of the findings regarding organizational change in the co-operatives under study that will follow.

CHAPTER SIX**DISCUSSION**

“There are no facts, only interpretations”

F. Nietzsche

6.1 OVERVIEW

This chapter of the thesis begins with a brief summary of the research undertaken and then proceeds to a further examination of the findings of Chapter 5. Findings are connected with the literature and the contradictions, paradoxes and theoretical tensions which are revealed from this process are analyzed by the conceptual means of Social Systems Theory (SST). Then, the analysis, always within the theoretical framework of SST, focuses particularly on the construction of notion of ‘members’ inside the co-operative organization and on the revelation of its systemic function. Finally, these novel explanations are reflected back to the organizational aspects of SST.

6.2 SUMMARY OF THE RESEARCH UNDERTAKEN

The main question underlying this study is:

How does change unfold in the co-operative organization?

The initial main research question was turned into the following research assumptions:

Organizational change in co-operatives follows a logic inherent in the particularities of the production and reproduction of the co-operative organizational form.

And

Change in co-operatives is mostly the emergent outcome of the inner workings of the system instead of the outcome of a linear, environmentally imposed and manageable process.

The above assumptions were operationalized by introducing the following research (sub-) questions:

Q1: How do co-operatives internally construct their external environment?

Q2: How do co-operatives perceive changes in their organization?

Q3: How do conditions for decision communication change when co-operatives perceive external environment as increasingly complex, vague and turbulent?

Q4: How is the co-operative/environment distinction, hence the boundaries of a co-operative organization, constantly reproduced during a change process?

Q5: How do the decision premises of the co-operative organization affect the change process and how are they affected by it?

The research focused on a particular type of co-operatives, the pharmaceutical co-operatives, which are actually retailer-owned co-operatives established and controlled by numerous pharmacists who run their own independent retail stores (pharmacies). The nature of the research questions and the theoretical framework that was adopted (SST) led to the study of three cases – Greek pharmaceutical co-operatives which have experienced a series of changes the last two decades – within a qualitative research framework. Data from each case were collected through semi-structured interviews with top executives and members of Board. The whole endeavor was enhanced by interviewing a key-informant from the co-operative sector of the pharmaceutical wholesale trade. The transcribed data from the interviews were analyzed through a qualitative content analysis in which the coding of the material, the formulation of categories, and the emergence of main themes were the central processes. The results from the data analysis were presented and processed in Chapter 5.

6.3 CONNECTING FINDINGS WITH LITERATURE

Data gathered by the preliminary actions of the research (questionnaire, meetings with persons in charge, informal conversations etc.), as well as data derived from the interviews analysis, indicate a pattern of changes which distance the co-operatives under study from the traditional model. The typologies proposed by scholars of change in co-operatives, which were presented in Chapter 3 and were finally synthesized in the typology shown in Table 3.3 (p. 70), are affirmed in a large degree as well as the relative change trend (from the traditional to the entrepreneurial model). Those findings not only reaffirm existing works, which are mostly based on studies on agricultural co-operatives, but also affirm the transferability of change typology to other industries but agriculture.

Nevertheless, emphatic evidence (see section 5.6.1: p. 180) proves the necessity for further modification/enrichment of the typology in Table 3.3 (p. 70). The role of the development of value-added activities and services other than the wholesale trade was initially underestimated and must be incorporated in Table 3.3. Williamson (1987) had already marked this element of the restructuring trend in co-operatives as *diversification*⁵¹.

Moreover, although *horizontal integration* (mergers and acquisitions) had been taken into consideration in Table 3.3 (p. 70), in order to mark a distinct non-traditional co-operative model, there was no reference to a model undertaken *vertical integration* activity. This is partially reasonable because co-operatives are principally a major tool for vertical integration in the value chain (see more in Section 3.3.2). For example, when pharmacists – owners of an independent retail store – establish a co-operative, they actually perform an act of *backward* vertical integration in the supply chain of medicines, i.e. engagement in wholesaling activity. However, there is evidence that a reverse process has been activated, though not been explicitly shaped yet. Co-operatives seem to move to a kind of primary

⁵¹ The development of new products, services or technologies which may have or may not have similarities with the existing product or service line.

*forward*⁵² vertical integration by establishing or participating in virtual chains of pharmacies and undertaking a large part of stores' management, though not their ownership (see Tables 5.1 & 5.2: pp. 131 & 144; and sections 5.3.4 & 5.4.4). This evidence conforms to recent developments in the European pharmaceutical wholesaling, as they were described in the relevant review of studies regarding the sector, in Section 2.3 (e.g. see Figure 2.3: p. 23). This fact forms an extra type of departure from the traditional co-operative model which had not been considered in the relevant discussion in Chapter 3 and emerged from the analysis of research findings; some co-operatives' strategy is gradually aligned with that of the large European privately-owned wholesalers. Hence, the new-introduced typology of Table 3.3 (p. 70) can now be enriched so as to incorporate the above two suggestions (changes in italics):

Co-operative Model	(violated) Traditional Principle
Differential policy co-operatives	Members' equal treatment
Proportional investment co-operatives	Equal contribution of capital
Member-investor co-operatives	Equal contribution of capital; Profit distribution in proportion to the use
<i>Co-operatives with Diversification</i>	<i>User principle</i>
Co-operatives with Subsidiaries	Autonomy and independence; One member – one vote; User principle
Co-operatives undertaking mergers and acquisitions (<i>horizontal integration</i>)	Autonomy and independence; Co-operation among co-operatives
<i>Co-operatives undertaking vertical integration</i>	<i>User principle</i>
New generation co-operatives	Non-tradable, non-appreciable, and redeemable shares; Open membership; Equal contribution of capital; Profit distribution in proportion to the use
Investor-share co-operatives	Autonomy and independence; Equal

⁵² *Forward* vertical integration occurs when a firm purchases or controls its distributors/clients.

	contribution of capital; Profit distribution in proportion to the use; Non-tradable, non-appreciable, and redeemable shares; One member – one vote; User principle
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Table 6.1: Modified typology of non-traditional co-operative models

Taking into account the above assertions, as well as the findings of the research, especially in the form they are summarized in Table 5.4 (p. 183), one could trace out evidence that supports the conventional thinking about change in co-operatives which was presented in the relevant literature review in Chapter 3. Change is environmentally imposed, leads the co-operatives closer to the demands of a turbulent and changing environment, and it is defined by the work and inspiration of a certain group of people within co-operatives' administration and management. It is always successful, implying that the initial aims were achieved, and results to the transformation of the traditional co-operative model and the adoption of more entrepreneurial forms (see section 3.2.3: p. 36). It seems like evidence confirms scholars who perceive change in co-operatives as an inevitable one-way trend from the traditional model to a model closer to an IOF (see sections 3.3.4 and 3.3.5: pp. 63 and 70).

At the same time, there is also evidence that contradicts the abovementioned assertions and questions the adaptive and linear way of change, getting closer to an opposite view of it (see also section 3.2.3: p. 36). Internal necessities and especially the need to satisfy the member-patrons play a significant role in change initiation and process. Change does not always follow a typical linear route or, most interestingly, does not refer to a comprehensive change planning; the existence of alternative solutions is definitely acknowledged; its process is restricted by the particular characteristics of the co-operative organization and, despite the transformation of the traditional structure and operation of the co-operatives, their mutual character remains unaltered. Moreover, change seems to be not an episodic

event but rather a constant call for the continuous transformation of the co-operative organization.

Another interesting contradiction rises regarding the nature of the changing organizations, namely the co-operatives under study. Certain 'business' (or 'economic') reasons are introduced to justify a certain type of changes (i.e. raising equity, overcoming bank lending difficulties, confront competition, avoid legislation obstacles, improve performance, align with the era of globalization demands, etc.). Therefore, some evidence apparently supports the argumentation coming from scholars who treat the co-operative organization as another investor - though peculiar - business form focused mainly on its business activity and assign the changes under study to this economic perspective (see sections 3.3.2 and 3.3.3: pp. 49 and 57). However, there is also apparent evidence which supports the opposite argumentation put forward by scholars that treat the co-operative mainly as a members' society (civil association), though with a definite economic character (see section 3.3.2: p. 49). The co-operatives under study cannot observe their interests outside the continuous satisfaction of their pharmacists-members' interests; they acknowledge their totally distinct nature comparing with privately-owned enterprises of the same scope as well as the fact that they preserve non-economic values or at least they are not solely focused on profit generation. The main aim of the changes that occurred or going to occur is the overall service of the member-patrons and their survival which comes through the survival of the co-operative and vice versa.

This apparently conflicting evidence justifies the reservations expressed in the beginning of the present thesis (Chapter 1 and Chapter 3) towards the efficiency of the dominant notion of change in co-operative organizations to explain in a comprehensive manner the phenomenon of change occurring in a peculiar and over-complex type of organization possessing a hybrid nature (both business entity and civil association). However, it must be noted that the aim of the thesis is not to confirm or falsify the dominant theory for change or any other theory. The evidence emerging from the analysis of findings enhances the argument for a deeper analysis

and alternative explanations which will move from what (or why) is observed as change in co-operatives to how change eventually happens amid all these empirical contradictions. Contradictions imply a *paradoxical* nature of the co-operative organizations and will function as indicators for further and deeper analysis.

The evidence also reaffirms the initial choice to adopt *Social Systems Theory* (SST) as the theoretical tool which helped to design the research and explain the findings of it. The contradictions mentioned above are strongly connected with the hybrid nature of the co-operative organization, the character of change and the type of research questions need to be answered. These were exactly the reasons that had justified the contribution, hence the selection of SST, in section 3.5.5: processual, not linear, character of change; acknowledgment of the potentially multiple nature of organizations; capability to answering ‘how’ questions; acknowledgment of the role that inner workings of the systems play.

Except for the contradictions identified above, there is also another interesting contradiction of a different nature. It reveals a kind of tension within the body of SST literature when the theory confronts with empirical evidence. It has to do with the findings described in section 5.6.1; particularly with the frequent undifferentiated use of the term ‘co-operative’ by the respondents in order to mark both the co-operative they work for and the (pharmaceutical) co-operatives in general. This evidence questions the identical character of each organization under study which is theoretically inconsistent when one works within SST framework. Therefore, explanations for this contradiction will be given along with and related to the final conclusions regarding the initial research question and assumptions.

6.4 CONNECTING FINDINGS WITH EXPERIENCE

As I stated in Chapters 1 and 4 (Introduction and Methodology respectively), I have a long experience in the co-operative sector, not only as a top executive in a pharmaceutical co-operative for more than 15 years but also as a member of various

intercooperative project teams (mostly under the umbrella of OSFE), as an OSFE representative in European co-operative fora, and as a consultant to co-operative-like initiatives in the field of pharmaceutical virtual retail chains. It is obvious that, as a researcher, I cannot pretend the neutral observer against the findings presented in Chapter 5 and discussed in the current chapter and I have to reflect from my own experiences.

Various conflicting evidence regarding the cause of change or the change process has been spotted also in my daily working life. This was also the reason that I eventually abandoned my initial commitment to the conventional thinking about change - especially the serious and unpredictable side effects of the supposed "planned change" - and the motive to investigate deeper the concept of change in co-operatives. I was also aware but I had not realized the extent of changes that confront and challenge the traditional *member-patron* form of the Greek pharmaceutical co-operatives. It looks like those changes were creeping all these years without being detected by people in charge in the co-operatives; neither changes nor their effects in the traditional way of organizing the co-operatives. The wider sentiment still remains that co-operatives are a totally distinct organization comparing to other business organizations and their mutual nature also remains unaltered despite the various changes that they have undergone. On the contrary, I was familiar with the ambiguous stance of co-operatives' administrations and management against the external environment and the competition. Anxiety, sometimes fear, constant call for change but, at the end, a sense that the co-operatives can manage everything because of their strength as mutual organizations. What was surprising in the findings is the ambiguous and ambivalent stance against the members of the co-operatives. I was aware of agency-related problems in their typical form but not of this apparent conflicting situation of the simultaneous existence of a dominant rhetoric about organizations fully dedicated ("servants") to their member-patrons and an organizational reality which position the latter in the periphery or under the potential steering of these organizations. This revealed to me the twofold function of members. They function as patrons (as supposed to be) and they function as *symbols* in the organizational discourse.

6.5 EMERGING PARADOXES

As the global environment becomes unstable and turbulent for the business organizations and the organizational processes become more complex, salient contradictions arise and become persistent (Lewis, 2000). A growing body of literature refers to the organizational paradoxes (Smith & Lewis, 2011, p. 382). According to Lewis (2000, p. 760) the definition of *paradox* in organizational studies denotes: “*contradictory yet interrelated elements - elements that seem logical in isolation but absurd and irrational when appearing simultaneously*”.

Taking a closer look at the larger categories shaped by data coding and systemization in Chapter 5, one could identify three main *paradoxes*, accordingly:

Paradox One: This paradox appears within the findings grouped in the category labeled as ‘*Individuality and Self-perception*’ (see section 5.6.3: p. 195). The most immanent description of the co-operative is that of an organization which functions as a servant or a protector of pharmacists-members’ interests. This sounds reasonable regarding the fact that pharmacists are the founders, customers and governors of the co-operative. Yet, members of the co-operatives are very often positioned outside the organization, in the environment, or in intermediate layers, while a critical stance against them becomes obvious when respondents discuss the opportunistic behavior of pharmacists-members as customers, or their incapability and discrepancy as administrators.

Paradox Two: This paradox appears within the findings grouped in the category labeled as ‘*Construct of Change*’ (see section 5.6.3: p. 195). It is widely acknowledged by the respondents that the type of changes which their co-operatives have experienced the last years led them closer to the operation of a privately-owned firm. Yet, they are all sure that the fundamental difference between the co-operative and a private firm remains active, even enhanced; namely, the co-operatives’ full commitment to the protection, prosperity and survival of their member-patrons instead of the private firms’ focus on profit maximization.

Paradox Three: This paradox appears within the findings grouped in the category labeled as '*Perception of the Environment*' (see section 5.6.3: p. 195). External environment has played a significant role in the initiation of the change process under study. In certain cases, the environmental element competition, i.e. privately owned wholesalers, played this particular role. Yet, the environment is perceived as positive, tolerant, or possessing minor difficulties for the co-operatives for the time that changes occurred. Even the critical element of competitors is generally underestimated comparing with the strengths and capabilities of the co-operative organizations. The co-operatives seem powerful and capable to overcome external difficulties due to their multi-stakeholder and mutual nature.

The above three main paradoxes have emerged through the process of grouping data which share similarities into larger categories and their subsequent systemization. Moreover, another important paradox – it will be called *Paradox Four* – stems from the very nature of the pharmaceutical co-operatives as a special type of retailer-owned co-operative. A pharmaceutical co-operative is an organization which is established by numerous pharmacists; actually single proprietors who run their business premises independently. As an organization, the co-operative has to maintain its operation, hence its existence, and take the appropriate decisions for it, while its member-patrons have to run and maintain their business too, taking their own independent decisions simultaneously. This idiosyncratic situation produces a large amount of contradictions and confrontations between those distinct but interrelated decision processes which subsequently raises the degree of the improbability of their synchronization. Within findings, one can trace out this situation in certain extracts where the respondents criticize pharmacists-members for their opportunistic or short-sighted stance against their co-operative, in business level, or their indifference and low decision productivity, in administrative level, as well as in extracts where the need to synchronize co-operative's interests with pharmacists-members' interests becomes evident.

6.6 HANDLING PARADOXES – THE ROLE OF SOCIAL SYSTEMS THEORY

The emergence of the above paradoxes designates the analytical strategy that must be followed in order an explanation of “*how change unfolds in the co-operative organization*” to be facilitated. Exploring paradoxes presents opportunities to discover different assumptions, pose problems in a different way and answer different research questions (Poole & van den Ven, 1989, p. 564). Suffice to say, that this is the main aim of the present thesis: “*to re-examine the established and existing patterns of change in the co-operative organizations by observing the change process in a fundamental different way*” (a shift from ‘*what*’ or ‘*why*’ questions to ‘*how*’). Moreover, by taking into account paradox, the research could avoid oversimplified and polarized notions of change and move to a direction where the complexity, diversity, and ambiguity of organizational life are recognized (Cameron & Quinn, 1988).

Poole and van den Ven (1989, pp. 565–567) introduce four methods to work with organizational paradox:

1. *Opposition*: Accept the paradox and use it constructively.
2. *Spatial separation*: Clarify levels of analysis.
3. *Temporal separation*: Take time into account.
4. *Synthesis*: Introduce new terms to resolve the paradox.

The first method is actually a call to accept the paradox and learn to live with it while the remaining three are attempts to resolve the paradox (Poole & van den Ven, 1989). The first approach is much closer to the need to acknowledge the complexity of modern organizations, especially organizations like co-operatives which are already complex by nature. It could stimulate theory development and safeguard research attempts from the pursuit of an “elusive consistency” inconsistent to a complex and multifaceted reality (Poole & van den Ven, 1989, p. 575).

Poole and van den Ven (1989, p. 575) also argue that the researchers adopting the first method should engage in a comparative analysis of theories cast on both sides of the paradox. However, this does not fit the aim and the requirements of the current study. Answering 'how change unfolds in the co-operative organizations' while taking into account the paradoxes indicated before, could be strongly related to answering the question 'how change occurs *in spite of* the existence of the paradoxes' and not to comparative analysis of contrasting theories.

At this point, another contribution of SST emerges. According to SST, organizations are fundamentally grounded in paradox because decisions (or, decision communication) are their main operation (see section 3.5.4: p 86). Paradoxes cannot be solved but they can be managed so that they are not visible; they cannot disappear but they can be moved out of sight (Seidl, 2004). Communication can manage paradoxes so that it appears that there is a reason (Andersen, 2003); in other words, to *deparadoxify* them. Therefore, *deparadoxification* is an important systemic function crucial for the viability of the system-organization.

Taking into account the insights of SST as they were presented in the relevant literature review sections 3.5.3 and 3.5.4, each one of the three pharmaceutical co-operatives which are our cases under study, has to maintain its autopoiesis through the constant reproduction of its decision communication in an operationally closed manner while its member-patrons have to run their business too, taking their own decisions. This idiosyncratic situation increases the degree of complexity in the co-operative, maybe to an extent larger than any other business organizational form, because it functions as an amplifier to the already paradoxical nature of decisions (Luhmann, 2000a) and threatens its autopoiesis since system's capacity to internalize complexity is not unlimited (Hernes & Bakken, 2003, p. 12). Co-operative organization runs the risk either to paralyze from the existing paradoxes (Schoeneborn, 2010) and eventually to be dissolved, or to cope with the paradoxes in a way that will lead to its demutualization. Actually, one can trace evidence into the transcribed material that indicates that respondents are already aware of both risks: almost all of them are concerned with the slow pace of decision making or the

‘frozen’ decision process in co-operatives while few others look upon favorably or, at least, not emphatically rejecting a potential transformation of the co-operative to PLC or to an organization which will embody the distinct (retail) activities of their member-patrons (forward vertical integration).

Concluding, SST does constitute not only a potentially powerful tool to handle with existing research gaps and inconsistencies (see section 3.5.5: p. 90) - which were reappeared within the findings of the current research and their first attempt of analysis - but also a theoretical tool to handle with the paradoxes emerged from the analysis of findings, as well as with the paradoxes inherent to any organization and especially the co-operative one. Therefore, further analysis and final conclusions will be strictly based on the insights of this theory.

6.7 FURTHER ANALYSIS

In the search of answers and explanations regarding the initial research question, one should take into serious account the following elements: the *categories* shaped by processing the research material, the *paradoxes* and contradictions traced within them, the main *theme* emerged by processing the material, as well as the *need to combine* all these with a theoretically consistent manner.

6.7.1 Orientation from Social Systems Theory

Luhmann’s theoretical framework (SST) restrains us from adopting or searching for answers in our questions within certain areas. For example, *environment* alone cannot underlie the logic inherent to the particularities of the production and reproduction of the co-operative organizational form which could guide change in co-operatives. Not only is environment excluded by playing this role theoretically – in systems theory the existence of a system is based strictly on its separation from its environment and the latter in no way can determine the operations inside the

system (Luhmann 1995, 2002, 2006) – but also empirically. We could quote certain extracts and phrases from the interviews which indicate that despite the acknowledgment of its fluid, turbulent, change-demanding or even hostile character, environment cannot determine the orientation and the outcome of change in co-operatives. Nor other systems (e.g., *competitors*), elements of the environment of great concern for the co-operatives, can. The internal character of change is marked intuitively by the simultaneous acknowledgement that internal needs (and especially the need to satisfy member-patrons' interests) played a crucial role. Despite its frequently mentioned role, environment actually functions mostly as irritation or perturbation for the co-operative.

Moreover, answers cannot be found in the notion of change per se or better, in the supposed continuous *demands for change*. This would implicitly refer to external factors that put demands for change which is theoretically inconsistent; or, to internal factors abstracted from the reality of the autopoiesis of the organization which is theoretically meaningless. Excluding external and internal factors that “put demands”, the notion of change remains void and searching there for answers regarding the logic that guides change in co-operatives runs the risk of a mere tautology or worse, an ideology.

Nor can answers be traced in the role that *people* have played. For the SST, people (psychic systems) are an autopoietic system different from that of organizations. The two types of system constitute environment for each other, hence they cannot determine the outcome of operations of each other; just to cause irritations for one another. It is true that some respondents referred to ‘avant-gardes’ of members of Board or executives as one of the factors that triggered change in their co-operative. However, one must take into account that the respondents who praised the role of these people are the ones that used to belong to those avant-gardes while in other occasions there are explicit statements for the negative attitude of people in charge against the continuation of necessary changes.

Instead, social systems theory (SST) indicates where to dig for explanations: One must acknowledge that the system (hence the organization) is actually the constant reproduction of the constitutive *difference* between itself and its environment (Luhmann, 2006) and that this process creates *structures* which in turn enable the further reproduction of this difference. One must also acknowledge that change is not simply a process. It also refers to a *relationship* between process and structure (Hernes & Bakken, 2003). Changes are structure determined and must always allow autopoiesis to continue (Luhmann, 1995). That is, any explanation about how change happens in the organization would be traced in the structures of the organization and because of their circular relation to the operations, must enable the continuous reproduction of these operations, hence the autopoiesis of the organization (Borch, 2011).

6.7.2 The construct of 'members'

Pharmaceutical co-operative organization establishes its difference from the environment, hence constitutes itself, through the idiosyncratic fact that its customers are also its owners and administrators (i.e. its '*members*', in the co-operative jargon which will be used for reasons of brevity hereafter). Any operation (i.e. decision) of the system-cooperative must reproduce this constitutive difference in order the autopoiesis of the co-operative to be guaranteed and continued. Any irritation coming from the environment of the co-operative must be internally interpreted through this difference leading to the construction of a certain image of the environment inside the organization.

Indeed, taking a closer look at the data of the research one can identify a common characteristic of the different co-operative individualities which also consists the major theme emerged by data analysis. This is the notion of the '*members*' or most precisely the '*member-patrons*' to distinguish them from the rest members of the co-operative organization: workers, executives, administrators. This theme functions as a thread which stems by the category co-operative's individuality and self-perception

and connects it with the other two large categories. 'Members' are almost omnipresent in the transcribed material. One can trace their existence in the nature of the co-operative, in its differences from other systems, in change efforts, in change results, in daily work, in planning, surprisingly even in the environment. They dominate the discourse about the co-operative like no other feature or notion such as 'survival', 'profits', 'power', 'function' etc. Plenty of evidence derived by every interviewee supports the key role of 'members' in co-operatives' internal operations.

However, the factual role of *members* is less dominant in everyday practice and operations as it is appeared to be by their emphatic use from the interviewees. Typically, members are the founders of each co-operative, its shareholders, its customers and its governors. Actually, they are engaged in co-operative's operations mostly as typical customers (they could be customers to any other private firm with similar activities and purpose with the co-operative's) and every two or four years as electorate which choose a handful among them as administration. This contradiction is backed by plenty of evidence in the material which attributes to members an external (or at least, not clearly internal) to the co-operative position as well as presents a skeptical and sometimes critical stance against them and their role as administration, despite the dominant rhetoric of a co-operative-servant to its members. This constitutes one of the main paradoxes indicated in section 5.4.

Moreover, the primary acts of forward vertical integration – establishment of pharmacy chains and/or willingness to plan and control the change process of the retail stores-members – that were identified in Chapter 5 (see section 5.6.1: p. 180), amplify a traced tendency of the co-operative, as an organization, to become relatively autonomous from its founders (retail pharmacies). This development, although it is not shaped clearly yet, provides another indication that the role of 'members' is theoretically and rhetorically overemphasized but factually attenuated.

Consequently, one could argue that it is not each of the members, either as physical existence or as business entity, or all together as a kind of collective subject that play the abovementioned significant role. 'Members' are rather a kind of *semantic*

attribution or *point of identification* in the organizational communication (Kneer & Nassehi, 1993). Following Luhmann's radical constructivism (Luhmann, 1997), one could argue that just as any description of the world inside an organization, 'members' is also a *construct* of the organization which serves various functions. The reference to the term "construct" is not made in the sense of something virtual or artificial. Instead it is used in the sense of a *symbolizing construction* (Mayr & Siri, 2010, ¶ 41). It represents something that functions beyond its own capabilities or actualities. Identifying the role that the *construct of 'members'* plays in the inner working of the co-operative and especially in the bridging of decisions, one could reveal the specific way it is related to the structures, to the reproduction of the organization and to what is observed as change in co-operatives.

6.7.3 The systemic function of 'members'

One could reveal the systemic function of a construct if one could relate this to the structures, the inner processes of the system, the production of meaning and the distinction system/environment. In the study in hand, this can be achieved if only the construct of 'members' can be related to those core elements of the Luhmann's overall theoretical framework and particularly to those referring to the organizational aspect of his theory (for more, see sections 3.5.3 and 3.5.4: pp. 80 and 86). Indeed, the construct of 'members' satisfies this requirement in the following ways:

First, the construct of 'members' plays a significant role in organization's efforts to cope with the emerged or inherent paradoxes which were identified in section 6.4. According to the SST literature, paradoxes cannot be solved but they can be managed so that they are not visible; they cannot disappear but they can be moved out of sight (Seidl, 2004). Communication can manage paradoxes so that it appears that there is a reason (Andersen, 2003); in other words, to deparadoxify them. One way of *deparadoxification* is to attribute a central player with preferences or interests or authority so decisions will eventually take the shape of an imperative

(Andersen, 2003; pp. 250-251). Therefore, decisions which are justified by serving ‘members’ interests can orient the organizational change process in a way that unfolds the abovementioned paradox. These decisions are made *as if* they were imposed by members, their needs and interests. However, it is not members themselves that assure the orientation of change in the co-operative but the communication *about* members which does it⁵³. Based on this supposition, one can also interpret all the apparent contradictions which shaped the paradoxes in section 6.4: the outside/inside positioning of member-patrons, the radical shift from traditional model to different entrepreneurial models/preservation of co-operative identity and difference, the compelling/smooth and positive environment. The presence of ‘members’ deparadoxifies organizational paradoxes in cases under study and helps the organizations to achieve certain decisions about change and continue the decision process under a constant call for ‘radical transformation’ of the co-operatives in order to enhance members’ survival.

Moreover, the construct of ‘members’ is actively engaged in the evolutionary *functions* of change process (*variation – selection - retention*), as they were described in section 3.5.4, in at least twofold manner, regarding our cases. After the initial deviations from the established structures (decision premises), which are usually potential solutions to specific problems (for example, multiple optional shares instead of one share for each member, as a solution to the problem of suboptimal capital structure), the positive selection of the proposed change needs to be justified by attributing it to the “members’ interests” beforehand; ‘members’ work as a criterion for the positive selection (in our example, it is better to offer return or commercial benefits to those members who optionally contribute equity than to pay bank interests). After the selection, once again, ‘members’ serve as a tool for the re-stabilization (retention) of the co-operative organization. The new premises must be integrated into the context of existing decision premises. The selected proposal

⁵³ Or, ‘members’ comes as an *information flow* into the co-operative organization, as it was impressively stated by a respondent: “*And this comes as information about its condition, its problems, etc., comes as a financial situation, say, prevailing in the market generally*”, which urges the co-operative for a continuous production of decisions: “*if they, who are external environment, face a market condition A, this condition is transferred to the co-operative and the co-operative must take it into account in order to act accordingly and take a decision.*” – C1E1.

(deviation) will be incorporated in existing programmes, daily procedures and practices, etc., and from now on will be taken for granted, exactly because it serves the 'members' (in the same example, the members-owners of optional shares will purchase medicines from their co-operative in the same time schedule as the non-owners but with an extra invoice discount). Suffice to say that plenty of evidence from the findings supports the above assertions; every decision of the co-operative has been taken for the sake of the member-patrons who established the co-operative (see sections 5.6.3 and 5.6.4: pp. 195 and 198).

Second, taking into account the emphatic, extending and differentiating use of 'members', one can validly argue that this is strongly related to the structure of the co-operative organization as it constitutes a major element of the decision premises of the organization. It characterizes the *individuality* of the co-operative. Co-operative emerges as a *distinctive* organization form by dedicating itself to serving its members, satisfying their needs and protecting their interests. Co-operatives are 'totally different' from similar organizations because they are exclusively focused on their members' interests. In social systems theoretical framework the concept of individuality refers to structures. If one tries to describe the individuality of an organization, one must analyze the concrete structures of the organization and especially those premises which are stable and refer to many decision situations (Seidl, 2003). Being 'members' a constitutive and permanent element of co-operatives' individuality, gains the appropriate stability to be also an element of the decision premises of the organization.

Moreover, 'members' is an active element of the co-operative's *self-descriptions*. Co-operative is the 'umbrella', the 'life-boat', the 'island', the 'tool', the 'bulwark', etc., for its members. Such descriptions serve as a *normative point of reference* for a multitude of decision premises bringing them to a unity (Achterbergh & Vriens, 2010). They refer to the organization as the unity of all its operations and by doing so they provide an orientation regarding the organization as a *whole* (Seidl, 2004). Suffice to remind that self-descriptions function as structures, i.e. as decidable and undecidable premises (Seidl, 2004; Achterbergh & Vriens, 2010). Once again, being

‘members’ an active element of the co-operative’s self-descriptions, becomes also an active element of organization’s decision premises, hence organization’s structures.

Concluding, decision premises provide the operations of the organization (i.e. decisions) with a sort of orientation and guidance. They constrain the amount of decisions that can be produced to a subset of them which can contribute to the autopoiesis of the organization (Achterbergh & Vriens, 2010). According to Luhmann, organizational change is related to change of organization’s structures. For this reason, organizations have also decision premises needed to change decision premises. Since ‘members’ constitutes a major element of the decision premises of the co-operative, they play a key role not only for the orientation and the restriction of the possibilities of the subsequent decisions, hence the autopoiesis of the co-operative, but also and most important, for the *conditioning* of change of other decision premises. Let’s give an example taken by the findings of the research: the pressing needs to raise funds for Co-operative no3’s equity increase impose a potential change to the decision premise *programmes* and especially the *goal programmes*⁵⁴. The change (or, the decision making about change) is conditioned by the construct of ‘members’ so the possible decisions to be restricted to a subset that “pursues members’ interests”. Finally, it was decided the introduction of *optional shares* so that the members would benefit from the return on the capital they put in the co-operative. This decision was made in spite of existing equal alternatives with equivalent outcome (e.g. a bank loan).

Third, as it was mentioned before, within social systems theoretical framework organizational change refers to change in organization’s structures. However, structure presupposes self-maintenance and *meaning*. Therefore, only events that connect to the meaning of the system will make sense in relation to organizational change (Hernes & Bakken, 2003). This presupposition indicates another key role that ‘members’ plays in organization, that is the *processing of meaning*. Communication (decisions) about changes in a co-operative could be *oriented* according to

⁵⁴ *Goal programmes* specify goals that should be pursued (see section 2.5.4).

“members’ interests” in a way that the three meaning dimensions (see section 3.5.3: p. 80) are unfolded; what measures are the best regarding “members’ interests” (fact), when they must be taken (temporal) and who is going to implement them or experience their results (social). ‘Members’ helps the organization to cognize the world in a certain way so to process meaningful operations, e.g. decisions about change. Taking into account Luhmann’s (1995, p. 65) definition of meaning as the *“difference between what is actual at any moment and a horizon of possibilities”* and adopting the *ship/horizon* metaphor about meaning, introduced by Moeller (2006, p. 66)⁵⁵, the construct of ‘members’ functions as a *compass* for the organization (‘ship’). Any time that the ‘ship’ (organization) relocates itself (‘change’) within a ‘horizon’ (surplus of possibilities), the ‘compass’ (‘members’) helps the ‘ship’ to find its position and direction in order to keep its journey safe (‘reproduction of the system’).

Meaning is framed by the *semantics* of the organization which, in social systems theoretical terms, are distinctions, schemes, and forms that the organization uses to shape the production of meaning. These are usually distinctions that describe the organization internally or present the organization to its environment, or describe its own environment (Besio & Pronzini, 2010, p. 7). Therefore, one could argue that self-descriptions (e.g. the co-operative as ‘umbrella’, ‘life-boat’, etc.) identified in the empirical evidence, as well as descriptions of the others (e.g. the competitors as opportunistic players or solely profit-seekers) reveal, once again, the way that the construct of ‘members’ is engaged in co-operative’s semantics, hence to the production of meaning; the co-operative is an ‘umbrella’, acting always for the good of its *‘members’*, the competitors act opportunistically because their interests are against the pharmacists (*‘members’*) and so on. Thus, decisions about change function parallel to and interplay with the semantics of the organization, having as an interface the processing of meaning, at the heart of which rests the construct of ‘members’.

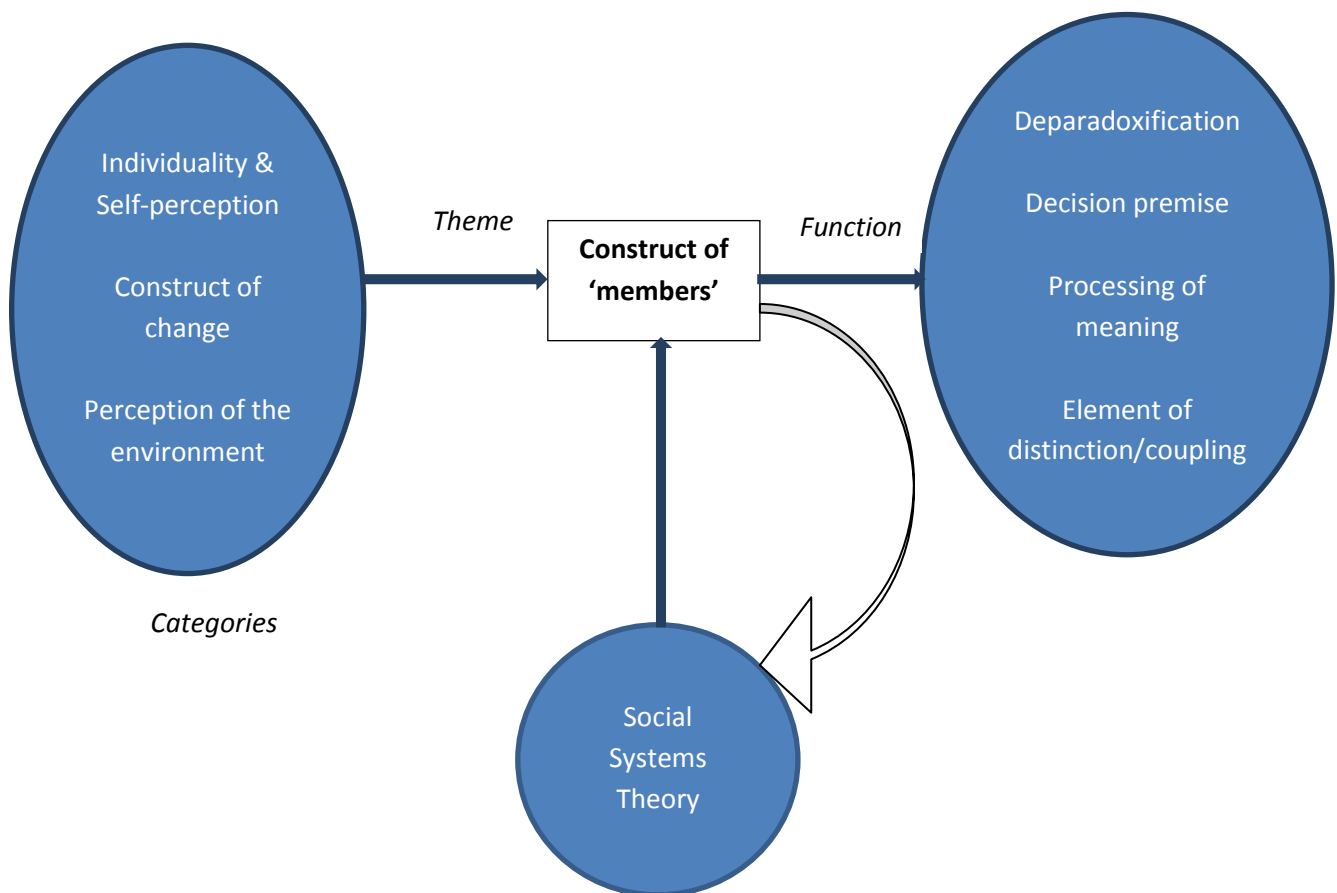
⁵⁵ [...] *This (making sense) is similar to a ship that finds its position and direction by locating itself within the horizon of the sea. [...]*

Fourth, ‘members’ constitute a basic feature of the system/environment relationship. It is the main element of *distinction* between the co-operative and other similar entities belonging to its business environment. This is proved both theoretically by the very definition of any co-operative as a *user-owned*, *user-controlled* and *user-benefited* firm (Cook, 1995), and empirically by the evidence coming from the present research; almost every respondent acknowledges that the establishment of their co-operative from its pharmacist-patrons (‘members’) serves as the fundamental difference between their organization and business entities that perform the same task (pharmaceutical wholesale trade) as well as between their co-operative and the dominant form of capital accumulation in general. In other words, the construct of ‘members’ serves as an element that facilitates the *operative closure* of the system-co-operative against its societal environment and other organizations.

However, ‘members’ also play another role in the relationship of the organization with its environment: it becomes an element of the *coupling mechanisms* of the co-operative organization with other organizations, i.e. the channels through which the co-operative considers the complexity of other systems and shape a situation of mutual irritations (Besio & Pronzini, 2010, p. 16). The existence of ‘members’ helps the co-operative to attribute to itself properties, as if they are on behalf of its member-patrons, during daily interactions with its environment (Schoeneborn & Blaschke, 2014, p. 294). For example, the General Director of a pharmaceutical co-operative could speak *on behalf of* its members’ interests during negotiations with its suppliers in order to change the delivery schedule of medicines due to changes that were decided by the co-operative, related to the level of service of some members; it is not the organization that ‘wants’ or ‘demands’ this schedule change but some hundreds of its pharmacists-members allegedly do. This assertion was obvious in certain parts of the evidence when the respondents either were speaking for the need to “save their members” by guiding change in their stores or/and organizing their purchases (see sections 5.3.4, 5.4.4, 5.5.3: pp. 157, 170, 179; or

personally (“I” expressions) claiming responsibility for the fortune of co-operative’s members⁵⁶.

To recapitulate, the emergence of the construct ‘members’, as a theme, through the categories which were shaped by the analysis of research data, led to a systematic analysis of its function within the system-co-operative in accordance with the assumptions of SST for the role of themes in communicative processes (see section 4.6: p. 109). The analysis from this perspective revealed that ‘members’ are closely connected with major systemic properties: the structures of the co-operative (decision premises), the inner workings of the system (e.g. deparadoxification), the processing of meaning and the organization’s semantics, and the distinction or/and the coupling mechanisms that mark the relationship of the system with its environment. The emergence and function of the construct ‘members’ is graphically shown in the following figure:



⁵⁶ “I will do everything I can to offer to the pharmacies services, so as to become necessary for them.” (C3E1), or “I would be frightened by no competition, at least speaking personally regarding the responsibility I have about the strategy in the country level or the responsibility I have in my own co-operative. There would be nothing to scare me, if I had stable game rules.” (INF).

Figure 6.1: Emergence and function of 'members'

6.7.4 Reflection to Social Systems Theory

After revealing the systemic function of the construct of 'members' in the process of change in co-operatives, in the previous section, one could end up to another possible function of the construct, of a different quality. It refers to the pending explanation regarding the apparent tension between the insights of SST and the evidence which shows that the 'I' of each organization and the 'We' of the co-operative form in general are frequently used in undifferentiated manner (see section 5.3 and 5.6.1: pp. 143 and 180). According to SST, no organization is identical to another as its autopoiesis inevitably leads to its individualization (Luhmann, 2000a, p. 248; Seidl, 2003, p. 145). Moreover, within SST framework, the notion of individuality refers to the structures of the organization. Seidl (2003, p. 132) proposes that if one tries to describe the individuality of an organization must focus on few but important decision premises (structures), mostly on those which are particularly stable and refer to many decision situations. The construct of 'members' possesses those properties, as it was proved above by exposing its systemic function. Therefore, the indiscriminate use of the term 'co-operative' for 'I' and 'We' purposes may imply that these organizations share a commonality in their structures which is the use of the construct 'members' for guiding and restricting their decision operations. This assertion could have a major implication for SST. In the way that decisions are the particular mode of communication for the autopoiesis of any social system-organization, similarly the construct of 'members' could characterize the particular mode of decisions that ensure the autopoiesis of the subset co-operative organization. This assertion, in turn, implies that Luhmann's typology of social systems in Figure 3.3 (p. 24) could be enriched with a second level of analysis as far as 'Organizations' it concerns. This might happen by using as grouping criterion neither the industry or the function system that they work in nor the type of the organization (profit, non-profit, public, private, etc.) but the existence of stable

constructs in the structure and the concrete operation that they perform within it.

The Figure 3.3 (p. 24) could be possibly modified as follows:

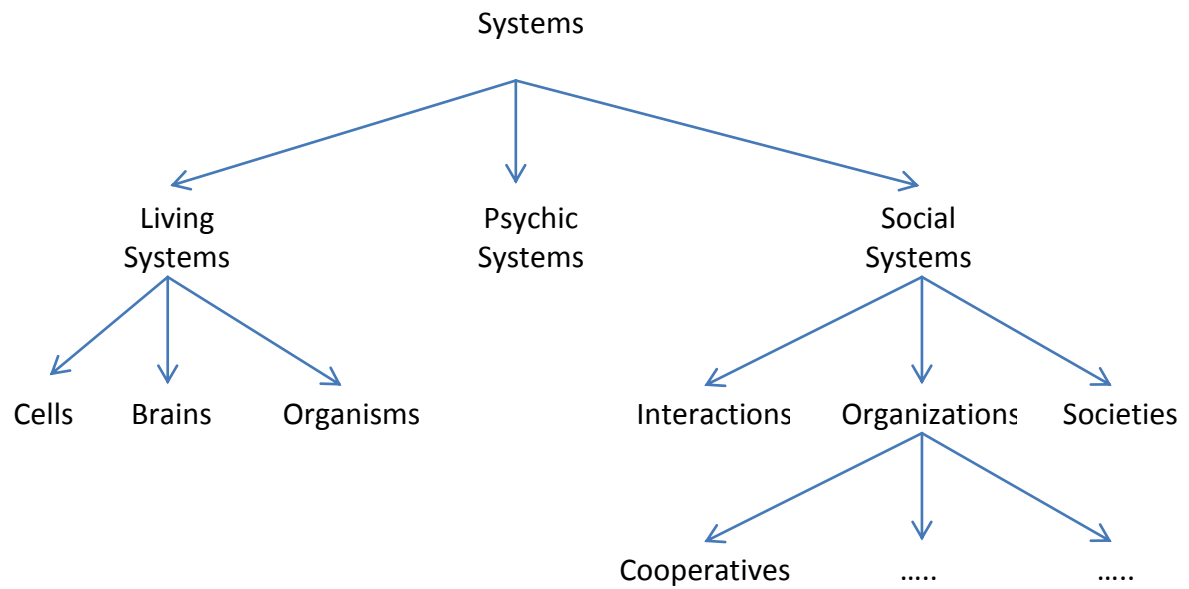


Figure 6.2: Modification of system's typology

CHAPTER SEVEN**CONCLUSIONS**

“Only questions that are principally undecided can be decided”

H. von Foerster

7.1 OVERVIEW

In this chapter, the final conclusions that draw from the discussion that took place in previous chapter (Chapter 6) are presented. Moreover, the answer to the initial research question as well as the major contributions (main and supplementary) of thesis to theory is set forth. Certain implications of the outcome of the research for practitioners (co-operative executives and stakeholders) are also indicated. At the end, limitations of the research are discussed and recommendations for future research both in the field of co-operative organizations and change and the field of SST, are suggested.

7.2 CONCLUSIONS – ANSWERING THE INITIAL RESEARCH QUESTION

The material derived from the analysis in Chapter 6 is sufficient enough to formulate answers for the initial research question and assumptions. More analytically, certain answers can be given to the (sub-) questions which were introduced for the needs of operationalization of the initial research assumptions (see section 3.7: p. 93):

Q1: How do co-operatives internally construct their external environment?

It is not the organization which adapts to what is perceived as ‘environmental demands’ about change or as ‘constantly changing environmental conditions’. It is rather the ‘demands’ and the ‘conditions’ which are interpreted and constructed internally by the organization in a way to continue the reproduction of its main

difference which is based on organization's establishment by 'members-patrons'. Alterations in the environment are perceived mostly as "opportunities", "threats", "needs" for the 'members' of the co-operatives to which the organization must urgently respond. The co-operative organization perceives and explains internally the given and constantly altered environmental conditions in a particular way which ensures its member-based constant reproduction. Therefore, a potential inherent linearity and causality of the relation between environment and co-operative is diminished.

Q2: How do co-operatives perceive changes in their organization?

Changes are perceived as a successful, hardly planned and non-one-way oriented process which led the co-operative organizations closer to the demands of the environment as well as closer to the operation of a private firm, yet without crossing the boundaries of the co-operative organizational form; namely, without questioning the initial distinction between organization and environment which is based on the existence of 'members'.

Q3: How do conditions for decision communication change when co-operatives perceive external environment as increasingly complex, vague and turbulent?

On the one hand, the organizations' "decision machinery" (Nassehi, 2005) seems to be delayed or fall in a state of inertia. On the other hand, the very previous fact creates needs for more decisions about change and urges the co-operatives to proceed with more transformations. The turbulent or threatening environment functions as a semantic motive for the acceleration of the decision process, hence the continuity of the autopoietic process.

Q4: How is the co-operative/environment distinction, hence the boundaries of a co-operative organization, constantly reproduced during a change process?

The co-operative/environment distinction is constantly reproduced by the use of the construct of 'members' which is a constitutive element of this distinction. The construct is used to guide and orient everyday decisions and to process meaning necessary for the reproduction of the organization. Any decision regarding changes is

ascribed to and justified by a constant effort to meet ‘members’ interests. Therefore, as long as decisions are oriented to this objective, the co-operative organizations - organizations defined by the membership of their patrons - are able to preserve their boundaries and be reproduced.

Q5: How do the decision premises of the co-operative organizations affect the change process and how are they affected by it?

The construct of ‘members’ constitutes also a major element of the decision premises of the co-operative, both as element of organization’s individuality and as element of organization’s self-descriptions. Being part of decision premises, it plays a key role in conditioning the change of other decision premises, hence in conditioning the process of organizational change. A ‘successful’ change means in systemic semantics that structural changes – changes in some of the decision premises, e.g. programmes, etc. – refer back to the initial distinction between co-operative and its environment – i.e. the existence of ‘members’ – and enhance further its stability and its status as vital element of decision premises.

Besides the conclusions above, which serve as potential answers to the relevant research (sub-) questions, one can identify more conclusions which enrich explanations regarding the process of change in co-operative organizations. The most significant ones are the following:

- a) The organization deparadoxifies paradoxes by attributing a central player – i.e. ‘members’ - with preferences and interests so decisions will eventually take the shape of an imperative. Therefore, decisions regarding change are made *as if* they were imposed by members, their needs and interests and orient change process accordingly.
- b) The construct of ‘members’ helps the organization to cognize the world in a certain way so to process meaningful operations, e.g. decisions about change. It restricts the surplus of possible paths of change, hence reduces the relevant complexity. It functions as a compass which during and after change constantly orients the co-operative to its constitutive distinction with its environment.

The abovementioned answers and conclusions affirm the initial assumptions regarding change in the present thesis:

Organizational change in co-operatives follows logics inherent in the particularities of the production and reproduction of the co-operative organizational form.

The particularity of co-operative organization rests on the particular way of its establishment: the patrons of the firm become its founders and administrators. This fact produces the fundamental distinction (difference) between the organization and its environment and especially other firms which are privately or investor-owned. According to SST, the continuous reproduction of the organization occurs through the constant reproduction of this fundamental distinction. Any decision regarding change in the co-operative organization must refer back and constantly affirms this constitutive event of the co-operative.

And

Change in co-operatives is mostly the emergent outcome of the inner workings of the system instead of the outcome of a linear, environmentally imposed and manageable process.

External environment may perturb or irritate the co-operatives but the change process is defined mostly by the way that the organization internally constructs the environmental conditions by means of the initial distinction between the co-operative and its environment (i.e. the establishment of the organization by its patrons). Inner workings (deparadoxification, processing of meaning) as well as structures (decision premises) use the construct of 'members' to restrict existing alternatives and orient decisions about change in a way that the fundamental difference of the co-operative organizational form to be secured by the change process and its outcome, no matter how radical it will be.

To summarize the preceded analysis and conclusions, the answer to the initial research question – *“how does change unfold in the co-operative organization?”* – could be formulated as follows:

Change is a part of the continual autopoietic process of the co-operative organization in which the construct of 'members' is used to guide and orient relevant decisions and process meaning necessary for the reproduction of the organization. The construct of 'members' holds this dominant position because it is a constitutive element of the distinction co-operative /environment as well as an active element of co-operative's decision premises and inner workings (e.g. deparadoxification, processing of meaning). By being so, it conditions the decisions, hence the decisions about change, hence the decisions about change of the decision premises (organizational change).

This statement reverses the conventional thinking about change in co-operatives. Change in co-operatives is *not* an irrevocable trend to IOF forms imposed by the altering environmental conditions and/or co-operative's inherent weaknesses, even if it is observed as so. No matter how radical the change can be, it must always produce meaningful communication within the organization; that is, communication about patrons-members' *needs* and *interests* and not (or, at least not solely) communication about dominant business environment's *demands* (profits, efficiency, performance, etc). These demands can be only seen through the lens of 'members'' interests and *as if* they are imposed by those. Therefore, although the thesis implicitly reaffirms the existence of a series of radical changes in co-operatives of a certain type (retailer-owned / pharmaceutical), similar to the ones which they had been originally identified from previous studies in other type of co-operatives (agricultural), however, it observes those changes in a fundamental different way. As a consequence, one could risk the prediction that as long as the construct of 'members' functions actively in the organizational structures then the outcome of change is not pre-given and definitely cannot lead to an inevitable demutualization of the co-operative organizational form. In order for the latter to happen, the construct 'members' must lose its current importance or be replaced by another construct.

It must be mentioned that the conclusions and assertions stated above as outcome of the current research refers to Greek pharmaceutical co-operatives. The measures that were taken during the research design to ensure the *transferability* (the qualitative analogous of *generalizability*) of findings and conclusions (see section 4.9.2: p. 119) as well as evidence from the field research that proves a kind of homogenization in the perception of their industry among the top executives and administrators of the co-operatives (e.g. see section 5.6.1: p. 180), enhance an assertion that those findings and conclusions could be generalized for the total of Greek pharmaceutical co-operatives. Moreover, the fact that every co-operative in the world, irrespectively of the industry it trades in, actually follows the bulk of the co-operative principles and values as they have been introduced almost since the 19th century; as well as the fact that the challenges and problems that co-operatives face throughout the world and across the different industries are similar and closely related to the organizational form per se - especially after the ignition of the globalization process twenty years ago - pose an additional invitation for generalization. However, at least at this point, it must be stressed that the above conclusions refer to a subtotal of the Greek co-operatives in general and a definite subtotal of the European pharmaceutical co-operatives. Further research needed to reveal valid evidence regarding the transferability of those conclusions to co-operatives of other industries or other territories.

7.3 CONTRIBUTIONS OF THE RESEARCH

The most important contributions of the present thesis extend to the field of *organizational change*, the field of *co-operative studies* and the field of *social systems theory*. Some of them draw directly from the initial research question and the assumptions stated in the beginning of thesis. Some other are emerged or implied and they are related to the overall process and findings of the research; they refer to the additional outcome of thesis. It must be noted that this classification is of neutral evaluation; it refers only to the direct or indirect relation with the initial

aims and objectives of thesis so it will not play any role in the presentation that it follows.

The *first* area of contribution involves the discrete outcome of the research which is explicitly related to the initial research question. The thorough investigation of change process in cases under study and the application of SST framework *reveal the way* that organizational change unfolds in Greek pharmaceutical co-operatives. It indicates a much more complex procedure than the one meant to be, which is based on the use of communicative constructs ('members') related to the constitutive distinction between the organization and its environment. The role of the constructs is to interpret environmental demands or alterations and construct them internally in order to enable the change process and at the same time to restrict its direction and its outcome. Change must converge to the reproduction of the fundamental difference that makes an organization to be a co-operative (and not a firm of same scope); hence, to the autopoiesis of the organization. The research shows that the particular construct justifies its role by being an active element of co-operative's structures (decision premises) and inner workings (e.g. deparadoxification of decisions, processing of meaning). In a parallel development, the findings of the research and their relative analysis question the dominant theories regarding change in the co-operatives; especially those which derive from an economic perspective (see section 3.3.3 and 3.3.4: pp. 57 and 63) and imply an inevitable linear path of change for the co-operatives; from a member-user traditional model to an investor-like model. Suffice to say, that it is not the type of changes the co-operatives experience which are questioned (on the contrary, these are affirmed by findings), but the linear, oversimplified and deterministic view of change that these theories offer.

The *second* area of contribution is related to the theorizing of change in organizations. This study extends from a growing body of literature in organizational theory which tends to consider that organizations actually behave in their own mode which is very often detached from human thoughts, desires and actions as well as the immediate intervention of the environment. Consequently, the study of change

must be mostly focused on the inherent dynamics of the organization and less on the initial aims of people in charge or the characteristics of the external environment. The methodological selections of this study, the analysis of findings and the final outcome of it are based on the above assertions. This research refrained from adopting a “heroic management” attitude or accepting a primary role of the external environment in the study of change. The identification and the understanding of the role of *internal* organizational constructs (‘members’) in the process of change contribute to this stream of thought. Moreover, the study responds to the scientific call for a *second-order observation* of change in business organizations in general (hence, in co-operatives). In other words, it contributes to the rather rare research programme based on ‘how’ questions, instead of ‘what’ and ‘why’ questions which are more common in research projects regarding organizational change and have often proved that they reach certain limits in their explanations. The research questions that this thesis puts and the way that it deals with, contributes to what Mayr and Siri (2010, ¶ 39) state as “*paradigm shift*” in the inquiry on organizational issues (e.g. change) under which the usual answers (e.g. type of changes or causes of change) are transformed into empirical questions (e.g. how change unfolds).

A *third* area of contribution extends over the field of co-operative studies, in a multiple way. I must remind that the main aim of the research is to demonstrate how change unfolds in Greek pharmaceutical co-operatives which have experienced a series of changes the last two decades. In its explorative phase, the study examines the so-called *restructuring trend* (i.e. transition from the traditional model of co-operatives to a more business-oriented) in the Greek pharmaceutical co-operative sector; its identification and the diffusion of its main characteristics to the Greek context. For descriptive reasons and in order a proper basis for change models to be established, a novel *typology* of co-operative models that are distanced from the traditional one was initially developed (Table 3.3: p. 70). This typology includes and systematizes (in a kind of meta-analysis) various contributions of scholars who study changes in co-operatives (see section 3.3.4: p. 63) and it was explicitly imprinted in the design of the preliminary questionnaire (APPENDIX I) as well as implicitly in the design of semi-structured interviews. It was redeveloped after it was enriched by

evidence of the research (Table 6.1: p. 203) and it is offered as a *diagnostic tool-kit* in similar research projects. Hence, in its preliminary phase and as an emergent outcome of the overall research design, the current research contributes to the relevant literature by identifying the diffusion degree of elsewhere observed change models within Greek co-operative context, as well as the formulation of a typology which can be used in the study of change in co-operatives.

However, the primary contribution of the study is the demonstration of the way that change unfolds in the co-operative organizations under investigation. The revealed systemic function of the communicative construct 'members' and its role before, during and after the change process contributes novel explanations in the topic of change in co-operatives. Members are not just the founders, owners and patrons of the co-operative. They acquire communicative properties beyond their actual capabilities and become a "symbolizing construction" within the organization which orients, guides and restricts change in certain paths that help the co-operative to continue its autopoiesis by reproducing its constitutive distinction with its environment (i.e. the establishment by its own patrons). 'Members' as a communicative construct function so as to offer solutions to the problem of change: it simplifies the self-descriptions of the organization, it deparadoxifies the decisions, it dominates the organizational semantics, and it helps the organization with its coupling with the societal environment and other organizations. The explanations offered by this research acknowledge the hybrid nature of the co-operative form (business *and* a society) but at the same time, *transcend* the dilemma regarding which side defines the evolution and the type of changes in co-operative organization. They indicate a *research shift*, a third path, where the point of interest moves from the type and the cause of change to the *function* that specific constructs perform inside the organization. Neither dominant economic-led observations (e.g. bad performance, inherent inefficiency, environmental maladjustment, etc.) nor typical sociological answers (e.g. co-operation, solidarity, trust, etc.) can sufficiently advance the understanding about change in co-operatives. Instead, the explanation that this study offers revolves around the genuinely *social* fact of the establishment of a co-operative by its member-patrons. However, it treats member-patrons with

the communicative and symbolic property they acquire within the autopoietic nexus of communications inside the organization. This contribution stands counter to the dominant belief that change will inevitably lead to the demutualization of the co-operatives. As long as the construct of 'members' remains active in the inner workings of the co-operative, then the preservation of the co-operative character of the organization, despite changes, seems more probable. However, if it is replaced by one of the various *functional equivalents* that always exist in social situations, then this character could be compromised.

Finally, the thesis generally offers another specific, though supplementary, contribution as it, by nature, can be ascribed to the literature of non-agricultural co-operatives. The literature about co-operatives is dominated by works referring to the agricultural co-operatives; most of the typologies regarding change in co-operatives have their origins in the study of those. This study begins from findings of works based mostly on studies of change in agricultural co-operatives. It disseminates them to the field of non-agricultural co-operatives (retailer-owned/pharmaceutical co-operatives), traces their relevance and then re-examines them. Thus, it contributes to a scientific effort for the development of a unifying theory regarding organizational phenomena in co-operatives, regardless the industry they operate in. Especially within the Greek context, the current contribution to the studies of non-agricultural co-operatives becomes significant because the relevant literature is remarkably underdeveloped, if hardly exists.

The *last* area of contribution is that of Social Systems Theory. It was stated in Chapter 4 that this is a *theory driven* research. SST was adopted as the theoretical framework that underlies current research and therefore, it mostly influenced the research design and the analysis of the research findings. This clear choice takes into serious consideration the argument made by various scholars (e.g. Wetzel & Van Gorp, 2014) that a large volume of contemporary organizational change research lacks the connection with a concrete organizational theory or, more often, uses incommensurable theoretical strands. Moreover, the selection of SST as the theoretical framework of the study goes against the observed tendency of

contemporary change research to ignore theories like SST [together with critical, self-organization or cybernetics based theories; for more see the striking results of a recent references study by Wetzels and Van Gorp (2014)]. Therefore, this thesis could be perceived as a *response* and a contribution to the call made by proponents of Luhmann's theory for an *empirical opening* of it (Seidl & Becker, 2006; la Cour et al., 2007; Besio & Pronzini, 2010). SST has been accused of being a very abstract super-theory which can hardly be applied in organizational research; the very few examples (if any) of relevant empirical research in top tier journals seem to justify its opponents (Wetzels & Van Gorp, 2014). The current research extends from the few efforts of empirical research based on Luhmann's insights (e.g. Vos, 2003; Knudsen, 2005, 2006; Rennison, 2007; Andersen & Born, 2008; etc.) and tries to *ground* this theory in the *real world* of organizations, studying concrete cases of a peculiar business organizational form which is the co-operative. The outcome of the research, which reveals the role of communicative constructs ('members') in change situations, proves that SST carries the analytical potential to offer novel explanations in the analysis of empirical evidence. Additionally, the study applies a radical constructivist approach (SST) at the field of co-operative studies. This could potentially offer rich explanations for phenomena related to the co-operative organization and inspire studies not only about change, but also about the viability of the co-operative organizational form, about stability issues, etc. This would underlie an alternative to explanations based on dominant economic or sociological perspectives about co-operatives (see section 3.3.2: p. 49).

Last but not least, the thesis contributes to the *advancement* of SST studies not only due to the application of the theory at concrete cases but also through the reflection it causes. The research process as a whole (methodology, findings, analysis) *reflects back* to the applied theory, offering novel observations. This important contribution rests on two points where a kind of tension inside the theory is appeared. The *first* point refers to the apparent *contradiction* between a theory, which diminishes the role of human agency - considering that humans belong to a different systemic realm than organizations while the respective mode of basal operations of the two systems (thoughts against decisions) cannot intertwined -, and the methodological selection

of the researcher to gather data by interviewing top organizational members of the cases under study. The fact that most of the previous studies based on SST framework use interviews in a certain way, does not resolve the contradiction. The current study shows that a researcher has to confront with it during the whole research process and cannot take for granted the use of interviews beforehand; especially when semi- or open-structured interviews are conducted. Personally, I tried hard to focus on elements consistent to the theoretical framework during the interviews. I also tried hard to distinguish among interviewees' personal feelings, emotions or values - by indicating organizational descriptions, word repetitions or contradictory statements - in order to reveal organizational communicative themes during the content analysis phase. Nevertheless, the consistency of methodological procedures which involve humans (interviews, focus groups, participant observation, etc.) needs more justification within the social systems theoretical framework. Particularly, when these procedures are employed in the research of SMEs (or organizations with underdeveloped formal structures and procedures, in general) where the volume of data coming from other sources (minutes, public statements, etc.) is too small for a researcher to trace the decision chain in an alternative way. However, the contradiction seems that cannot be resolved easily but only processed retrospectively, through new empirical studies that will contribute to SST. The *second* point refers to the part of findings where repeatedly the "I" of each different entity converge to the "We" of the organizational form (co-operatives), despite the fact that SST requires to treat each organization according to its individuality, as its autopoiesis inevitably leads to its individualization. The way that this study incorporate a possible explanation of this incident into the broader understanding of the systemic function of the communicative construct 'members' in the change process, offers indications for a new opening in the organizational aspect of SST. A relevant discourse and research among SST scholars could advance in a vertical analysis of the concept of organizations in the taxonomy of social systems that Luhmann introduced (see Figure 3.3: p. 81). This might occur in the basis of the main constructs that are used in the organizational communication (decisions) which enable the autopoiesis of the organization. The findings of the current study imply the existence of a sub-level related to the level '(business) organizations' which is

‘co-operatives’; that is, organizations which use the construct of ‘members’ (their needs and interests) to orient and restrict the sequence of decisions (see figure 6.2: p. 224).

7.4 PRACTICAL IMPLICATIONS OF THE RESEARCH

Observing the organizational change in co-operatives in the abovementioned manner, could have certain implications for those working or related in one way or another to pharmaceutical co-operatives (pharmacists-members of the co-operatives, executives, managing directors, Board members, consultants, etc.). However, it must be stressed from the beginning that these implications have nothing to do with the so-called “direct transfer of scientific results to the practical domain” (Kieser et al., 2015, p. 206). This type of transfer is impossible according to SST. Knowledge (like the one that is hopefully contained in the thesis in hand), which is produced in institutions/organizations (universities, business schools, etc.) that belong to the system of science, cannot be directly transferred to a system of practice (e.g. a co-operative firm). These external institutions are also organizations themselves, i.e. operationally closed systems, which may become *structurally coupled* with an organization that belongs to a different systemic realm. Through the structural coupling, knowledge that has been created in the scientific context of one organization could *irritate* the other (Besio & Pronzini, 2010, pp. 19-20; Seidl & Mormann, 2014, p. 148). This irritation can have an impact only if the meaning of scientific results is reconstructed by the system of practice according to its own logics (Kieser et al., 2015, p. 206).

Indeed, a first general implication strongly related to the adoption of SST as a theoretical framework of the study, rests on the above assertion. Practitioners must be aware of the fact that the transfer of solutions or knowledge from external sources (e.g. consulting firms, business schools), in order to facilitate change in a co-operative, has certain limits. It can only produce irritation or astonishment to the management of the firm (Mayr & Siri, 2010, ¶ 48). This irritation can have an impact

only if knowledge or solutions can be translated into co-operative's organizational language, i.e. into its semantics and practice. As a result, no real 'transfer' of 'ready-to-consume' change plan is possible unless it is transformed in a way that it will take into consideration the particularities of the formation and reproduction of the co-operative organization.

Moreover, the theoretical, methodological and analytical selections of the study as well as its final outcome imply a shift of the concern from the developments in the external environment or from charismatic leaders' intervention to the inner workings of the co-operative and especially its structure formulation (decidable or undecidable, formal or informal structures) and the processing of meaning. No matter how change is ignited, it must be oriented by decisions which take into account the particularity of the co-operative organizational form (i.e. user-owned, user-controlled and user-benefited organization) and not by "breakthrough action plans for the hungry public" (Beyes, 2005, p. 457), or new truisms and trendy attitudes that constantly rush in the organizational field by referring to "necessity" and "nature of things" (Andersen, 2003). Co-operatives, as any organization, must be provided with a *self-view* that will enable them to take responsibility of their own solutions to the problems they face and not rely on external concepts or fads (Luhmann, 2000a). Hopefully, the findings and the outcome of this study might enrich the co-operative practitioners' understanding of the decision situations that they face regarding phenomena like organizational change, instead of offering recommendations on how to act. This implication is a type of what Nicolai and Seidl (2010, pp. 1277-1279) call "*conceptual relevance*" of scientific results in contrast with the typical "instrumental relevance" that usually demanded for the application of scientific results in organizational and management studies.

Another implication stemming for the results of the study is the assumption that as long as the mutual character of the co-operative organization (i.e. observing the world through the 'filter' of members' interests) ensures the reproduction of the organization, it remains a factor of strength and viability and not of weakness and decline. On the contrary, distancing the decision making from "members' interests"

imposes the risk of organizational dissolution. Replacing the orientation of decisions to “members’ interests” by a different construction (e.g. profitability), may lead to the demutualization of the co-operative. The findings of the research shows that this assumption holds its value irrespective of how radical changes the co-operative may have experienced. Consequently, organizational change and evolution is not a matter of choosing the proper organizational form, as the proponents of the structural inefficiency of co-operative form argue, but a guaranteed event of the constant reproduction of the organization. A concrete type of change is the solution (among alternatives) to a specific problem but at the same time it creates new problems pending for new solutions. Observing change through the problem/solution distinction becomes an infinite process which fuels the organizational communication and feeds its need for connectivity hence ensures the autopoiesis of the organization (Knudsen, 2010: ¶ 51). For the case of co-operatives, change must always lead to the reproduction of the constitutive distinction of these organizations, which is their establishment by their patrons.

Finally, practitioners must be aware of the fact that there are multiple solutions for the same problem. Certain decisions about change imply that there were (and maybe still are) other decisions that could be made, *functionally equivalent* to those already taken, which could perform the same function but with different side-effects (Besio & Pronzini, 2010, pp. 13-14). Reviewing those equivalents and shedding light on the side effects of each one (for example, different solutions for the problem of raising equity in a co-operative which imply different outcome of change) could *re-irritate* the organization from within and reconsider taken for granted structures.

7.5 LIMITATIONS OF THE OVERALL RESEARCH

Several limitations regarding the research design were presented at the end of Chapter 4. However, some more limitations must be added:

Despite the as much as possible careful selection of the research (sub-) questions, persistent evidence led to additional conclusions which enriched explanations

related to the answers of those (sub-) questions. Therefore, at least two more (sub-) questions could be added retrospectively to the initial set:

Q6: How does the co-operative organization cope with immanent and emerged paradoxes during the change process?

Q7: How is meaning processed through the change process?

The small numbers of pharmaceutical co-operatives in Greece that have experienced multiple changes/departures from the traditional form (only five, while the three of them were the sample of current research); the compatibility of those changes with changes that have been studied in other countries and other industries (e.g. agriculture); the fact that the research findings prove that, despite their unique and identical character, the co-operatives under study share substantial similarities in the way that they perceive and interpret changes; and finally, my professional knowledge about pharmaceutical market as well as the informal conversations and the interviews that took place during the study - which demonstrate those co-operatives' pioneer position in the evolution of change within the universe of Greek pharmaceutical co-operative sector - support the assumption that the conclusions of the research could refer to Greek pharmaceutical co-operatives as a total. One might also reasonably imply that the conclusions could be transferred to countries of the European South which share similarities with Greece as far as the pharmaceutical market formation, the legal framework, the role of co-operatives and the welfare policies or austerity policies are concerned (e.g. Portugal, Spain, etc.). Nevertheless, the present thesis is definitely limited to the social, cultural, political and economic context of Greek pharmaceutical market. It is the reader's (or user's) decision whether the results of the research could be transferred to another industry, country or population.

The research was conducted in 2011 when the financial and debt crisis in Greece had just broken out and the austerity measures that the government, under troika's supervision, took, had not unfolded their full effects. Since then, the overall business environment as well as the welfare policies which always have a strong impact in pharmaceutical industry has been struck by the austerity and the efforts to reduce

the national debt. Therefore, the present thesis is not able to identify the potential impact of crisis to co-operatives' perceptions and attitudes.

Finally and in order to be consistent with SST epistemology, I have to stress that my observations in this research are self-referential, too. The findings do not exist independent from the way of my observation. Following Luhmann's famous urge, I, the researcher, have to *"become myself a rat in the labyrinth and have to reflect on the position from which I observe the other rats"*.

7.6 SUGGESTIONS FOR FURTHER RESEARCH

Taking into account the limitations of the thesis, as well as the fact that SST, despite its real extended character and the explicit reference to organizations, has been very ill-grounded to empirical evidence till now in the field of organizational studies – not to mention the co-operative studies - certain suggestions for further research appear. The current research endeavor as well as the interpretation of its findings could be a first step to future research projects that would explore, within social systems theoretical framework, undeveloped issues that emerged from this research or ever undeveloped issues in the field of organizations and especially the co-operative organizations. In a more concrete way:

Except for the theme 'members' which major importance was analyzed in this research, some other themes also emerged but they did not have the universal character of 'members': e.g. 'survival', 'competition', 'power'. A future research could observe and analyze the role that these themes play in the systemic function of the co-operative organization. Studies within SST framework could also reveal the way that normal pressures for efficiency, or profitability, or any other economic-led term are interpreted and constructed internally by the co-operative organization and the way they function in organization's structures.

Another orientation of future research could be towards a more detailed study about how the co-operative organization unfolds and copes with its inherent paradoxes; especially, the paradox of an organization form of collective ownership and mutual character which survives and thrives for two centuries now within a pure capitalistic environment.

A much interesting and intricate issue is the one of the *structural coupling* and the *interpenetration*⁵⁷ between the co-operative and its members-patrons (either as persons or as business entities). Regarding the organizational change in co-operative, one could observe and study how the co-operative organization and its members-patrons co-evolve and particularly how changes in members' business activity irritate change in the structures of the co-operative and how this recursively affects members. In the same line with the previous suggestion, the coupling mechanisms between the co-operative organization and other elements of the broader societal environment (e.g. political, cultural, educational and so on) could be the object of further research. Especially, the irritations that those elements sustain over the co-operative organization for a certain time period is of great importance for the study of change in the co-operatives.

Future research could be also oriented towards the study of *trivialities*⁵⁸ of co-operative organizational life and the way that they affect decisions about change in co-operatives. This is a much unexplored area in the field of organizational studies, in general. However, these uncontested organizational facts, particularly those which are related to the everyday communication with the member-patrons and their service, act as permanent or temporary structures which can restrict or favor solutions regarding change orientation in the co-operative organization.

⁵⁷ Interpenetration occurs when an autopoietic system presupposes the achievements of the autopoiesis of another system (Luhmann, 1995).

⁵⁸ According to Besio & Pronzini (2010, p. 11): "*Trivialities are characteristics of social systems that are immediately observable and that few would ever feel the need to explain, because their obviousness is uncontested.*"

In a more theoretical level, tensions that arise between the insights of SST and the empirical evidence could be identified and explicitly explained within the same theoretical framework, in order SST not to be a “take it or leave it” project as it is often accused (la Cour et al, 2007) but remain an “open project”, instead (Nassehi, 2005).

Further research could extend similar projects like the thesis at hand to the pharmaceutical co-operatives of other European countries or to the non-agricultural co-operatives which function within a different industry (e.g. carpenters’ or plumbers’ co-operatives, etc.), while an interesting topic would be how change unfolds in the co-operatives after financial crisis has stroked a country and whether alterations to the conclusions of present thesis can be observed in the aftermath of crisis.

Nevertheless, the current study could be the basis for future research projects within other research stands, as well:

Using the typology of organizational departures of the co-operatives from the traditional model, which was developed for the needs of the present thesis (Table 6.1: p. 203), one could apply it and identify the rate of similar changes in co-operatives which work within other industries and/or in other countries but Greece. Quantitative studies could also examine the correlation between those changes and other factors in micro level (efficiency of the firm, profitability, employability, etc.) or macro level (national economy, international economic and financial trends, etc.).

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APPENDICES

APPENDIX I: Preliminary Questionnaire

UNIVERSITY OF SALFORD

Salford Business School

*"Organizational Change in Pharmaceutical Retail Co-operatives
in Greece"*

THEODOROS NTRINIAS

QUESTIONNAIRE FOR IDENTIFICATION OF CHANGES

(PLEASE MARK WITH THE SYMBOL ✓ ANY CORRESPONDING CHANGE)

MEMBERS' ADVANCE PAYMENTS PROPORTIONAL TO THEIR ANNUAL TURNOVER		<input type="checkbox"/>	Year of Application:
ESTABLISHMENT OF OPTIONAL SHARES		<input type="checkbox"/>	Year of Application:
FOUNDATION OF SUBSIDIARIES, FOR:	• Wholesale Trade (pharmaceutical)	<input type="checkbox"/>	Year of Application:
	• Rendering of Services	<input type="checkbox"/>
	• Raising Funds	<input type="checkbox"/>
	• Other Reason (please report:)	<input type="checkbox"/>
INVESTMENT SHARES		<input type="checkbox"/>	Year of Application:
DIFFERENTIATION OF COMMERCIAL POLICY AMONG MEMBERS (e.g. according to following criteria: annual turnover, time of payment, total cost, etc.)		<input type="checkbox"/>	Year of Application:

ACQUISITION OF OTHER CO-OPERATIVE		<input type="checkbox"/>	Year of Application:
ACQUISITION OF PRIVATE WHOLESALER		<input type="checkbox"/>	Year of Application:
MERGERS WITH CO-OPERATIVES		<input type="checkbox"/>	Year of Application:

ANNUAL TURNOVER (GROUP) (2011) =

NUMBER OF MEMBERS =

NUMBER OF SUBSIDIARIES =

SIGNATURE

APPENDIX II: Set of Questions

Interview Questions	Theory topics	Research questions potentially answered
Which is the temporal sequence of changes?	decision sequence	How is the co-operative/environment distinction, hence the boundaries of a co-operative organization, constantly reproduced during a change process?
Has the one change effort caused the subsequent?	decision sequence, autopoiesis, uncertainty absorption	How do the decision premises of the co-operative organization affect the change process and how are they affected by it? / How is the co-operative/environment distinction, hence the boundaries of a co-operative organization, constantly reproduced during a change process?
How could you characterize the environment?	system/environment distinction, system boundaries, undecidable decision premises, cognitive routine, complexity	How do co-operatives internally construct their external environment? / How is the co-operative/environment distinction, hence the boundaries of a co-operative organization, constantly reproduced during a change process?
Was change procedure an adaptation to external pressures or an internal necessity?	system/environment distinction, system boundaries, undecidable decision premises, cognitive routine, adaptivity, linearity, structural coupling, autopoiesis, recursivity, complexity	How do the decision premises of the co-operative organization affect the change process and how are they affected by it? / How is the co-operative/environment distinction, hence the boundaries of a co-operative organization, constantly reproduced

		during a change process? / How do co-operatives internally construct their external environment?
Do you believe that after each change effort you are closer to environment requirements?	system/environment distinction, system boundaries, undecidable decision premises, cognitive routine, adaptivity, structural coupling, autopoiesis	How is the co-operative/environment distinction, hence the boundaries of a co-operative organization, constantly reproduced during a change process? / How do co-operatives internally construct their external environment?
Which are the main differences between a cooperative and the rest firms of the same industry?	system/environment distinction, system boundaries, undecidable decision premises, cognitive routine, autopoiesis	How is the co-operative/environment distinction, hence the boundaries of a co-operative organization, constantly reproduced during a change process? / How do co-operatives internally construct their external environment?
Which is the impact of turmoil and uncertainty in the environment to the decision process regarding changes?	decisions, system/environment distinction, system boundaries, undecidable decision premises, decidable decision premises, structure, organizational culture, complexity	How do conditions for decision communication change when co-operatives perceive external environment as increasingly complex, vague and turbulent? / How do the decision premises of the co-operative organization affect the change process and how are they affected by it?
Do you believe that decisions about changes were a one way out or were there any alternatives?	adaptivity, linearity, contingency, autopoiesis, system/environment distinction	How do conditions for decision communication change when co-operatives perceive external environment as increasingly complex, vague and turbulent? / How do the decision premises of the co-operative organization affect the change process and

		how are they affected by it? / How do co-operatives internally construct their external environment?
Do you believe that there is something in the nature of the cooperative that could only lead to these specific changes?	organizational closure, interactional openness, autopoiesis, system/environment distinction, system boundaries, undecidable decision premises, decidable decision premises	How is the co-operative/environment distinction, hence the boundaries of a co-operative organization, constantly reproduced during a change process? / How do the decision premises of the co-operative organization affect the change process and how are they affected by it?
Do you think that after each change effort you are closer to the operation mode of an Investor Owned Firm (IOF)? Do changes strengthen or weaken differences between cooperatives and IOF's?	system/environment distinction, system boundaries, undecidable decision premises, cognitive routine, conventional change assumptions	How do co-operatives internally construct their external environment? / How is the co-operative/environment distinction, hence the boundaries of a co-operative organization, constantly reproduced during a change process?
Did changes proceed and bring outcome as planned?	adaptivity, linearity, complexity, manageability, recursivity	How is the co-operative/environment distinction, hence the boundaries of a co-operative organization, constantly reproduced during a change process? / How do the decision premises of the co-operative organization affect the change process and how are they affected by it?
Do you think that the members-patrons of the cooperative constitute a part of the organization or the environment?	system/environment distinction, system boundaries, decision premises	How is the co-operative/environment distinction, hence the boundaries of a co-operative organization, constantly reproduced during a change process?

Table 9.1: Set of questions used in interviews and their interconnectedness with theoretical framework and research questions

APPENDIX III: Information Letter to Participants

Participant Information Sheet

I would like to invite you to take part in a research study conducted within the frame of Business School of University of Salford. Before you decide you need to understand why the research is being done and what it would involve for you. Please take time to read the following information carefully. Ask questions if anything you read is not clear or would like more information. Take time to decide whether or not to take part.

Thank you for reading this.

Study Title

Organizational Change within Pharmaceutical Retail Co-operatives in Greece.

What is the purpose of the study?

The aim of the study is to explore, analyze and interpret the characteristics of organizational change in a complex organizational form, such as the retail co-operative entity. By doing this we could advance our knowledge on special organizational forms, such as co-operatives which continue to survive and thrive. Moreover, a potential transfer of this knowledge to the field of other business forms would be a goal of major importance, especially in European countries like Greece with the large number of SMEs striving to survive in the middle of the current, potentially devastating, economic disorder.

Why have I been invited?

Your current position as a senior executive/member of board of directors in the co-operative you work offers you great experience, accurate knowledge and an integrated view of issues regarding change efforts and the relative outcome within your co-operative. Two other executives/members of board of directors have also been invited in the co-operative you work. The same research is being repeated in two more retail co-operatives with the same number of persons involved in each co-operative.

Do I have to take part?

It is up to you to decide. We will describe the study and go through the information sheet, which we will give to you. We will then ask you to sign a consent form to show you agreed to take part. You are free to withdraw at any time, without giving a reason.

What will happen to me if I take part?

The research project will last for a year and a half but normally you will be involved not more than 2-5 hours within this period. You need to meet the researcher 1-3 times within this period. In the first and most important visit you will be interviewed for not more than two hours. The interview would actually be an open conversation without questionnaires to be filled, mostly regarding issues about the design, the implementation and the outcome of change efforts in your co-operative. It would be very useful for the reliability of the research and time-saving to tape record the conversation or else the researcher must keep written notes and this may increase the duration of the interview or the frequency of the visits. Supplementary to the interview, there will be gathered any available data from other sources (documents, archives, publications, etc). A short second visit may be possible if there are any vague issues to be clarified by the major interview. Recorded or written data will be analyzed with content analysis techniques. Finally, draft writings which represent researcher's conclusions drawn by the oral or written material you gave to him/her will be sent to you for any comments or recommendations (*respondent feedback* – possible third visit).

Expenses and payments?

There is no prediction.

What will I have to do?

You should help these 1-3 meetings to be arranged at any time, date and place available to you. It would be fortunate if time and place of the interview could be arranged in a way to avoid external disturbances. You are expected to answer to any clarification questions after the interview within a reasonable time period. The interview itself will be an open discussion and it does not need any special preparation.

What are the possible disadvantages and risks of taking part?

There are no risks for the participants as the confidentiality and anonymity of firms, persons and data involved in the research are assured. The only inconvenience comes from the time the participant has to spend for the interview, the possible clarifying questions and the correspondent feedback.

What are the possible benefits of taking part?

Interviews with experienced executives/member of board of directors and the following scientific analysis of the related material could help the researcher explore, analyze and interpret the characteristics of organizational change in the retail co-operatives. The final outcome of the whole study could possibly lead to the reveal and deep understanding of unique characteristics of organizational change in co-operatives. Dissemination of the research findings could help both the

administration and the senior management of co-operatives to design, implement and orient the change procedures in a more effective way.

What if there is a problem?

If you have a concern about any aspect of this study, you should ask to speak to the researcher who will do his/her best to answer your questions (contact details at the end of this sheet).

If you remain unhappy and wish to complain formally you can do this through the supervisor of the research project (contact details) or/and through the University complaints procedure (<http://www.infogov.salford.ac.uk/dataprot/complaints/>).

Will my taking part in the study be kept confidential?

All information which is collected from you or about you during the course of the research will be kept strictly confidential, and any information about you which leaves the university will have your name and address removed so that you cannot be recognised. The same will happen with the name and address of the co-operative you work for. More detail, the actions will be taken:

- The data will be collected by consensual tape recording of the interview, hand written notes or any other material you will hand in to the researcher.
- Your individual research data, such interviews, will be anonymous and given a research code, known only to the researcher.
- Your name as well as the name and address of the co-operative you work for will be anonymous and given a research code name (e.g. *executive A of Coop One*)
- In any written material regarding the research project (thesis, papers, interim reports, etc) both you and the co-operative will be strictly referred to the code name.
- Hard paper/taped data will be stored in a locked cabinet, within locked office, accessed only by the researcher.
- Electronic data will be stored on a password protected computer known only by the researcher.
- Data will be used exclusively for the needs of the concrete study.
- Only authorised academic staff such as the supervisors and the examiners will have access to view identifiable data and only for research evaluation reasons.
- Data will be retained and disposed of securely for a minimum of 3 years after the completion of the study.

What will happen if I don't carry on with the study?

If you withdraw from the study all the information and data collected from you, to date, will be destroyed and your name removed from all the study files.

What will happen to the results of the research study?

The results of the study will be published and they will be sent to you.

Who is organizing or sponsoring the research?

The research is organized by the Business School of University of Salford.

Further information and contact details:

Theodoros Ntriniias

Researcher

Mob: 0030 6977 510730

Email: T.Ntriniias@edu.salford.ac.uk

APPENDIX IV: Research Participant's Consent Form**Research Participant Consent Form**

Title of Project: Organizational Change within Pharmaceutical Retail Co-operatives in Greece

Name of Researcher: Theodoros Ntriniias

(Delete as appropriate)

- I confirm that I have read and understood the information sheet for the above study (version x- date), what my contribution will be and how the confidentiality and anonymity will be protected.

Yes	No
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- I have been given the opportunity to ask questions (face to face, via telephone and e-mail)

Yes	No
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- I agree to take part in the interview

Yes	No	NA
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- I agree to the interview being tape recorded

Yes	No	NA
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- I understand that my participation is voluntary and that I can withdraw from the research at any time **without giving any reason**

Yes	No
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- I agree to take part in the above study

Yes	No
------------	-----------

Name of participant

Signature

Date

Name of researcher taking consent *Theodoros Ntrinas*

Researcher's e-mail address *T.Ntrinas@edu.salford.ac.uk*

APPENDIX V: Transcribed and Translated Interviews (sample)

C3B1 Interview:

Θ.: Από τις συνεντεύξεις με τα στελέχη του συνεταιρισμού σας εντοπίσαμε κάποιες αλλαγές με μια χρονική αλληλουχία που ξεκίνησαν από το 1999, που ήταν οι προκαταβολές που παίρνατε τότε με βάση τον τζίρο, συνέχισαν με την εμπορική πολιτική με την ίδρυση θυγατρικών, με τις προαιρετικές μερίδες και μας περιγράφουν ότι τώρα βρίσκεστε σε μια φάση να αναπτύξετε υπηρεσίες υψηλής προστιθέμενης αξίας που θα σας πάνε και σε άλλα μονοπάτια. Αυτές οι αλλαγές πιστεύετε ότι έφεραν η μία την άλλη; Δηλαδή, είχαν μια κοινή λογική από πίσω που όταν ξεκινήσατε το '99 να τις κάνετε σας οδήγησε μετά η μία την άλλη;

R.: From the interviews with the executives of the cooperative we have identified some changes in a sequence that has started since 1999, which were: the imprest you were taking based on the turnover; they continued with the trade policy, the establishment of subsidiaries and the optional shares. They (the executives) describe to us how you are now in a stage to develop high value-added services that will lead you to other paths. Do you believe that these changes brought one another? That is, was there a common logic behind them so as when you started making them in '99, one led to the other?

M.: Το σίγουρο είναι ότι ξεκινήσαμε με βάση τις συνθήκες της αγοράς. Το βασικότερο, δηλαδή, που μας προβλημάτισε είναι πού οδεύει η αγορά. Πού πηγαίνει η αγορά. Άρα θα έπρεπε να προσαρμόσουμε την επιχείρηση στα καινούρια δεδομένα της αγοράς. Ποια είναι τα καινούρια δεδομένα της αγοράς. Ότι η αγορά έχει μια τάση να συρρικνώνεται συνέχεια, του φαρμάκου, άρα θα έπρεπε εκ των προτέρων να διασφαλίσουμε τη λειτουργία και την πορεία του συνεταιρισμού μέσα από διαφορετικές υπηρεσίες που προσφέραμε στα μέλη, για να δίνεται και κίνητρο στα μέλη να συμμετέχουν σ' αυτή την συνεταιρισμένη μορφή που έχουμε φτιάξει, ούτως ώστε πραγματικά να καταλαβαίνει ο άλλος ότι είναι μέλος μιας επιχείρησης και απολαμβάνει κάποιες και υπηρεσίες και κέρδη.

C3B1: The truth is that we started based on market conditions. The key issue which confused us was where the market is heading; where the market goes. So we had to adapt our business to new market data. What are the new market data? That the pharmaceutical market has a tendency to continuously shrink, so we should in advance ensure the operation and progress of the cooperative through different services offered to members, and give incentive for members to participate in this cooperative form we have made, so that one really understands that he is a member of a business and enjoy some benefits and services. Άρα κοιτώντας τις συνθήκες της αγοράς προσπαθήσαμε να δούμε προς τα πού πηγαίνει. Εκείνο το οποίο εντοπίσαμε ήταν το εξής: ότι είναι πολύ μεγάλη προστιθέμενη αξία για την επιχείρηση κι αν θέλετε φέρνει και πιο κοντά τα μέλη στο συνεταιρισμό και τους δίνει επιχειρηματικά στη λειτουργία του μέλους πια όχι απλώς παθητικού αλλά ενεργητικού μέλους, με την έννοια ότι βλέπει ότι έχει επενδύσει σε μια επιχείρηση που απολαμβάνει και οικονομικά οφέλη μέσα από τη λειτουργία της επιχείρησης και μέσα από τη λειτουργία του ίδιου του φαρμακείου του, προσθέτουμε σ' αυτό το κομμάτι και αναπτύσσουμε το κομμάτι πρόσθετα έσοδα, πρόσθετες υπηρεσίες για την ανάπτυξη και τη λειτουργία του φαρμακείου του μέσα από το συνεταιρισμό.

So looking at the market conditions we tried to see which way it goes. What we found was this: that is great value for the company and brings closer the members to their cooperative

and binds them organizationally not in a passive function as a member , but in an active one; in the sense that he sees that he has invested in a company that through its operation he enjoys economic benefits as well as through the operation of the pharmacy itself, as we add and develop this part by offering additional revenue, additional services for the development and operation of the pharmacy through the cooperative.

Μέσα σ' αυτό το κομμάτι εντάσσονται και οι διάφορες λειτουργίες του συνεταιρισμού, πρώτα και κύρια το θέμα της μηχανοργάνωσης, η υπηρεσία της μηχανοργάνωσης ένα πολύ μεγάλο κομμάτι και αρκετά δύσκολο για να στηθεί, προσφέρεται αυτή τη στιγμή σε όλα τα συνεταιρισμένα μέλη και όποιος θέλει την απολαμβάνει με συγκεκριμένα οφέλη μέσα από αυτήν τη διαδικασία, ούτως ώστε να είναι εξασφαλισμένος ότι έχει μια στήριξη από το συνεταιρισμό στο κομμάτι εκείνο της μηχανοργάνωσης που είναι κομβικό όσον αφορά στη λειτουργία του φαρμακείου στα καινούρια δεδομένα. Φαρμακείο χωρίς μηχανοργάνωση σημαίνει φαρμακείο που δουλεύει στα τυφλά. Φαρμακείο με μηχανοργάνωση σημαίνει οργανωμένο φαρμακείο και τέτοια φαρμακεία θέλουμε να φτιάξουμε, οργανωμένα φαρμακεία σαν μέλη του συνεταιρισμού και γενικότερα σαν άποψη συνεταιριστική έτσι ώστε πραγματικά να μπορούν να ανταπεξέλθουν στις συνθήκες της αγοράς. Άρα, μια υπηρεσία είναι αυτή.

In this part the various functions of the cooperative are included, first and foremost the issue of computerization. Computerization service is complicated and quite difficult to set up; it is currently offered to all cooperative members and anyone who wants enjoys it with specific benefits through this process, in a way that it is guaranteed to have a support from the cooperative in that part of the computerization that is crucial for the operation of the pharmacy to new facts. Pharmacy without computerization means a pharmacy that works blindly. Pharmacy with computerization means organized pharmacy and these are the pharmacies we want to develop; organized pharmacies as members of the cooperative and in general terms with a cooperative point of view so that they can actually cope with market conditions. So this is service one.

Δεύτερη υπηρεσία: οικονομικά οφέλη μέσα από την επένδυση στο συνεταιρισμό. Τι σημαίνει αυτό; Ότι πάψαμε να λειτουργούμε με την παλιά λειτουργία τη συνεταιριστική που έλεγε ότι όλοι απολαμβάνουν το ίδιο, είτε συμμετέχουν είτε δεν συμμετέχουν ή εν πάση περιπτώσει λειτουργούν ενεργητικά ή παθητικά και διαφοροποιηθήκαμε όσον αφορά τη λειτουργία του κάθε μέλους και τη στάση που παίρνει απέναντι στην επιχείρηση. (4.23) Θέλει κάποιος να επενδύσει εδώ; Θα απολαμβάνει παραπάνω υπηρεσίες και οικονομικές και οικονομικά οφέλη αλλά και υπηρεσίες παραπάνω. Η λειτουργία της διάθεσης των προϊόντων, η λειτουργία των παροχών, δηλαδή το τμήμα μηχανοργάνωσης μπορεί να πάει στο κάθε φαρμακείο μέλος και σαφώς σ' αυτό ακριβώς επηρεάζει η πιστότητα και η λειτουργία του μέλους στο συνεταιρισμό, να του κάνει απογραφή, να του δείξει ακριβώς κάποια σημεία αδύνατα στο φαρμακείο του, ούτως ώστε να οργανωθεί καλύτερα και να έχει καλύτερη απόδοση. Αυτή είναι μια υπηρεσία συγκεκριμένη και μετρήσιμη και την απολαμβάνουν πάρα πολλοί. Άρα, είναι στοιχεία τα οποία διαφοροποιούν αναγκαστικά τα μέλη μεταξύ τους χωρίς να χάνουν τη συνεταιριστική τους ιδιότητα, είναι καθαρά θέμα επιλογής του καθενός τι θέλει να απολαμβάνει από αυτήν την επιχείρηση σαν μέλος, θέλει να είναι απλό μέλος, θέλει να είναι πιο ενεργητικό μέλος, θέλει να απολαμβάνει όλες τις υπηρεσίες του συνεταιρισμού; Είναι στη διακριτική του διάθεση αυτό. Αλλά ο

συνεταιρισμός αυτή τη στιγμή μπορεί να του δώσει όλα εκείνα τα στοιχεία που θέλει ώστε να λειτουργήσει καλύτερα το φαρμακείο του και αυτό μας ενδιαφέρει.

Second service: economic benefits through investment in the cooperative. What does this mean? That we stopped operating with the old cooperative mode, according to which all members enjoy the same benefits, independently of their participation, their passive or active function; we changed taking into account each member's function and the attitude he takes towards our enterprise. Does one want to invest here? Then, one will enjoy these services as well as financial benefits and more services. The provision of the products, the facilities, namely the IT department which (staff) can go to any pharmacy-member - and in this the commitment and the operation of the member in the cooperative clearly affects - to take inventory, to show him exactly some weak points in the pharmacy in order to be better organized and has a better performance. This is a specific and measurable service also being enjoyed by too many. So, these are elements which necessarily differentiate members without losing the cooperative identity. It is purely a question of what everyone wants to enjoy from this company as a member; does one want to be a simple member or to be a more active member? Does one want to enjoy all the services of the cooperative? Well, this is in his discretion. But, at this time the cooperative can provide to him all the elements he needs in order to best operate in his pharmacy and this is what we are looking for.

Θ.: Παρατηρώντας τη χρονική αλληλουχία που πήρατε αυτές τις αποφάσεις για αυτού του τύπου τις αλλαγές τις συγκεκριμένες, βλέπω ότι κάποιες πάρθηκαν σε συνθήκες παχιών αγελάδων ας το πούμε έτσι για την αγορά και για το συνεταιρισμό κατ' επέκτασιν και για τους φαρμακοποιούς, κλπ και κάποιες πιο πρόσφατες ίσως, σε συνθήκες όπου συνολικά το οικονομικό σύστημα στην Ελλάδα έχει μπει σε μια συνθήκη κρίσης. Άρα έχουμε αποφάσεις που παίρνονται και με ένα ας το πούμε ευνοϊκό περιβάλλον και σ' ένα πολύ δυσμενές περιβάλλον. Μπαίνω στον πειρασμό, λοιπόν, να ρωτήσω ότι τελικά όλες αυτές οι αλλαγές είναι αποφάσεις που επιβλήθηκαν σε σας ας το πούμε έτσι από το περιβάλλον ή ήταν μια εσωτερική διαδικασία κι αναγκαιότητα του συνεταιρισμού σας που οδήγησε σε αυτές τις αλλαγές. Γιατί για παράδειγμα, αν οι προαιρετικές μερίδες, ας το πούμε, έχουν να κάνουν με τη χρηματοπιστωτική πίεση τη σημερινή ή η παροχή υπηρεσιών μηχανογράφησης ή αισθητικού έρχονται σε μια περίοδο ανάπτυξης για την αγορά του φαρμάκου, για το συνεταιρισμό, κλπ. Τελικά το περιβάλλον είναι που σας «επιβάλλει» να κάνετε και να πάρετε αυτές τις αποφάσεις αλλαγών ή έχετε μια εσωτερική διαδικασία, είστε προσανατολισμένοι προς αυτή τη διαδικασία;

R.: Observing the temporal sequence within which you took these decisions about this specific type of changes, I see that some were taken in conditions of fat years, so to speak for the market as well as the cooperative, and by extension, also for pharmacists, etc. and some, perhaps the more recent, in situations where the overall financial system in Greece has entered crisis conditions. So we have decisions taken within a favorable environment and also decisions taken in a very hard environment. I'm tempted, then, to ask: are eventually all these changes decisions imposed on you by the environment or was there an internal process and necessity of your cooperative that led to these changes? For example, if the optional shares have to do with the current financial pressure or IT services and beautician services come along with a period of growth for the pharmaceutical market, for the cooperative, etc. Is the environment that imposes on you these change decisions or is there an internal process, are you oriented to this process?

M.: Εγώ θα 'λεγα και τα δυο.

C3B1: I would say both.

Θ.: Και τα δύο;

R.: Both?

M.: Και τα δύο με την εξής έννοια. Κατ' αρχάς η λειτουργία μας ήταν τέτοια που πραγματικά άγγιζε αυτά τα σημεία.

C3B1: Both in the following sense. First, our operation was such that it really touched these points.

Θ.: Από την αρχή, δηλαδή.

R.: You mean, from the very beginning.

M.: Από την αρχή. Από την ίδρυσή μας. Θέλαμε να ξεφύγουμε από το καθαρά ...στερεότυπο πρότυπο των συνεταιρισμένων λειτουργιών και να δώσουμε ώθηση σε άλλες λειτουργίες ούτως ώστε πραγματικά να μπορεί να υπάρχει μια διαφοροποίηση και να υπάρχει μια ζωντάνια μέσα από αυτή τη διαδικασία. Να λειτουργεί, δηλαδή, όχι ισοπεδωτικά και εξισωτικά αλλά να υπάρχουν διαφοροποιήσεις, οι οποίες ... αυτές οι διαφοροποιήσεις σπρώχνουν την επιχείρηση μπροστά, δεν τελματώνει και αυτό βγήκε μέσα από μια ανάλυση της εμπειρίας γενικότερα των συνεταιριστικών δομών όπως έχουν δημιουργηθεί στην Ελλάδα όλα αυτά τα χρόνια. Και μας έφαγε αρκετό χρόνο. Γι αυτό ακριβώς λέω ότι και σε καλές περιόδους που πιθανώς να είχαμε και άλλες διεξόδους για μεγαλύτερη κερδοφορία, επιμείναμε σε αυτό το κομμάτι γιατί;

C3B1: From the beginning; since our establishment. We wanted to get away from the stereotype of cooperative function and give impetus to other functions so that it could really be a difference and vitality through this process. Namely, to function not in leveling and equalizing way but to leave room for variations... these differences push the business forward, it does not stagnate, and this came through an analysis of the general experience of cooperative structures that have been created all these years in Greece. And we spent enough time. That's why I am saying that even in good times when possibly we could have more solutions for greater profitability, we still insisted on this attitude. Why?

Γιατί επιλέξαμε ένα μοντέλο λειτουργίας της επιχείρησης, το οποίο λειτουργούσε σε επίπεδο καθαρά συνεταιριστικό αλλά με κριτήρια καθαρά ιδιωτικοοικονομικά όσον αφορά κάποιες λειτουργίες. Δηλαδή, επιβραβεύσαμε τον καθένα που ήθελε να συμμετέχει παραπάνω εδώ και να βάζει είτε οικονομικά είτε με τη λειτουργία του την ίδια να θέλει να αναπτυχθεί μαζί με την πορεία του συνεταιρισμού. Και αυτό λειτουργούσε συνδυαστικά με αποτέλεσμα πάρα πολλές λειτουργίες να τρέξουν παραπάνω από την πίεση ακριβώς την ίδια των μελών όντας έχοντας ακουμπήσει εδώ πέρα, στην επιχείρηση. Από την άλλη μεριά, θέλω να πω ότι αυτό ήταν και καλό και κακό με την εξής έννοια. Σε πολλά σημεία μας έφερνε πίσω σε σχέση με την αγορά γιατί... οι προμηθευτές μας και το κύκλωμα του χονδρεμπορίου στην Ελλάδα επηρεαζόταν πάρα πολύ από το σύστημα των εξαγωγών και από το σύστημα μιας διογκωμένης αγοράς έτσι όπως λειτουργούσε στην Ελλάδα κι αυτό δημιουργούσε παρενέργειες όσον αφορά τη λειτουργία μας σε σχέση με πάρα πολλές εταιρείες. Το δεχτήκαμε αυτό, πιθανώς το κοστολογήσαμε, από την άλλη μεριά όμως μας βοήθησε στο να αναπτυχθούμε εσωτερικά και να αναπτύξουμε λειτουργίες, παράπλευρες δηλαδή με αυτή καθαυτή τη λειτουργία της φαρμακαποθήκης, ούτως ώστε πραγματικά να ανοίξουμε τη βεντάλια και να λειτουργήσουν υπηρεσίες τέτοιες που έφερναν και κοντά τα

μέλη και τους έδιναν και απόδοση με τη μορφή ανταποδοτικότητας σε σχέση με τη συμμετοχή τους στο συνεταιρισμό.

Because we chose a business model which operated at a purely cooperative level but at the same time, with purely private economic criteria, regarding some of its functions. We rewarded everyone who wanted to participate more and either financially or with his operation itself wanted to grow along with the cooperative. And these worked together with each other and as a result so many functions ran better [than planned] because of the pressure that members who leaned on the firm put on. On the other hand, I want to say that this was good and bad at the same time in the following sense. In many points it kept us back from the market because ... our suppliers and the wholesale market in Greece was influenced too much by the export activities and by an enlarged market as it operated in Greece and this caused adverse effects on our relation with many companies. We accepted it, probably pay the price for it, however on the other hand, this helped us to grow internally and develop functions collateral with the main operation of the pharmaceutical warehouse, in order to really open the fan and offer such services that brought members closely [to the cooperative] and also gave them a return in the form of a compensation in relation to their participation in the cooperative.

Θ: Δεν προσανατολιστήκατε στο εύκολο κέρδος δηλαδή...

R.: You weren't oriented to easy profits, were you?

M.: Α, μπράβο. Κι ήταν η δύσκολη οδός αυτή γιατί ήθελε αρκετό κόπο και ήθελε και αρκετά μεγάλο χρόνο επένδυσης για να φτιάξεις τη στελέχωση για να μπορείς να παρακολουθείς αυτό το πράγμα. Δηλαδή, το να φτιάξεις τη στελέχωση της μηχανοργάνωσης που έλεγα προηγούμενα, δεν φτιάχνεται από τη μια μέρα στην άλλη, δεν μπορείς να πάρεις έτοιμα στελέχη να τα βάλεις εδώ πέρα και να λειτουργήσουν. Πρέπει να ενσωματωθούν με την επιχείρηση και να λειτουργούν για την επιχείρηση. (10.25) Άρα θέλει χτίσιμο αυτό το κομμάτι.

C3B1: That's the point! And this was the difficult route because it needed great deal of strain as well as enough investment time in order to provide the staff and monitor the whole thing. For example, providing the staff for computerization service that I mentioned before, is not something that we built in one day; you cannot hire already experienced staff, position them here and make them work. They must be integrated to the firm and function for the firm. Therefore, you need to build this part.

Το κομμάτι της οξυγονοθεραπείας, των (ακατανόητο) και όλων των παράπλευρων ενεργειών όσον αφορά τη λειτουργία του κομματιού αυτού, θέλει χτίσιμο. Αλλά το χτίζουμε σιγά-σιγά κι έχουμε φτάσει σ' ένα πάρα πολύ καλό σημείο. Το κομμάτι του παραφαρμάκου, γενικότερα, μας προβλημάτισε ιδιαίτερα. Στις συνθήκες διογκωμένης αγοράς ήταν μικρό κομμάτι, όμως ήταν ένα κομμάτι το οποίο έδενε συνολικά τη λειτουργία του φαρμακείου. Είναι μεγάλο πράγμα να ξέρει ο φαρμακοποιός ότι έχει μια επιχείρηση από πίσω του που διαπραγματεύεται αν όχι για το 100% της λειτουργίας των προϊόντων αυτών αλλά σε πάρα πολλά από αυτά, σε μεγάλο ποσοστό. Και διαβλέποντας ακριβώς και τις συνθήκες στις οποίες θα λειτουργήσουν στην αγορά μελλοντικά επιλέξαμε αυτό το κομμάτι. Ξέραμε ότι κάποια στιγμή... σ' αυτή τη φάση που βρισκόμαστε τώρα θα είχαμε βρεθεί πολύ πιο πριν. Δεν μπορεί η υπόλοιπη Ευρώπη δηλαδή να τρέχει με μονοψήφια νούμερα κι εμείς να τρέχουμε με διψήφια νούμερα. Κάποια στιγμή όλα αυτά τα πράγματα θα είναι σαν έξω.

The oxygen-therapy service, the (*unintelligible*) and every side act regarding the operation of this service, need to be built. However, we are now building this, stone by stone and we have reached a very good point. We have significantly been troubled by parapharmaceutical products. In the conditions of expanded market this was a small part, however it was a part integrating the function of a pharmacy. It's a great thing for a pharmacist to know that there is a business behind him which can negotiate, maybe not for 100% of the products but surely for the majority of them, for the largest part. Foreseeing the future market conditions, we chose this niche. We knew that we would end up at this point ...we should be in the current phase long ago. Namely, it is not possible for Greek [pharmaceutical] market to grow with double-digit rate while the rest European market is growing with single-digit rate. At some time, [growth rate] will become the same.

Θ.: Είπατε κάτι προηγουμένως, στη διαδικασία λήψης των αποφάσεων γι αυτές τις αλλαγές είχατε εναλλακτικές, δεν ήταν μονόδρομος αυτές οι αλλαγές, είχατε εναλλακτικές. Ποιο ήταν το κριτήριο τελικά που επέλεξε αυτές τις αποφάσεις και όχι κάποιες άλλες ισότιμες ίσως ή και σε κάποιο επίπεδο πιο αποδοτικές ίσως, πιο δημοσιοσχεστικές,... αναλόγως πιο οτιδήποτε, έτσι;

Μ.: Το κριτήριο το πιο βασικό ήταν ότι οι άλλες αλλαγές θα δημιουργούσαν προβλήματα στη συνεταιριστική δομή.

Θ.: Μάλιστα.

Ρ.: You said something previously, that in the decision making process there were alternatives. These changes were not one-way route; there were alternatives. Which was the criterion to choose these decisions and not something else, equally valid, or maybe more efficient, or more public-relation-like, more...?

C3B1: The most fundamental criterion was that other changes would create problems in the co-operative structure.

Ρ.: I see.

Μ.: Είναι σίγουρο ότι... παρ' όλο ότι η επιλογή μας στο συνεταιρισμό είναι δεδομένη και ξέρουμε ακριβώς ότι δεν έχουμε άλλη επιλογή, δεν είναι πανάκεια, αν καθίσουμε και το εξετάσουμε στις συνθήκες της αγοράς και ειδικά μιας ανοιχτής αγοράς που ζούμε σήμερα. Έχει προβλήματα, έχει προβλήματα στη λήψη των αποφάσεων, έχει προβλήματα στο να μπορέσεις να εκτιμήσεις κάποια πράγματα, να τα εφαρμόσεις αμέσως, θέλει εμπέδωση, θέλει δουλειά. Όμως ήταν επιλογή. (12.58) Δηλαδή επιλέξαμε αυτό το κομμάτι γιατί εκτιμήσαμε ότι εδώ είναι η βάση μας, εδώ πρέπει να αναπτυχθούμε, σε αυτό το κομμάτι πρέπει να αναπτυχθούμε και στο τέλος-τέλος δεν μπορείς να τα κάνεις όλα μαζί καλά.

C3B1: It is certain that, despite the fact that our dedication to the co-operative [form] is given and we actually realize that we have no other choice, this is not a panacea though; especially if we examine this within the market conditions and more precisely, within an open market conditions like the ones that we experience today. There are problems. Problems in decision making, in estimating things, in implementing things immediately; it needs consolidation, it needs work! Anyway, it was a choice. We chose this part because we considered that this is our basis, here is where we should be deployed, in this segment we should be deployed and at the very end one cannot do everything well.

Κάποια πράγματα θα πήγαιναν από τη μια πλευρά κάποια θα πήγαιναν από την άλλη. Πιθανώς, αν μπορούσε να υπάρξει ένας συγκερασμός αυτών των δύο πραγμάτων θα ήταν το ιδανικό. Αλλά είναι πολύ δύσκολο να πετύχεις συγκερασμό σε τέτοιου είδους συνθήκες

της αγοράς. Άρα επιλέγεις ένα κομμάτι, το αναπτύσσεις, γι αυτό ακριβώς αναπτυχθήκαμε και περιφερειακά, ανοίξαμε τις άλλες αποθήκες, τις θυγατρικές, στους υπόλοιπους νομούς και λειτουργήσαμε σε επίπεδο λειτουργίας σχεδόν μηδενικού κόστους, με την έννοια ότι αποτελούσαν πραγματικά σαν παραρτήματα απλά, τα οποία αποτελούσαν μόνο σε τοπικό επίπεδο για εξυπηρέτηση και μόνο, χωρίς να μας προσθέτουν μεγάλο κόστος στην επιχείρηση. Άρα μπορέσαμε και απλωθήκαμε στην αγορά δημιουργώντας με την ταυτότητα της λειτουργίας μας και την καλή λειτουργία μια αξιόπιστη, ένα αξιόπιστο αποκούμπι για το φαρμακείο και το φαρμακοποιό σε όλες τις συνθήκες της αγοράς.

Some things would follow one direction and some another direction. Perhaps, if a blending of these things could happen then it would be the ideal. But it is very difficult to achieve this blending under these market conditions. Therefore, one chooses a part and develops this. This is the reason we expanded regionally, founded other warehouses, our subsidiaries, in other prefectures and we ran them under almost zero cost conditions; in the sense that they were really just branches in local level, only for reasons of better service, without adding big cost to the firm. Hence, we managed to expand in the market and created, with our identical and proper operation - a reliable prop for the pharmacy and the pharmacist in any market conditions.

Και αυτό φαίνεται σήμερα, δηλαδή, παρ' όλο ότι σήμερα ζούμε πολύ δύσκολες στιγμές με την έννοια ότι αλλάζουν τα πάντα και έρχονται τα πάντα κάτω, εγώ μπορώ να πω ότι δεν είμαστε τόσο ανήσυχοι όσον αφορά το μέλλον με την εξής έννοια: ότι προσαρμοστήκαμε κατ' αρχάς γρήγορα. Δηλαδή, κατευθείαν, πριν γίνουν ακόμα οι αλλαγές και περάσουν τα νομοσχέδια για την καινούρια δομή των πραγμάτων στο φαρμακεμπόριο, είχαμε ήδη πάρει μέτρα. Είχαμε σταματήσει προς το παρόν να δίνουμε μερίσματα, είχαμε βάλει τους φαρμακοποιούς να επενδύουν επενδυτικές μερίδες ούτως ώστε να τους αποδίδουν από εκεί και να μην ψάχνουμε να βρούμε κέρδη από αλλού, μιας και φαινόταν μελλοντικά ότι τα κέρδη θα ήταν ελάχιστα για το συνεταιρισμό και αυξήσαμε την πίεση λειτουργίας των τμημάτων εκείνων τα οποία θα προσθέτουν προστιθέμενη αξία στο φαρμακείο μέσα στις συνθήκες τις καινούριες τις άγριες της αγοράς γιατί εδώ τώρα το μεγάλο κομμάτι και το στοίχημα θα παιχτεί εκεί.

And this is proved today; despite the fact that we live very difficult moments in the sense that everything changes and turns upside down, I can argue that we are not so worried regarding the future in the following sense: we adapted very quickly. That is, from the very beginning, even before changes were made and Bills imposing the new state of things in drugs wholesaling were approved, we had already taken our measures. We had stopped distributing dividend; we introduced optional shares in order to have a return from there and not searching for profits elsewhere, as it was obvious that the profits for the co-operative in the future would be very few and at the same time we increased pressure in those departments that add value to the pharmacy within new tough market conditions, because for now on, here is the big bet to be won.

Εάν είσαι έτοιμος να μπορείς να ανταπεξέλθεις με τα φαρμακεία σου στις συνθήκες τις καινούριες της αγοράς. Δηλαδή, αν μπορεί ο φαρμακοποιός αυτή τη στιγμή που αντιμετωπίζει φοβερά προβλήματα κι έχει ν' αντιμετωπίσει χιλιάδες καινούρια πράγματα και είναι δύσκολο να προσαρμοστεί γρήγορα, αν μπορεί να έχει υπηρεσίες τέτοιες από την εταιρεία στην οποία ανήκει, η οποία να του διευκολύνει τη δουλειά του, να δώσουν διεξόδους γρήγορες, να κάνει γρήγορα τις αλλαγές ούτως ώστε πραγματικά να μην

υπάρξουν θύματα όπως το λέμε, μέσα από αυτή τη διαδικασία, όσον αφορά το κομμάτι των συνεταιρισμένων φαρμακείων. Και αυτό βέβαια είναι ελεύθερη επιλογή.

If you are ready, together with your pharmacies [-members], to overcome the new market conditions. Namely, whether the pharmacist, who is facing serious problems at this moment as well as thousands of new things and it is difficult to adapt quickly, could have all these services by the [co-operative] firm he belongs to. [Services] that could make his work easier, could give him fast solutions, could [help him] make changes very fast so as we could avoid any victims, as we say, by all this process, at least among the co-operative pharmacies.

Θ.: Από τα λόγια αυτά καταλαβαίνω ότι... αντιμετωπίζετε το εξωτερικό περιβάλλον με μια σοβαρότητα μεν αλλά όχι σαν κάτι τρομακτικό. Μίλαγα προ ημερών με ένα στέλεχος και μου λέει «είναι τρομακτικό αυτό που είναι έξω από εμάς», το αντιμετωπίζετε... Εσείς πώς το αντιμετωπίζετε το εξωτερικό περιβάλλον; Όταν λέω εξωτερικό περιβάλλον εννοώ το σύνολο δηλαδή των σχέσεων των έξω από το συνεταιρισμό: προμηθευτές, κυβέρνηση, κοινωνία, οικονομία...

R.: From your words I realize that ... you face external environment with gravity but not with horror. I was talking to an executive the other days and he said to me: "it is horrifying what exists outside us", he faced this... How do you face external environment? And when I am saying 'external environment' I mean the sum of relations outside the co-operative: suppliers, government, society, economy...

M.: Αυτά είναι δύσκολα, δεν το συζητάμε. Και το τραπεζικό σύστημα είναι που σου δημιουργεί πρόβλημα αυτή τη στιγμή γιατί η άντληση των κεφαλαίων κοστίζει ακριβά άρα αν θέλεις και η ροή των χρημάτων είναι πάντα σε πίεση. Και η κυβέρνηση παίρνει μέτρα τέτοια που σε αναγκάζει καθημερινά να προσαρμόζεσαι σε καινούριες συνθήκες. Και οι προμηθευτές σε περίοδο κρίσης έχουν μαζέψει όλο το κομμάτι τους έτσι ώστε να μειώσουν τις επισφάλειές τους, μιας και ξέρουμε πολύ καλά ότι η Ελλάδα σήμερα είναι μια χώρα που περνάει ιδιαίτερα οικονομικά προβλήματα και χρειάζεται να είναι πάρα πολύ προσεκτικοί για να έχουν λιγότερες απώλειες. Σαφώς και επηρεάζουν όλα αυτά αλλά φαντάσου... φαντάσου να είχες να αντιμετωπίσεις αυτά και να είχες να αντιμετωπίσεις καινούριες συνθήκες, την εσωτερική σου λειτουργία που δεν θα ήταν προετοιμασμένη σε αυτή την κατεύθυνση. Εκεί πια θα ήταν το ναυάγιο.

C3B1: This is difficult, no doubt for that. The banking system also causes problems at this very moment because fund raising is expensive and cash flow is always under pressure. The government which takes measures that make you adapt to new conditions in a daily basis. The suppliers whittle down their business in order to minimize their bad debts, since, as we all know, Greece is nowadays a country that faces severe financial problems so they [suppliers] must be very cautious in order to have the least losses. All these definitely influence... But just consider the case that one had to face all this as well as new conditions and one's internal operation would not be prepared for this direction. This would be the absolute wreck!

Θ.: Και άρα νιώθετε δυνατοί εσείς απέναντι σε αυτό το δύσκολο...

M.: Αυτό είναι που αντλώ και λέω, σαφώς αντιμετωπίζουμε δυσκολίες, έχουμε κάθε μέρα εδώ πέρα συναντήσεις για τα προβλήματα που υπάρχουν αλλά ξέρουμε κι έχουμε τη βάση φτιάξει, ότι μπορούμε να ανταπεξέλθουμε σε οποιοδήποτε δυσκολίες, με οποιοδήποτε συνθήκες. Με κάποιες αλλαγές που μπορούμε να κάνουμε στη δομή μας μέσα, δηλαδή,

μπορούμε να αρθούμε στο ύψος των περιστάσεων στις καινούριες συνθήκες της αγοράς που έχουν δημιουργηθεί. Και είναι σίγουρο ... μας βοηθάει η προηγούμενη εμπειρία.

Θ.: Προσαρμογές ή αλλαγές που θα κάνετε αλλάζοντας το χαρακτήρα σας σαν επιχείρηση τελικά ή όμως μένοντας...;

R.: Therefore, you feel strong against this difficult...

C3B1: This is what I am saying. We definitely face difficulties, every day we arrange meetings for the existing problems but we do know that we have built a premise; that we can work through any difficulty, under any circumstances. By changing few things in our structure we can rise above the circumstances regarding the newly created market conditions. And this is for sure... previous experience helps us.

R.: Are these adaptation or changes that will finally alter your character as business ...?

M.: Είναι ένα ζητούμενο αυτό. Είναι ένα ζητούμενο με την έννοια την εξής ότι στη ζωή δεν πρέπει να έχουμε ιδεοληψίες και δεν πρέπει να είμαστε κολλημένοι σε πρότυπα. Εάν οι συνθήκες της αγοράς είναι τέτοιες που χρειάζεται να κάνεις αλλαγές ακόμα-ακόμα στη δομή σου και στη λειτουργία σου, θα τις κάνεις, διαφορετικά θα βγεις εκτός αγοράς.

Θ.: Για παράδειγμα;

M.: Εάν οι συνθήκες...

Θ.: ...Αλλαγές στο νομικό πρόσωπο, στη νομική μορφή;

C3B1: This is a challenge. This is a challenge in the following sense; that in life we must not have obsessions and must not be stuck in standards. If the market conditions are of this nature that one must make changes even in one's structure and operation, one has to make them; otherwise one will be thrown out of the market.

R.: Could you give me an example?

C3B1: If conditions...

R.: ...Changes in legal person, in legal entity?

M.: Στη νομική μορφή δεν θα έλεγα. Έχουμε επιλέξει να είμαστε συνεταιρισμός. Και αυτό αν θέλεις είναι και αρνητικό και έχει και πάρα πολλά θετικά με την έννοια ότι είσαι ενωμένος κεφαλαιακά σε μία δομή, η οποία πραγματικά αποτελεί ισχυρό κομμάτι, που μπορεί να ανταπεξέλθει σε οποιεσδήποτε συνθήκες. Είναι μεγάλο πράγμα αυτό, να αισθάνεσαι μέλος μιας επιχείρησης, μιας εταιρείας... Από την άλλη μεριά πρέπει να ψάξουμε να βρούμε και ψάχνουμε συνέχεια, προβληματιζόμαστε συνέχεια, στο πλαίσιο αυτής της λειτουργίας να δημιουργήσουμε εκείνο το περιβάλλον και το πλαίσιο, το οποίο να μας βοηθά και να μην δημιουργεί αγκυλώσεις. Χωρίς να αλλοιώνει καθόλου το συνεταιριστικό χαρακτήρα... αλλά να διευκολύνει είτε αυτό αφορά λήψη αποφάσεων είτε αφορά αν θέλεις ας πούμε σχεδίων επενδυτικών, να υπάρχουν γρήγορες... γρήγορες αποφάσεις και υλοποιήσεις. Να μην καθυστερούμε δηλαδή, μέσα από διαδικασίες λειτουργίας τέτοιας, που θα μας φέρουν σε δεύτερο χρόνο σε σχέση με τις ανάγκες της αγοράς. Αυτό είναι σημαντικό κομμάτι.

C3B1: No. Not in the legal entity. We have chosen to be a co-operative. And this has both some negative and many positive aspects, in the sense that you are united around a structure regarding the equity, which is really a very strong piece which can work through any conditions. This is a great thing, to feel a member of a firm, of a corporation... On the other side, we must search and find - and we are constantly searching, we are constantly thinking hard - how to create, within the existing operational frame, an environment and a framework which could [really] help us and not create rigidities. That is, without distorting

the co-operative character ...but facilitating instead; either regarding the decision making or the investing plans, to make fast decisions and implementation. Hence, not to be delayed by this kind of operational processes that would leave us behind the market needs. This is a very important aspect.

Θ.: Ναι... Αυτές όλες οι αλλαγές που περιγράψαμε, οι συγκεκριμένες, που πάνε λίγο το συνεταιρισμό προς πιο επιχειρηματοποιημένη δομή, πιο business κατάσταση από αυτή που είχαμε συνηθίσει έτσι από τους παραδοσιακούς συνεταιρισμούς, βάζουμε ένα ερώτημα εδώ. Ποια είναι σήμερα η διαφορά ανάμεσα σε ένα συνεταιρισμό και σε μια ομοειδή επιχείρηση, πιθανώς πολυμετοχική, αλλά όχι συνεταιριστική,... ιδιωτική ως την πούμε έτσι, ιδιωτικού...

Ρ.: Yes... but all these changes that we described, the specific changes that lead the co-operative to a more entrepreneurial structure, a more business-like condition than those of the traditional co-operatives to which we were accustomed, raise a question: which is the difference, today, between a co-operative and a similar corporation, perhaps a multi-shareholders enterprise, but definitely not a co-operative one... a private enterprise, let's say...

Μ.: Η διαφορά είναι μεγάλη. Τεράστια θα 'λεγα. Με την έννοια ότι η λειτουργία η συνεταιριστική σου επιβάλλει κάποια πράγματα και σου ορίζει κάποιο πλαίσιο μέσα στο οποίο κινείσαι. Με πολλά αρνητικά αλλά και με πάρα πολλά θετικά. Εκτιμώ, όμως, ότι μέσα στις καινούριες συνθήκες της αγοράς και αν καθίσουμε να κάνουμε την ανάλυση το τι πρέπει ν' αναπτύξεις σ' αυτήν τη φάση, εμείς το είδαμε πολύ νωρίς αυτό. Δηλαδή το κομμάτι της ανάπτυξης της λειτουργίας του παραφαρμάκου, σε σχέση με τη μηχανοργάνωση, σε σχέση με το τμήμα των προμηθειών κι όλο το κομμάτι της διοίκησης στο συνεταιρισμό μας δίνει τη δυνατότητα να αναπτυχθούμε σε άλλους τομείς που θα είναι και το ζητούμενο της εποχής, με ποια έννοια, ότι θ' αναγκαστούμε να παίξουμε και στα generics που είναι το επόμενο βήμα και το μεγάλο στοίχημα αν θέλεις για το κομμάτι του φαρμάκου κι εκεί θα πρέπει να είμαστε προετοιμασμένοι, όπως και οι υπηρεσίες που λέγαμε προηγούμενα χωρίς τις οποίες το φαρμακείο σήμερα μεμονωμένο δεν μπορεί να λειτουργήσει. Και η διαφοροποίηση η μεγάλη είναι η εξής: ότι μια ιδιωτική φαρμακαποθήκη ή αν θέλεις μια μετοχική λειτουργία μιας αποθήκης, σε καμία περίπτωση δεν μπορεί να προσφέρει, όλα αυτά τα οποία λέγαμε προσθέτουν κόστος στην επιχείρηση κόστος και οικονομικό αλλά και κόστος επένδυσης στο να γίνει αυτό το κομμάτι, να δημιουργηθεί αυτό το κομμάτι.

C3B1: There is a big difference. An enormous difference I would say; in the sense that co-operative operating imposes some things and defines the frame within one moves, with many negative and a lot of positive aspects. However, I believe that within the new market conditions and if one analyzes what must be developed in this phase, and we have seen it very early... Namely, the direction of developing the parapharmaceuticals, the computerization, the supply department and the whole administration [re-organization], give us the ability to be deployed in other sectors which will be the challenge of our time; in the sense that we'll be forced to play in generic drugs as well, which is the next step and the most important bet for the drug industry; we should be prepared. Just as [we did] in the services we mentioned before, without which a single pharmacy cannot function well. The biggest differentiation is the following: a private wholesaler or a multi-shareholder

wholesaling company is not able to offer any of those we were talking about because those add costs in a firm, both financial and investment costs to create this infrastructure

Θ.: Δηλαδή αυτή είναι η βασική διαφορά σήμερα, παρ' όλο που ο συνεταιρισμός για παράδειγμα σήμερα παίρνει επιχειρηματικές πρωτοβουλίες που θα μπορούσε να τις πάρει και μια ιδιωτική αποθήκη, έτσι μια ιδιωτική επιχείρηση...

Μ.: Αυτή είναι η μεγάλη διαφορά γιατί μέσα από αυτή τη διαδικασία προστατεύει τα μέλη φαρμακεία του.

Θ.: Άρα η διαφορά είναι στην αναζήτηση του κέρδους, μπορούμε να πούμε;...

Μ.: Ακριβώς. Δηλαδή σε οποιεσδήποτε συνθήκες λειτουργίας της αγοράς μπορείς αυτόματα να μετατρέψεις αυτό το κομμάτι εδώ πέρα που έχεις φτιάξει το μηχανισμό...

Μιλώ και πάλι ότι είναι η μεγαλύτερη επένδυση. Είναι δύσκολο πολύ να το κάνεις. Δεν μπορείς δηλαδή από τη μια στιγμή στην άλλη να επενδύεις σε κάποιο κομμάτι και να λες εγώ σήμερα επενδύω και φτιάχνω τη μηχανοργάνωση παραφαρμάκου ή οτιδήποτε άλλο ας πούμε αυτά τα πράγματα. Αυτή τη στιγμή είναι δομημένο το σύστημα, λειτουργεί. Άρα...

R.: Concluding, is this the fundamental distinction today, despite the fact that the co-operative takes, today, entrepreneurial initiatives that could be also taken by a private wholesaler, a private enterprise?

C3B1: This is the big difference because through this process it protects its members.

R.: So, we can argue that the difference lies in the profit seeking, can't we?

Θ.: Ένας ιδιώτης για παράδειγμα, να πάρουμε μια ιδιωτική επιχείρηση, είτε πολυμετοχική είτε προσωπική εταιρεία, που έχει τα λεφτά, την τεχνογνωσία την βρίσκει εύκολα γιατί δεν το κάνει. Δεν το έχει κάνει, απ' ό,τι φαίνεται στην αγορά δεν το 'χε. Γιατί δεν το κάνει; Τι είναι αυτό που κάνει το συνεταιρισμό από τη μία να παίρνει επιχειρηματικές πρωτοβουλίες που θα μπορούσε να παίρνει ένας ιδιώτης αλλά ταυτόχρονα ο ιδιώτης να μην μπορεί να κάνει αυτά που κάνει ένας συνεταιρισμός για παράδειγμα;

R.: A private enterprise, for example, whether it is multi-shareholders owned or single proprietorship, that has the money could easily find the know-how, so why not do it? It seems that it hasn't done it, as far as the market is concerned. Why? What is this that makes, for example, the co-operative on one hand to take entrepreneurial initiatives that a private enterprise could also take but on the other hand a private enterprise cannot do what a co-operative does?

Μ.: Κατ' αρχάς η διαφοροποίηση η μεγάλη είναι ότι ο ιδιώτης ενδιαφέρεται μόνο για το κέρδος του και τίποτε άλλο. Δεν τον ενδιαφέρει αν το φαρμακείο κερδίζει περισσότερα ή λιγότερα ή αν το φαρμακείο... Τον ενδιαφέρει να υπάρχει αγορά να πουλάει τα προϊόντα του, είτε αυτό είναι το φαρμακείο είτε το εξαγωγικό εμπόριο είτε οτιδήποτε άλλο. Άρα το κομμάτι που τον ενδιαφέρει, που χρειάζεται να δει, είναι πόσα θα βάλει στην τσέπη του από αυτή τη λειτουργία που έχει. Εμάς μας ενδιαφέρει να υπάρχουν τα συνεταιρισμένα φαρμακεία. Εμάς μας ενδιαφέρει το κομμάτι της λειτουργίας του φαρμάκου να μη φύγει μέσα από δω διότι αν φύγει μέσα από εδώ σταματάμε να υπάρχουμε και σαν φαρμακεία και σαν συνεταιρισμός, αλώνεται η αγορά...

C3B1: Firstly, the biggest distinction is that the private owner is interested solely in his profit and nothing else. He doesn't care whether the pharmacy earns more or less, whether the pharmacy... He is interested only in a market in order to sell his products; he doesn't care whether this market is pharmacies or export trade or anything else. So what he cares about is how much money he can put in his pocket from his operations. What we care about is our

pharmacies to exist. We are interested in not losing the part of operations regarding medicines because if this leaves the pharmacy we cease to exist both the pharmacies and the co-operative, the market has fallen...

Θ.: Σταματάτε;

Μ.: Ναι σταματάμε.

Θ.: Θέλω να πω αν κάνουμε μια υπόθεση... σήμερα δηλαδή, τα φαρμακεία, τα μέλη του συνεταιρισμού υφίστανται κάποιο συντριπτικό πλήγμα ή η αγορά του φαρμάκου στη λιανική αλλάζει τόσο πολύ που γίνεται αγνώριστη πια, που δεν μπορούμε να μιλάμε για φαρμακεία-μέλη δηλαδή ή οτιδήποτε άλλο, ο συνεταιρισμός κλείνει;

Μ.: Εάν τα φαρμακεία του πτωχεύσουν, σαφώς κλείνει, δεν έχει αντικείμενο.

Ρ.: Do you shut down then?

C3B1: Yes, we do.

Ρ.: I mean, if we make the assumption that today the pharmacies-members of the co-operative undergo a crushing blow or that the pharmaceutical retail market alters so much that it becomes unrecognizable and we cannot talk about pharmacies-members or about anything else, does the co-operative close down?

C3B1: If pharmacies go bankrupt, then it definitely closes down; there is not any reason to exist.

Θ.: Όχι να πτωχεύσουν, λέω ότι να αλλάξει εντελώς ο χαρακτήρας... θα μπορούσε για παράδειγμα τα φαρμακεία να μην είναι πια ατομικά, να είναι εταιρείες...

Μ.: Όχι... αυτό έλεγα προηγούμενα...

Θ.: Υπόθεση εργασίας κάνουμε... Ο συνεταιρισμός τότε τι κάνει εκεί;

Ρ.: No, not in the case of bankruptcy, but if their character will be completely altered...pharmacies could, for example, belong to companies and not to individual persons...

C3B1: No, this is what I was saying previously...

Ρ.: This is a hypothesis... What will the co-operative do then?

Μ.: Αυτό έλεγα προηγούμενα, ότι ο συνεταιρισμός σε αυτήν τη φάση παίζει αυτό το ρόλο που λέγαμε. Ο συνεταιρισμός συγχρόνως, στην καινούρια φάση που περιγράφεις, θα μπορούσε κάλλιστα να μετατραπεί σαν μια εταιρεία συντονισμού και τροφοδοσίας αυτών των καινούριων μορφών που θα δημιουργηθούν στις συνθήκες της αγοράς, ούτως ώστε να μανατζάρει την λειτουργία των συνεταιρισμένων ή των εταιρικών φαρμακείων.

Θ.: Άρα θα συνεχίσει...

Μ.: Βεβαίως.

Θ.:... προσπαθεί...

C3B1: This is what I was saying previously, that in this phase the co-operative plays the role we were talking about. In the [potential] new phase that you describe, the co-operative could be perfectly transformed into a coordinating and logistics company serving these new entities that will be established in the [altered] market conditions in order to manage the operations of associated or corporate pharmacies.

Ρ.: Consequently, it will keep working...

C3B1: Certainly!

Ρ.: ...It is trying...

Μ.: Αλλιώς θ' αλλάξει ο τρόπος λειτουργίας του. Δεν θα είναι αυτός που ήταν μέχρι τώρα. Δεν θα είναι η λειτουργία του απλωμένη σαν βεντάλια έτσι όπως ήταν μέχρι τώρα. Θα είναι

αν θες και πιο ποιοτική. Με την έννοια ότι θα έχει να ασχοληθεί με αντικείμενο πια μανατζαρίσματος εταιρειών μεγάλων, που θα προκύψουν μέσα από τέτοια σχήματα, αν προκύψουν και οι συνθήκες το επιβάλλουν που πια οι συνθήκες της αγοράς θα είναι τέτοιες που θα έχεις ανταγωνιστές μεγάλους. Δεν θα έχεις μικρούς ανταγωνιστές. Άρα το μανατζάρισμα θα είναι το Α και το Ω... σ' αυτήν την υπόθεση για να διατηρηθούν οι καινούριες εταιρικές μορφές που θα προκύψουν σ' αυτήν την υπόθεση

Θ.: Μάλιστα. Κατάλαβα.

Μ.: Διαφορετικά δεν υπάρχει.

C3B1: Otherwise, its working mode will change. It will not be the one that is till now. It will not be a function like a wide open fan, like it was till now. It will be more qualitative; in the sense that it will have to deal with the management of larger companies which will come about through this kind of enterprises, if they come about due to the market conditions, when market conditions will be of such a type that your rivals will be big. There will be no small competitors, therefore management will be the A and Z of the case, so as the new corporate forms that will emerge could survive.

R.: Yes, I see.

C3B1: Otherwise it cannot exist anymore.

Θ.: Ναι, προφανώς. Είδαμε αυτές τις διαφορές ανάμεσα στο συνεταιρισμό και στους ανταγωνιστές του σήμερα. Όλες αυτές οι αλλαγές που φέρατε εσείς όλα αυτά τα χρόνια από το '99 ξεκινώντας μέχρι σήμερα, που τον απομάκρυναν από την εντελώς παραδοσιακή μορφή συνεταιρισμού, πιστεύετε ότι ενισχύουν τις διαφορές ή τις κάνουν να ατονούν από τον ιδιωτικό ανταγωνισμό;

Μ.: Τις ενισχύουν.

Θ.: Τις ενισχύουν, παρ' όλα αυτά!

R.: Obviously, yes. We noticed the differences between the co-operative and its competitors, today. All these changes that you have made all the years since 1999 till our days, which moved it off a lot from the traditional co-operative form, do you believe that enhance differences from the private competitors or make them weak?

C3B1: They enhance them.

R.: Enhance them, nonetheless!

Μ.: Τις ενισχύουν και φαίνεται τελευταία. Στις συνθήκες δύσκολης αγοράς που δημιουργήθηκαν και τα προηγούμενα χρόνια αλλά και τώρα, εκείνο ακριβώς το οποίο είδαμε μέσα από τη λειτουργία μας επιμένοντας και απευθυνόμενοι μέσα στην εσωτερική αγορά, εκείνο το οποίο είδαμε ήταν ότι είμαστε καλύτεροι σε όλα τα επίπεδα λειτουργίας από τον οποιονδήποτε ιδιώτη. Οι υπηρεσίες μας, η λειτουργία μας, η προμήθειά μας είναι πολύ καλύτερη απ' ότι είναι του ιδιώτη με αποτέλεσμα φαρμακεία συνεταιρισμένα στο ίδιο μέρος με φαρμακεία μη συνεταιρισμένα συνεργαζόμενα με ιδιώτες να έχουν τεράστια διαφορά. Και παρ' όλο ότι δεν υπήρξε ιδιαίτερη προσπάθεια να εγγράψουμε μέλη και να φέρουμε κόσμο προς τον συνεταιρισμό γιατί είχαμε επικεντρωθεί σε όλο το άλλο κομμάτι που περιέγραφα προηγούμενα, οι οχλήσεις για να έρθουν είτε με τη μορφή πελατών είτε με τη μορφή μελών όλα αυτά τα χρόνια είναι τεράστια, με αποτέλεσμα κάποια στιγμή να σταματήσουμε και να πούμε στοπ! Δεν θέλουμε άλλους αυτή τη στιγμή. Θέλουμε να προωθήσουμε σωστά αυτούς που έχουμε.

C3B1: They enhance them and this is proved recently. In the hard market conditions that have been generated the last years, what we observed through our operation – i.e. by

insisting on orienting ourselves towards the internal market – is that we were better in any operational level than any private [competitor]. Our services, our operations, our supply capacity are much better than private competitor's and as a result there is a significant difference between co-operative pharmacies in one place from non-co-operative pharmacies that work with private enterprises. And this happens despite the fact that we made no significant effort to enroll new members and bring new people to the co-operative because we had focused on the other issues that I described you before. However, people have been asking all these years to become either clients or members in such an insistent way that we had to stop this and say, "no more"! We need no more people at this moment. We want to support properly those we already have!

Θ.: Δηλαδή, παρ' όλο που παίρνετε αποφάσεις και προχωράτε σε αλλαγές, επιχειρηματικής φύσεως όσον αφορά την αποδοτικότητα, θεωρείτε ότι ενισχύεται η διαφορά φύσης ανάμεσα στο συνεταιρισμό και την ιδιωτική αποθήκη... δηλαδή ο συνεταιρισμός είναι ακόμα πιο συνεταιρισμός απ' ότi το '94 που ξεκινάγατε...

Μ.: Ναι, ναι. Τεράστια, με την έννοια τις καινούριες συνθήκες της αγοράς.

Θ.: Αυτό είναι πολύ σημαντικό.

Ρ.: So, does it mean that despite the fact that you take decisions and proceed with changes of entrepreneurial character regarding efficiency, you still believe that the difference in the nature of a co-operative and a private enterprise is being enhanced; namely, the co-operative is still the co-operative that used to be in 1994 when you started...

C3B1: Yes, yes! It is enormous, in the new market conditions.

Ρ.: This is very important.

Μ.: Δηλαδή η αξιοπιστία μας στη λειτουργία του χονδρεμπορίου είναι έμπρακτη και φαίνεται πάρα πολύ σημαντικά και διαφοροποιείται από το μη συνεταιρισμένο φαρμακείο. Φαίνεται σταθερά, δηλαδή. Το γεγονός δηλαδή ότi ένα φαρμακείο σε μας μπορεί να το προμηθεύει με πάρα πολλά προϊόντα που αφορούν τη λειτουργία του φαρμακείου του και να του προσθέτουν κέρδος και το άλλο απέναντι που συνεργάζεται με το ιδιωτικό κεφάλαιο δεν μπορεί να τα κάνει, είναι εμφανής. Είναι εμφανής. Γι αυτό ακριβώς και σ' αυτή τη φάση έχουμε τεράστιες οχλήσεις κόσμου να έρθουν προς τα δω είτε με τη μορφή μέλους είτε με τη μορφή απλού πελάτη. Για να μπορούν να προωθηθούν. Είμαστε καλοί σταθερά δηλαδή.

C3B1: You see, our reliability in wholesale trade is factual and it is significantly apparent since [co-operative pharmacy] differentiates itself from the non-cooperative pharmacy. This is a steady observation. Namely, the fact that our [co-operative] pharmacy is able to be supplied [by the co-operative] with lots of products concerning pharmacy's operation which add profits to it while the other, across the street, which purchases from the private capital is not able to do the same; this is obvious. That's why even in the current phase lots of people want to come to our side either as members or simply as clients.

Θ.: ... Όλοι περιγράφουν το περιβάλλον αυτό των τελευταίων ετών σαν πολύ ταραγμένο, ασαφές, θολό, επικίνδυνο, κλπ. Πώς αυτό εκτιμάτε θα επιδράσει στη διαδικασία λήψης των αποφάσεων πια, για τέτοιου τύπου αλλαγές; Δηλαδή, αλλαγές που απομακρύνουν τον συνεταιρισμό από τα παλιά, τα παραδοσιακά πρότυπα. Πιστεύετε ότi θα ενισχύσει τη διαδικασία λήψης τέτοιων αποφάσεων ή θα την ατονήσει με κάποιο τρόπο, για όσο επικρατεί αυτή η αναταραχή και η αναμπουμπούλα;

Μ.: Εγώ πιστεύω ότi θα την ενισχύσει. Με την εξής έννοια, και αυτό το λέω μέσα από τη διαδικασία των τελευταίων αποφάσεων που πήραμε και για τις προαιρετικές μερίδες και

για την προετοιμασία του συνεταιρισμού στα καινούρια δεδομένα και στην καινούρια κατάσταση, είδα ότι τα μέλη αμέσως έτρεξαν και αμέσως λειτούργησαν ερχόμενοι πιο κοντά ...συσπειρωτικά. Δηλαδή, δεν δημιούργησε παρενέργειες φυγόκεντρης τάσης αυτό το πράγμα...

R.: Everyone describes the last years' environment as much turbulent, vague, blur, dangerous and so on. How do you believe that this will influence the decision making process regarding this kind of changes, namely changes that remove the co-operative from the old, traditional standards? Do you believe that it will enhance the specific decisions making process or will it weaken it, at least as long as the turbulence prevails?

C3B1: I believe it will enhance it in the following sense... This is my opinion, based on the process of the last decisions we made, both regarding optional shares and the preparation of the co-operative to the new data and the new situation. I saw our members hustling at once and coming together, they rallied around. In other words, there were no side effects of centrifugal tendency...

Θ.:... ώστε σαν διοίκηση να σας εγκλώβιζε και να μην πάρετε κάποιες αποφάσεις...

Μ.: ...να ξαναδούμε ή να παιδευτούμε πολύ για να πάρουμε κάποιες αποφάσεις. Ίσα-ίσα μπορώ να πω ότι μας ευνόησε, με την έννοια ότι βλέπουμε όλοι τις δυσκολίες κι επειδή έχουμε αξιόπιστα δείξει ότι μπορούμε να ανταπεξέλθουμε στη λειτουργία, στο να είμαστε κοντά στο φαρμακείο να το εξυπηρετήσουμε, το συνεταιρισμένο φαρμακείο, αυτό μας διευκολύνει. Αναγνωρίστηκε δηλαδή τώρα στις καινούριες συνθήκες ο ρόλος μας. Και πιθανώς σε κάποιους τους έδωσε να καταλάβουν ότι η προοπτική λειτουργίας τους είναι μέσα από εδώ. Άρα μας διευκόλυνε. Εγώ δεν συνάντησα δυσκολίες, δηλαδή, και στις Γ.Σ. και στα Συμβούλια να περάσουμε προτάσεις προχωρημένες, σε σχέση με παλιά που θα έπρεπε να κάτσουμε να τις συζητήσουμε πάρα πολλές φορές για να πάρουμε αποφάσεις, να ακούσουμε όλες τις απόψεις, να υπάρξει μια πολύ καλύτερη αφομοίωση των πραγμάτων για να δούμε όλα τα μέλη, αυτό αφορά είτε το Δ.Σ. είτε τη Γ.Σ. να επεξεργαστούν όλα αυτά τα πράγματα και να τα δουν σε δεύτερη φάση. Σ' αυτή τη φάση, επειδή τρέχουν τα γεγονότα κι επειδή είχε αγριέψει πραγματικά η αγορά και δημιουργούν συνθήκες αβεβαιότητας όλα αυτά τα πράγματα, τα μέλη πιάνονται από εδώ και πιάνονται από εδώ γιατί; Γιατί όλα αυτά τα χρόνια – είναι αυτό που έλεγα προηγούμενα – χτίσαμε κάτι. Το οποίο αυτό που χτίσαμε δίνει τους καρπούς τώρα.

R.: ... so as to close you in upon as administration and prevent you from making decisions...

C3B1: ...to revisit or struggle hard to make some decisions. On the contrary, it was an advantage because we all see the difficulties and since we have been proved reliable and capable to cope with the function of a co-operative pharmacy, by standing on its side and serving it, things were easier for us. In other words, our role was recognized in the new situation. And probably, it made some people to realize that their perspective is to operate through the co-operative. Hence, it facilitated us. I found no difficulties, neither in the General Assembly nor in the Board of Directors, to pass advanced suggestions; whereas the previous years we would have a long discussion, we would hear all the arguments and wait until things were better absorbed; all the members- either the General Assembly or the Board of Directors would also process and examine all the matters before taking our decisions; in the current phase, because the events run and the market becomes tougher and conditions of uncertainty arise, members are snatched up from us; why does this

happen? Because we have built something all these years, this is what I was talking about. What we planted brings now nuts!

Θ.: Να κάνω μια προκλητική ερώτηση;

Μ.: Βεβαίως!

Θ.: Το εξωτερικό περιβάλλον του συνεταιρισμού είναι οι προμηθευτές του, είναι οι τράπεζες, είναι η κυβέρνηση, είναι η κοινωνία. Είναι οι φαρμακοποιοί; Τα μέλη εσείς τι τα θεωρείτε, αντικειμενικά, όταν κάνετε το σχεδιασμό σας: εξωτερικό περιβάλλον του συνεταιρισμού ή εσωτερικό;

Ρ.: Could I make a provocative question?

C3B1: Certainly!

Ρ.: The external environment of the co-operative consists of its suppliers, banks, the government, society and so on. Are the pharmacists included? When you make your plans, do you objectively consider the [pharmacies-]part of the external or the internal environment of the co-operative?

Μ.: Είναι δύο απόψεις. Και αυτό, αν θέλεις, έρχεται και σε συνδυασμό με τη λειτουργία όπως είπα του κάθε μέλους. Δηλαδή, οι καινούριες καταστάσεις είναι κάποια μέλη που τα φέρνουν πιο κοντά στη λειτουργία του συνεταιρισμού κι αντιλαμβάνονται πιο πολύ σήμερα κάποια πράγματα που μέχρι τώρα δεν τα αντιλαμβάνοντουσαν αλλά υπάρχουν και μέλη τα οποία δεν αντιλαμβάνονται τις καταστάσεις, επηρεασμένοι από την κρίση λειτουργούν απομονωμένα, με αποτέλεσμα να μην παίρνουν τα μηνύματα αυτά. Αλλά το κυρίαρχο είναι ότι η πλειοψηφία των μελών και αυτό είναι που επηρεάζει τη λειτουργία της επιχείρησης, είναι προς αυτή την κατεύθυνση.

C3B1: This is a twofold issue. It is connected with each member's operation. In the new conditions, there are members who realize today things better than they used before but there are also members who do not realize the situation and operate isolated and as a result they do not receive these messages. But what it counts is that the majority of the members are aligned with the first direction and this is what influences the operation of our enterprise.

Θ.: Να θεωρούν εαυτόν, δηλαδή, οργανικό τμήμα του ...

Μ.: Οργανικό τμήμα της επιχείρησης. Και αυτό είναι πολύ σημαντικό. Δηλαδή, το είδαμε και το αξιολογήσαμε και στην τελευταία Γ.Σ. ένα πολύ μεγάλο κομμάτι που αναπτύξαμε στην τελευταία Γ.Σ. ήταν ακριβώς αυτό. Είπαμε ότι από εδώ και πέρα, αυτό το οποίο θα μας προσφέρει κέρδη μέσα από τη συμμετοχή μας στη λειτουργία αυτής της επιχείρησης, δεν είναι το μέρισμα που παίρναμε όλα αυτά τα χρόνια, το ποίο ήταν αξιόλογο και οι εκπτώσεις όλο αυτό το χρονικό διάστημα μέσα σε μια διογκωμένη αγορά όπως λέγαμε προηγούμενα που υπήρχε όλα αυτά τα χρόνια και δεν άφηνε κανένα πρόβλημα να υπάρξει. Είδαμε ότι η κερδοφορία μπορεί να υπάρξει το ίδιο καλή, μέσα από τη λειτουργία του καθενός μας μέσα στην επιχείρηση.... Φάνηκε ότι η πλειοψηφία των μελών είναι έτοιμη να μπει στις καινούριες διαδικασίες. (36.03) Χρειάζεται δουλειά βέβαια αυτό. Χρειάζεται και οι φαρμακοποιοί μέλη να εντάξουν τον εαυτό τους σε μια διαφορετική λειτουργία. Αλλά είναι αξιοσημείωτο ότι πραγματικά συμμετέχουν στα καινούρια δεδομένα και στα πλάνα που βάλαμε από πού θα έρθει η κερδοφορία. Δηλαδή, π.χ. είπαμε ας πούμε, η νέα εποχή θα είναι η εποχή των generics, θα είναι η εποχή της σηματοδότησης των συνεταιρισμένων φαρμακείων. Το κομμάτι αυτό που αναπτύξαμε και βάλαμε είδα ότι υπάρχει μεγάλη διάθεση από τη μεριά των φαρμακοποιών προοπτικά να λειτουργήσουν σαν μια άτυπη

αλυσίδα, μέσα από τη λειτουργία του συνεταιρισμού. Και βλέπουμε τα οφέλη τα οποία θα υπάρξουν.

R.: Which is, to consider themselves as an organic part of ...?

C3B1: As an organic part of the firm. And this is very important. We noticed and evaluated that, for example in our last General Assembly when a large part of what we suggested there was exactly this. We argued that, from now on, what is going to bring profits back to us will be our participation to the operations of this enterprise and not the dividend that we used to share all these years or the discounts we used to take the years of the expanded market when no similar problem could exist. We realized that it can be a good profitability through our participation in the operation of our enterprise. It seemed to us that the majority of our members are ready to enter a new process. It still needs work. Pharmacists need to include themselves in a different operation. However, it is notable that they really participate in the new facts and the new plans we introduced regarding the source of our profitability. For example, we argued that the new era will be the era of the generic drugs; it will be the era of the signage of the pharmacies and so on. We analyzed this issue and I saw a good attitude from the pharmacists towards the perspective to operate as virtual chain, through the co-operative's operation. We can see the advantages from this.

Θ.: Άρα δεν θεωρείτε εσείς, όπως τα υπόλοιπα στοιχεία του περιβάλλοντος σας επιβάλλουν μια πίεση σε κάποιο βαθμό σε δεδομένες στιγμές, αυτή η πίεση είναι αντιστοίχα... και οι φαρμακοποιοί επιβάλλουν μια πίεση προς το συνεταιρισμό, πίεση εννοώ ανεξάρτητη από την αγορά. Η πίεση της αγοράς είναι για όλους η ίδια προφανώς.

M.: Όχι δεν βλέπω καμιά πίεση, δεν βλέπω καμιά πίεση. Ίσα-ίσα – και μιλάω για τη λειτουργία της επιχείρησης σε κεντρικό επίπεδο.

Θ.: Υπάρχουν κάποιες δομές εδώ πέρα: η διοίκηση, τα στελέχη, τα τμήματα, η ιεραρχία η οποία υπάρχει, η διαδικασία με την οποία γίνεται η δουλειά. Όλα αυτά τα πράγματα στις αποφάσεις που πήρατε για όλες αυτές τις αλλαγές, από το '99 ήδη και μέχρι σήμερα, πιστεύετε ότι τις επηρέασαν;

M.: Ναι, σαφώς.

R.: So, you don't believe that, exactly as the rest elements of the environment that put a pressure on you in a certain degree and in certain moments, pharmacists also put pressure on the co-operative, additional to the one from the market. Market pressures are obviously the same for everyone.

C3B1: No, I can't see any pressure; no pressure. On the contrary, I am talking about the operation of the enterprise in the core level.

R.: There are some structures over there: administration, executives, departments, the existing hierarchy, and the way that work is done. Do you believe that all this stuff affected the decisions you made regarding changes from 1999 till now?

C3B1: Yes, definitely!

Θ.: Με ποιο τρόπο; Τη διοίκηση μπορούμε να το καταλάβουμε. Ασκή τη διοίκηση και άρα τις επηρεάζει, όμως υπήρχε κάτι μέσα στο συνεταιρισμό, στις δομές του, στους ανθρώπους, στις διαδικασίες που έσπρωξε τα πράγματα προς αυτήν την κατεύθυνση των διαρκών αλλαγών;

R.: In which way? We can understand the role of the administration; it administrates, hence it affects them. But, was there something inside the co-operative, its structures, its people, or its processes that pushed things towards this constant changes direction?

Μ.: Κατ' αρχάς υπήρχε η πίεση της αναβάθμισης διαρκώς της λειτουργίας του συνεταιρισμού, με την έννοια ότι αυτό που κάναμε σαν διοίκηση και που συνεργαζόμενοι με τα στελέχη το δίνουμε ακριβώς να το καταλάβουν και θα 'πρεπε να το μετατρέψουν σε λειτουργία μέσα στο συνεταιρισμό ήταν ότι: δεν μπορούμε να παραμένουμε μια αποθήκη με δεδομένες συνθήκες λειτουργίας μιας συνεταιριστικής αποθήκης απλά. Αλλά θα έπρεπε να είμαστε μια αποθήκη παραπάνω λειτουργώντας σε συνθήκες αγοράς ανταγωνιστικές, δηλαδή το μέλος το οποίο θα ερχόταν ή αυτός ο οποίος θα ερχόταν να συμμετέχει στην επιχείρηση δεν θα ερχόταν επειδή θα έβλεπε γενικά και αόριστα μόνο τη συνεταιριστική ιδέα και τίποτα άλλο, αλλά θα ερχόταν γιατί θα είχε συγκεκριμένα δείγματα γραφής, όσον αφορά τη λειτουργία της επιχείρησης και την αποδοτικότητα που θα είχε μέσα από τη διαδικασία αυτή. Το όφελος δηλαδή που θα είχε μέσα από αυτό. Πιστεύω ότι αυτό ήταν καθαρό. Αυτό δημιούργησε εσωτερικές συνθήκες τέτοιες ούτως ώστε τα στελέχη μας τα ίδια να αυξάνουν συνεχώς το επίπεδο λειτουργίας, βέβαια κι εμείς σαν διοίκηση σε αυτό τους δίνουμε όλα εκείνα τα φόντα που χρειάζονταν – και μεταπτυχιακά έκαναν πολλά στελέχη από εδώ και εκπαιδευτικά σεμινάρια και η λειτουργία της δομής είναι τέτοια που δίνει ακριβώς κι εκπαιδευτικό χαρακτήρα σε όλη τη λειτουργία, δεν αφήνουμε να πάει τίποτα στην τύχη δηλαδή, το κάθε τι που γίνεται εδώ μέσα εξετάζεται και βλέπεται στην πορεία και προσαρμόζεται στα καινούρια δεδομένα. Το ότι φτιάξαμε ετούτα εδώ μας βοήθησε πάρα πολύ διότι μας έδωσε τις δομές μια τέτοια λειτουργία που μπορούμε καλύτερα να αξιοποιήσουμε στελέχη. Τα στελέχη και οι ικανότητες ανθρώπων που λειτουργούν εδώ πέρα στις καινούριες δομές, το μεγαλύτερο πράγμα που φάνηκε εδώ πέρα στη μετεγκατάσταση στις καινούριες εγκαταστάσεις ήταν ότι αξιοποιούμε ακριβώς τις ικανότητες του κάθε στελέχους.

C3B1: Firstly, it was the pressure for the continuous enhancement of the co-operative's operations, in the sense that everything we did as administration and with our co-operation with our executives, was made clear to them in order to change it accordingly into a new function of the co-operative: we cannot function as a wholesaler, simply with the given operative conditions of a co-operative wholesaler. But, we should be an advanced wholesaler, operating in competitive market conditions; which means that the member who was going to come to us and co-operate with the enterprise, would not come because of a general and vague acceptance of the co-operative ideas and nothing else but one would come because of the specific work samples concerning the enterprise's operation and the efficiency that one could gain through this process. That is, the benefits one could have. I believe that this was clear. This created such internal conditions that our executives themselves enhanced our level of operations; of course, we, as administration, offered them all the needed qualifications – post-graduate programs for many executives, training seminars while the structure of our operations provides an educational character to the whole operation. We leave nothing to chance; everything that happens here is being examined in its process and is adapted to new facts. Building these [facilities] helped too much because it offered an infrastructure to make the best of our executives. Our executives and people's capabilities who work here in the new infrastructure... It was the greatest and most obvious thing after our relocation here to the new facilities that we make the best of each executive's capabilities.

Θ.: Μέσα σε όλη αυτή τη διαδικασία αλλαγών ποιος έπαιξε το σημαντικότερο ρόλο ώστε να προωθείται αυτή η διαδικασία των αλλαγών: οι διαδικασίες, οι άνθρωποι ή η ιεραρχία;

M.: Εγώ θα έλεγα συνδυασμός όλων.

Θ.: Συνδυασμός όλων και των τριών;

R.: In the whole change process, which of the three played the most important role in forwarding the change process: procedures, people or hierarchy?

C3B1: I would say a combination of all.

R.: Of all the three?

M.: Συνδυασμός όλων γιατί αν η διοίκηση ξέρω γω δεν είχε αυτήν την κατεύθυνση και τα στελέχη ανάλογα θα λειτουργούσαν ή θα απέδιδαν στα επίπεδα αυτά. Το πρώτο πράγμα ξεκινάει από τη διοίκηση, από τις ανησυχίες της διοίκησης και τη λειτουργία της αν θέλεις σε καθαρά διοικητικό επίπεδο. Το δεύτερο κομμάτι είναι, πώς αφομοιώνουν τα στελέχη αυτά που αποφασίζουμε σαν διοίκηση και το τρίτο είναι το λειτουργικό για να φτάσεις στο επίπεδο των αποφάσεων τις οποίες παίρνεις. Και αφορά το λειτουργικό κομμάτι. Η παρακολούθησή του, οι βελτιωτικές τοποθετήσεις, οι αλλαγές οι εσωτερικές που χρειάζονταν να γίνουν, τα καινούρια δεδομένα και η εξειδίκευση των ατόμων στα νέα τεχνολογικά δεδομένα ούτως ώστε πραγματικά να έχουμε καλύτερη προσέγγιση σε επιστημονικά δεδομένα λειτουργίας της επιχείρησης. Όλα αυτά αποτελούσαν ένα κομμάτι διαρκές και είναι μια διαρκής λειτουργία που δεν σταματάει, αναπτύσσεται και το ένα σου φέρνει το άλλο. Όταν μπεις σε αυτή τη διαδικασία αναγκαστικά θα πρέπει να συνεχίσεις, αν διακόψεις θα φανεί...

C3B1: A combination of all because unless the administration had this direction, the executives could not act accordingly or in the same level. Firstly, it begins from the administration, from its worrying and its function in a purely administrative level. Secondly, it is how the executives absorb what the administration decides and finally is the operational part in order to achieve what one has decided about. And this concerns the operational level; its monitoring, the improvement interventions, the internal changes that needs to happen, new facts and individuals' specialization to new technological facts in order to have a better approach to a scientific way of enterprise's function. All these constitute a constant part, a continuous operation that never stops but it is deployed and one thing brings the other. When one enters this process, one must necessarily keep going because if one stops then this will become visible...

Θ.: Πώς θα φανεί; Είναι σημαντικό αυτό. Αν διακόψεις τη διαδικασία της αλλαγής...

M.: ...της αλλαγής. Είναι τέτοια η πίεση της αγοράς που έχεις δημιουργήσει γιατί ακριβώς σου λέω, η λειτουργία της ίδιας της αγοράς όπως την αφομοιώσαμε εμείς μας δίνει ερεθίσματα και μας δίνει κίνητρα να προχωράμε παραπέρα. Δηλαδή, π.χ. ας πούμε δεν λειτουργεί μόνο σε ένα επίπεδο να προμηθεύσει κάποια προϊόντα που έχει ανάγκη ο συνεταιρισμός. Προσπαθεί μέσα από τη λειτουργία του από το φαρμακείο να αναδείξει κάποια σημεία δυνατά του κάθε φαρμακείου-μέλους και αντίστοιχα να του δώσει προστιθέμενη αξία μέσα από εκπτώσεις ή από διάφορες προσφορές αναπτύσσοντας κομμάτια τα οποία μπορεί να αναπτύξει το κάθε φαρμακείο ανάλογα με το διαφορετικό επίπεδο στο οποίο βρίσκεται. Άρα είναι μια διαρκής αναζήτηση. Και για να το κάνει αυτό...

Θ.: Αν διακοπεί;

R.: How will it become visible? This is important. If you interrupt the process...

C3B1: ...of the changes. The pressure coming from the market is very high. Because, as I am telling you, the function of the market, as we absorbed it, provides us with stimuli and motives to move further. For example, it [the co-operative] doesn't work in only one level,

let's say the level regarding the supply of some products that the pharmacy needs. It is trying, through its operation, to highlight some strong points of each pharmacy-member and respectively to add value through discounts or special offers, developing parts that every pharmacy can develop depending on the different level that it is placed. Therefore, it is a constant pursuit. And, to do so...

R.: But, what if it is interrupted...?

M.: Αν διακοπεί αυτή θα φανεί το κενό. Διότι ο φαρμακοποιός είναι εξοικειωμένος σε αυτήν την κατάσταση. Ξέρει ότι το Α στέλεχος μέσα της επιχείρησης που ασχολείται με αυτό το κομμάτι είναι έτοιμο να τον καλύψει στις ανάγκες του που έχει στο φαρμακείο σ' αυτό το επίπεδο. Αν δεν τον καλύψει άμεσα θα φανεί το αποτέλεσμα.

Θ.: Σκεπτόμενος το '99, την εσωτερική δομή του συνεταιρισμού – διαδικασίες, ιεραρχία, ανθρώπους (εργαζόμενους, στελέχη, κλπ) – και κοιτώντας το σήμερα, μετά από όλες αυτές τις αλλαγές που έχουν συμβεί, υπάρχουν διαφορές;

M.: Τεράστιες.

Θ.: Σε πιο επίπεδο;

C3B1: If it is interrupted, then the emptiness will appear; because the pharmacist is familiar with this situation. He knows that the executive A of this enterprise, who deals with that part, is ready to satisfy his needs for the operation of the pharmacy in this level. Unless he covers them, the outcome will become visible.

R.: Remembering '99, the internal structure of the co-operative – procedures, hierarchy, people (employees, managers, etc.) – and observing the same today, after all these changes, are there any differences?

C3B1: Huge!

R.: In what level?

M.: Κατ' αρχάς έχουμε αλλάξει εμείς οι ίδιοι σαν διοίκηση. Διαφορετικά λειτουργούσαμε τα πρώτα χρόνια λειτουργίας του συνεταιρισμού, διαφορετικά λειτουργούμε μετά από κάποια χρόνια μέσα στην αγορά και βλέποντας τα πράγματα και τις εξελίξεις από κοντά, από διαφορετικό επίπεδο. Τα στελέχη σαφώς έχουν διαφοροποιηθεί όσον αφορά το ανέβασμα του καθενός και η αξία του μέσα από τη λειτουργία της επιχείρησης και αυτό το πράγμα προσπαθήσαμε και σαν διοίκηση να το ανταμείψουμε και να του δώσουμε στο κάθε στέλεχος, στην κάθε ατομική έτσι ανάπτυξη του καθενός από εδώ πέρα που ήθελε να αναπτυχθεί την επιβραβεύαμε και τη βάζαμε ενταγμένη μέσα στη λειτουργία του όλου συστήματος. Άρα ήταν έτσι μια εξελικτική πορεία, θα έλεγα...

Θ.: ήταν η διαδικασία της αλλαγής που άλλαξε...

C3B1: Firstly, we ourselves have changed, as administration. We were operating in one way the first years of co-operative's running and in a different way we are operating after some years in the market and after closely observing facts and developments, from a different level. Executives have also differentiated themselves in the sense of an increased capability through their function in the enterprise and this was something that we, as administration, tried to reward and make it available to everyone. We were rewarding every individual improvement and we were integrating this into the function of the whole system. Hence, it was an evolutionary process, I would say...

R.: Was the change process that changed the...

M.: Ναι, ήταν μια εξελικτική πορεία, η οποία μας έδινε καθημερινά καινούρια δεδομένα να αναπτύξουμε. Μας τα έδινε. Δηλαδή η ίδια μας η λειτουργία αυτή μας άνοιγε καινούριους

δρόμους. Αλλά αυτό, σε σχέση με το παλιό αν κάτσουμε και το δούμε έτσι απολογιστικά, σαφώς και δεν θα μπορούσαμε να καταλάβουμε πως κι εμείς σαν διοίκηση και στελέχη φαντάζομαι, τη λειτουργία της επιχείρησης μέσα από τις καινούριες διαδικασίες. Δηλαδή, δεν μπορούσαμε να φανταστούμε την ανάπτυξη της επιχείρησης και του στελεχιακού δυναμικού σε αυτό το επίπεδο το οποίο βρίσκεται σήμερα, πριν από δέκα χρόνια. Σε καμία περίπτωση. Ήταν η ίδια η εξελικτική πορεία η οποία συνδυάστηκε με την πορεία της επιχείρησης. Και αυτό αν θέλεις έγινε οσμωτικά, οσμωτικά στις δομές της επιχείρησης.

Θ.: Πάλι βλέποντας τώρα το '94 ή το '99 που ξεκίνησαν οι διαδικασίες των αλλαγών και σήμερα, τότε πιστεύετε ο συνεταιρισμός ήταν πιο κοντά στις απαιτήσεις του περιβάλλοντος, τότε ή σήμερα;

Μ.: Σήμερα πιστεύω.

Θ.: Σήμερα; Το λέω γιατί τότε μιλάγατε για ένα λίγο πολύ σταθερό περιβάλλον και το κοινωνικό περιβάλλον ήταν λίγο πολύ σταθερό και το οικονομικό, κλπ, το τεχνολογικό ίσως, σήμερα μιλάνε για αυτήν την αναταραχή που συνεπάγεται συνεχείς αλλαγές που δεν μπορείς να κάνεις σχεδιασμό, κλπ, παρ' όλα αυτά; Είναι εντυπωσιακό να μου λέτε ότι σήμερα είναι πιο πολύ προσαρμοσμένο!

C3B1: Yes, it was an evolutionary process, which provided us with new data to grow every day. It gave them to us. It was our function itself that opened new paths to us. However, regarding the old times, if we make the account it would definitely not be possible, for both the administration and managers, to perceive the function of the enterprise through the new procedures. That is, ten years ago, we could not imagine the growth of the enterprise and the development of human resources in nowadays level. In no way! This evolution process was combined with enterprise's advancement. And this happened by "osmosis" in the structures of our enterprise.

R.: Once again, looking back at '94 or '99 when the change process began and comparing with today, when do you believe that the co-operative was closer to the requirements of the environment, then or now?

C3B1: I believe, now.

R.: Today? I am asking so because those times you were dealing with a rather stable environment; the social, financial, technological, environment was stable in one way or another. Do you really think the answer is today, despite the fact we are talking about all this turbulence that does not permit one to make plans, etc.? It is impressive to argue that today is much more adaptive!

Μ.: Σήμερα είναι γιατί το περιβάλλον το προηγούμενο, η σταθερότητα και η διόγκωση της αγοράς, δεν άφηνε περιθώρια για να σκεφτείς μέσα από την καθημερινότητα και το τρέξιμο της λειτουργίας της ίδιας της αγοράς σε πιο επιλεκτικά επίπεδα και σε πιο εξειδικευμένα θέματα που αφορούσαν τη λειτουργία του φαρμακείου. Κι αν θέλεις, και το φαρμακείο δεν σε χρειαζόταν τόσο πολύ γιατί η διόγκωση της αγοράς ήταν τέτοιο που το μεγαλύτερο πρόβλημα που είχε το κάθε φαρμακείο ήταν απλό, ήταν να το προμηθεύσεις τα προϊόντα πούλαγε ή χρειαζόταν για να καλύψει τις ανάγκες του και τίποτε άλλο παραπέρα και ήσουν πολύ καλά και όμορφα κι ωραία. Σήμερα είναι πιο εξειδικευμένη η λειτουργία της επιχείρησης με τον πελάτη-μέλος. Η λειτουργία σε πολύ πιο επιλεκτικό επίπεδο. Δηλαδή έχει πολύ μεγαλύτερες σήμερα απαιτήσεις το μέλος απ' αυτές που είχε παλιότερα. Παλιότερα η φωνή του κι η αντάρα του ήταν να μπορέσει να εξυπηρετηθεί είτε σε σχέση με τον ανταγωνισμό είτε με την ίδια τη λειτουργία του φαρμακείου του. Σήμερα απαιτεί

διαφορετικές λειτουργίες για να μπορέσει, βλέποντας κι αυτός μέσα στις καινούριες συνθήκες της αγοράς, ότι χρειάζεται να βελτιώσει κάποια πράγματα όσον αφορά τη λειτουργία του φαρμακείου του, επιμένει και θέλει από τον συνεταιρισμό στον οποίο είναι ενταγμένος να του δώσει το (ακατανόητο) εκείνο το οποίο θα μπορέσει να βελτιώσει τη λειτουργία του φαρμακείου του για να μπορέσει να ανταπεξέλθει στις καινούριες συνθήκες της αγοράς. Άρα είναι πιο ποιοτική η σχέση σήμερα. Δηλαδή, η λειτουργία του τμήματος της μηχανοργάνωσης παίζει πολύ σημαντικό ρόλο σήμερα, διότι δεν μπορεί φαρμακείο να λειτουργήσει σήμερα χωρίς μηχανοργάνωση. Το τμήμα το δικό μας όπως είναι δομημένο δίνει έτοιμες λύσεις. Μπορεί να ανά πάσα στιγμή και τηλεφωνικά να τον εξυπηρετήσει και να του δώσει έτοιμη λύση. Άρα αυτός ξέρει ότι παίρνοντας ένα τηλέφωνο στο συνεταιρισμό καλύφθηκε όσον αφορά τις ανάγκες του αυτές, τις μηχανογραφικές.

C3B1: The answer is today because the old environment – stability and market expansion - left no space, within the daily running and the market function, to think in a more selective level and about more specialized issues concerning the operation of the pharmacy. And something more, it was also the pharmacy that did not need us so much because the market expansion was so large that the biggest problem that a pharmacy had was to supply the products that it needed to cover its needs and nothing else; everything was fine and good. Today, the operation of the enterprise is more specialized towards the member/client. The operation lies in a more selective level. Today, our member has much more demands than before. Previously, one's anxiety was only to be served properly either regarding his pharmacy's operations or against his rivals. Today, realizing through the new market conditions that one must improve some things in the operation of his pharmacy, he demands different services in order to be able to do so. He demands from the co-operative in which he is a member and insists on the issues that would provide him with the ability to improve his pharmacy's operation in order to be able to work through the new market conditions. Hence, it is much more qualitative today. For example, the new technologies department plays a significant role today because the pharmacy cannot operate without computers. Our relevant department is structured in a way to offer easy solutions. One can even make a phone call, in any time, to be served and receive a ready solution. So, one knows that by making a phone call to the co-operative, all the needs concerning computers and software can be covered.

Θ.: Δηλαδή πιστεύετε ότι σε μια ξαφνική αλλαγή, πολύ ξαφνική, ριζοσπαστική αλλαγή του περιβάλλοντος το '99, ο συνεταιρισμός θα αντιδρούσε με πιο αργά ανακλαστικά ή χειρότερα από μια ριζοσπαστική αλλαγή που μπορεί να συμβεί το σημερινό περιβάλλον;

Μ.: ...Θα έλεγα ότι... πιστεύω ότι θα αντιδρούσε με λιγότερα ανακλαστικά.

Θ.: Με λιγότερα ανακλαστικά...

Μ.: Με λιγότερα γιατί δεν υπήρχε αυτή η πορεία. Η πορεία της ανάπτυξης. Η πορεία της ανάπτυξης σημαίνει σε όλη τη δομή. Δεν σημαίνει μόνο σε τζίρο και επιχειρηματικά, απλά. Σημαίνει και ανάπτυξη της δομής. Δηλαδή, ένα κομμάτι που δώσαμε πολύ μεγάλη σημασία σαν συνεταιρισμός ήταν η ανάπτυξη της δομής. Σε αυτό επενδύσαμε πολύ. Δηλαδή, το στελεχιακό δυναμικό και το εργατικό δυναμικό της επιχείρησης είναι υπό συνεχή έλεγχο, βελτιώνοντάς το και δίνοντάς του δυνατότητες να αναπτυχθεί περισσότερο. Είναι μια συνεχής λειτουργία αυτή, η οποία έχει παγιωθεί πια βέβαια και αναγκάζει τον καθένα που είναι εδώ πέρα ή θα τρέξει ή θα αποβληθεί. Δεν μπορεί να μείνει στάσιμος και να

λειτουργεί σε επίπεδα και έτσι και αλλιώς. Ή θα ακολουθήσει την πορεία αυτή ή θα βγει εκτός, βγαίνει εκτός.

R.: So, do you believe that in a sudden, radical change of the environment in '99, the co-operative would react with slower or worse reflexes than in a radical change that could happen in the current environment?

C3B1: ...I would say that... I believe that it would react with slower reflexes.

R.: With slower...?

C3B1: Yes, with slower reflexes because there was not this path, yet; the growth path regarding the whole structure. It does not only mean sales or business growth. It also means growth in the structure. A part that we emphasized a lot, as a co-operative, was the advancement of our structure. We invested a lot in it. For example, our managerial and working resources are under constant control in order to improve their capabilities while we offer those opportunities to grow more. This is a constant operation already established and makes everyone who works here either to run or to be expelled. One cannot stay stagnant and acting in one way and the other. He will either follow the route or get out; one gets out.

Θ.: Δηλαδή όλο αυτό που λένε, όλοι το χαρακτηρίζουν το περιβάλλον στο οποίο κινείται η επιχείρηση ως υπερπολύπλοκο, όλη αυτή η υπερπολυπλοκότητα ο συνεταιρισμός πώς την μετέφρασε μέσα στη δομή του για να μπορέσει να την αντιμετωπίσει;

R.: Well, regarding what is called 'hypercomplex environment' in which the enterprise runs, all this hypercomplexity, how did the co-operative interpret it inside its structure in order to confront it?

M.: Κατ' αρχάς εκείνο το οποίο μας προβλημάτισε από την αρχή όταν καθόμαστε και συζητάγαμε... εκείνο το οποίο μας προβλημάτισε ήταν ότι τι θα πρέπει να κάνουμε στη δομή της επιχείρησης για να μπορέσει να ανταπεξέλθει οικονομικά στα καινούρια δεδομένα. Το ζητούμενο είναι αυτό. Από τη στιγμή που έχουμε επιλέξει έναν καθαρά τρόπο παρέμβασης στη ντόπια αγορά και τίποτε άλλο, σαν λειτουργία. Καθίσαμε και είδαμε, κανονίσαμε όλες τις λειτουργίες της επιχείρησης και καθίσαμε και είδαμε ποια κομμάτια μπορούμε να βελτιώσουμε σε οικονομικό επίπεδο και σε λειτουργικό ούτως ώστε να είναι πιο αποδοτικά και να μην προσθέτουν μονάχα κόστος χωρίς να έχουμε ανταποδοτικό όφελος. Είδαμε κι εξετάσαμε το λειτουργικό κομμάτι όσον αφορά το προσωπικό. Είδαμε ότι αποτελεί το μεγαλύτερο κόστος. Ένας ιδιώτης σε αυτές τις κρίσεις και τις διαφοροποιήσεις που υπάρχουν στην αγορά, το πρώτο πράγμα που κοιτάζει είναι να συμπίεσει τα κόστη του. Δεν υπάρχει άλλος τομέας να συμπίεσεις περισσότερο εκτός από το προσωπικό, είναι το μεγαλύτερο κόστος. Άρα θα έπρεπε να κάνει το πρώτο πράγμα ένας που θα 'πρεπε να κάνει απλά έτσι. Εμείς καθίσαμε και το είδαμε διαφορετικά. Μιλήσαμε με τα μέλη μας, με τα στελέχη και τους εργαζόμενους εδώ πέρα της επιχείρησης τους εντάξαμε σε αυτήν την πορεία. Τους είπαμε, εάν η λειτουργία του καθενός εδώ μέσα δεν προσθέτει όφελος από τη λειτουργία σας εδώ μέσα αναγκαστικά θα πρέπει να υπάρξει αντίθεση στη λειτουργία της επιχείρησης γιατί δεν μπορούν να υπάρχουν τόσα άτομα για κάποιες λειτουργίες προσφέροντας μονάχα το ελάχιστο εδώ πέρα. Θα πρέπει να είναι ανταποδοτικό αυτό. Άρα τους εντάξαμε σε μια πορεία ποιοτικής αναβάθμισης και λειτουργίας της επιχείρησης ούτως ώστε να μην αποτελούν μόνο κόστος αλλά να προσθέτουν και όφελος. Κι αυτό έγινε έτσι μέσα από μια συμφωνία εταιρική, της εταιρείας με τους εργαζόμενους του συνεταιρισμού, τα στελέχη και τους υπόλοιπους εργαζόμενους σε μια αμοιβαία

αντιπαράθεση απόψεων και διαφορετικών λειτουργιών ούτως ώστε πραγματικά να δοθεί η δυνατότητα να μην υπάρξουν απολύσεις.

C3B1: Firstly, what we were concerned from the very beginning when we started to talk ... was what we had to do in the structure of the enterprise in order to be able to overcome financially the new facts. That was all about from the moment that we chose a clear way of intervening solely to domestic market and nothing else. We started to arrange every operation in the enterprise and we spotted the parts we could improve in the financial and operational levels so as to become more efficient and not only add cost but also compensatory benefits. We checked out the operational level as far as the personnel are concerned. We realized that this is the biggest cost. What primarily does a private company, in this crisis situation and market alterations, is to compress costs. There is no other sector to compress more its cost than personnel; this is the biggest cost. We dealt with it in a different way. We talked with our members and with our executives and the employees and we put them in our path. We told them, unless each one's operation brings benefits to the enterprise then one functions in confrontation with the enterprise therefore there cannot be so many people for some operations presenting their minimum here. This must be reciprocal. Thus, we put them in a path of a constant qualitative upgrade of their operation so as not only add cost but also bring benefits. And this happened through a partnership agreement between the co-operative and its employees, the managers and the rest personnel, amid a debate which ended to a real possibility to avoid layoffs.

Θ.: Ταυτόχρονα όμως κάνατε επενδύσεις, βάλατε υπερασύγχρονη τεχνολογία, αναπτύσσετε υπηρεσίες, προσπαθείτε να προχωρήσετε και σε άλλα κομμάτια μέσα της αγοράς. Γίνετε πολύπλοκοι; Σαν δομή, με όλα αυτά;

M.: Όχι.

Θ.: Όχι. Δηλαδή, ενώ έχετε ένα πολύπλοκο περιβάλλον, εσείς αυτήν την πολυπλοκότητα του περιβάλλοντος δεν τη νιώθετε να σας έχει αυξήσει τη δική σας εσωτερική πολυπλοκότητα;

M.: Όχι, γιατί λειτουργήσαμε προοπτικά σαν δομή. Αυτά δεν ήρθαν σε μια μέρα επάνω και είπαν ξέρετε αλλάζουμε όλο το περιβάλλον το οποίο υπήρχε. Δεν υπήρχε δηλαδή μια μονόπλευρη λειτουργία της επιχείρησης ούτως ώστε να φτάσεις στο επίπεδο το σημερινό με αυτή την πολυπλοκότητα και τη λειτουργία σε διαφορετικά επίπεδα ξαφνικά να βρεθείς και να πεις πελαγώνω εδώ μέσα. Υπήρξε μια πορεία, η οποία βήμα-βήμα έβλεπε ακριβώς την ανάπτυξη και τη λειτουργία του κάθε τμήματος αυτού και αποκεντρωτικά αλλά και συγκεντρωτικά όσον αφορά τον έλεγχο. Άρα τα τμήματα δημιουργήθηκαν από μόνα τους. (54.02) Το τμήμα των παραφαρμάκων και γενικότερα όλων των υπηρεσιών αναπτύχθηκε κατ' όνομα αλλά συγχρόνως ήταν ενταγμένο μέσα στη λειτουργία της επιχείρησης, άρα ήταν έτοιμο.

R.: However, at the same time, you also invested; you introduced high technology, you developed services and you are trying to move to other niches of the market. Did you become complex? [I mean] as a structure, because of all these?

C3B1: No, we didn't.

R.: No? You argue that despite the fact of a complex environment, you do not believe that environmental complexity has increased your own inner complexity, do you?

C3B1: No, because we, as a structure, operated prospectively. This did not happen within a day when someone said "we change the existing environment". There wasn't a one-sided

function of the enterprise so as when the current situation emerged – with all this complexity in various levels – to find suddenly itself boggled. There was a step by step process in which each department's development and operation considered decentralized though centralized concerning control. Hence, the departments were emerged by themselves. The parapharmaceuticals department as well as the other services departments was developed by themselves but at the same time they were integrated into the operation of the enterprise, hence it was ready.

Θ.: Δηλαδή τώρα εσείς που είσαστε επάνω στην κορυφή και κοιτάτε προς τα κάτω όλο αυτό το δημιούργημα...

Μ.: Δεν μας δημιουργεί... Δεν μας δημιουργεί...

Θ.: Δεν... Μάλιστα.

Μ.: Και μάλιστα αφομοιώνεται εύκολα... Αφομοιώνεται και πιο εύκολα γιατί και με την καινούρια επένδυση την οποία κάναμε και τα καινούρια τεχνολογικά μέσα τα οποία χρησιμοποιούμε αυτή τη στιγμή για τη λειτουργία της επιχείρησης, συνδυάστηκαν ακριβώς με αυτή μας την πορεία. Δηλαδή η επιλογή έγινε συνδυαστικά με την εξελικτικότητα του συνεταιρισμού και της λειτουργίας της επιχείρησης. Δεν ξέρω αν γίνομαι κατανοητός;

Θ.: Ναι, βέβαια, βέβαια...

R.: Does this mean that now you are on the top and you observe down to your creation...

C3B1: It doesn't make any... It doesn't make any...

R.: It doesn't... Yes...

C3B1: Moreover, it is absorbed easily... It is absorbed more easily because our new investment and the new technological media we use this moment for the function of the enterprise were combined with our [general] course. Namely, the selection was made together with the evolution of the co-operative and its operations. I do not know if you understand what I am saying...

R.: Yes, sure... sure!

Μ.: Δηλαδή έγινε προσαρμοζόμενη στις καινούριες καταστάσεις αλλά προσαρμόζοντας και το προσωπικό για να ανταπεξέλθει σε αυτά. Δύσκολο. Στην αρχή υπήρξαν προβλήματα, υπήρξαν αντιδράσεις, υπήρξαν δυσλειτουργίες, υπήρξε διάστημα προσαρμογής αρκετά μεγάλο και είχε και κόστος αυτό αλλά τώρα εκτιμώ είμαστε σε ένα επίπεδο πάρα πολύ καλό, που παρ' όλο που υπάρχει αυτή η διάσπαρτη πολυπλοκότητα και λειτουργία που ανέφερες προηγούμενα, συνδυαστικά λειτουργεί άψογα. Δηλαδή, ανά πάσα στιγμή εγώ μπορώ να καλέσω τα τμήματα εδώ πέρα και να μου δώσουν μια άποψη ο καθένας για τον τομέα του ξεκάθαρη, πάρα πολύ σαφή και χωρίς να παίρνει ως πούμε ιδιαιτερότητες και λειτουργίες άλλες που δεν τις αντιλαμβάνομαι.

Θ.: Μάλιστα. Σημαντικό αυτό... Και όσον αφορά πάλι την εσωτερική δομή και τις διαδικασίες, πιστεύετε ότι σήμερα είστε πιο κοντά σε μια ιδιωτική επιχείρηση ή θεωρείτε ότι έχετε μεγάλη απόσταση; Από τον τρόπο που δουλεύει εσωτερικά πια, σαν ιεραρχία, σαν στελέχωση, σαν διαδικασίες, σαν τεχνολογία που ενσωματώνεται, κλπ, από μια ιδιωτική επιχείρηση.

C3B1: This occurred by adapting to the new circumstances and also by personnel's adaptation in order to overcome all these. It was difficult. In the beginning, there were problems, backlashes, malfunctions; there was a time for adjustment long enough and there was also cost but now I believe that we are in a very good level and despite the existence of this scattered complexity and the situation that you mentioned before, it functions

awesome. Namely, in any time one can call the departments and they will give me a clear image of their sector, very specific and without messing other specifications or operations that one cannot grasp.

R.: I see. This is important... As far as the internal structure and process are concerned, do you believe that you are closer to a private enterprise or do you believe that you are far away? I mean regarding the way that you operate internally, as a hierarchy, as staff, as procedures, as applied technology, and so on, comparing to a private enterprise.

M.: Και αυτό είναι διφορούμενο με την εξής έννοια. Υπάρχουν επιχειρήσεις ιδιωτικές που λειτουργούν καθαρά με προσωποπαγή τρόπο και αυτό στις σημερινές συνθήκες της αγοράς είναι αναποτελεσματικό, μπορεί να λειτουργούσαν σε άλλες συνθήκες της αγοράς και να έδιναν την ευχέρεια αν θέλεις και τη δυνατότητα στον κάθε επιχειρηματία να λειτουργεί προσωπικά και να αποκομίζει οφέλη προσωπικά μόνο χωρίς να μοιράζεται τίποτε, να τα βάζει στην τσέπη του εννοώ όλα. Αλλά στις σημερινές συνθήκες της αγοράς δυσκολεύεται πολύ. Υπάρχουν και ιδιωτικές επιχειρήσεις, οι οποίες λειτουργούν με οργανωμένη δομή. Αυτές οι επιχειρήσεις είναι αυτές που αντιμετωπίζουν τα λιγότερα προβλήματα. Δεν υπάρχει κανείς που να μην αντιμετωπίζει πρόβλημα σήμερα. Σε συνθήκες κρίσης αντιμετωπίζουν όλοι πρόβλημα... αλλά οι οργανωμένες επιχειρήσεις, με δομές οι οποίες έχουν φτιαχτεί και λειτουργούν σε επίπεδο υποστήριξης της επιχείρησης, είναι σίγουρο ότι αντιμετωπίζουν τα λιγότερα προβλήματα.

Θ.: Δηλαδή, αν ανατρέξουμε το '99, σήμερα πιστεύετε ότι είσατε πιο κοντά στις σωστά οργανωμένες ιδιωτικές επιχειρήσεις κι όχι στις προσωποπαγείς, έτσι;...

M.: Ναι, ναι...

Θ.: Το '99 είχατε απόσταση από τις ..., μήπως λειτουργούσατε πιο προσωποπαγώς ίσως κι εσείς, είσατε δηλαδή πιο κοντά στις προσωποπαγείς ιδιωτικές επιχειρήσεις... απ' ό,τι στις οργανωμένες;

C3B1: This is also ambiguous, in the following sense: there are private enterprises which function clearly attached to a person and this, in current market conditions, is ineffective; it might have worked in previous market situations and gave the entrepreneur the option to reap benefits for oneself without distributing anything, I mean, to stuff everything in one's pocket. But, in the current market situation it becomes more difficult. There are also private enterprises that function under an organized structure. These are the enterprises that face the fewer problems today. There is nothing that does not face problems today. In a crisis situation, everything faces problems... however, organized enterprises, with structures which have been built and operate in a supporting level, definitely face the fewest problems.

R.: Does this mean that if we look back in '99 and compare it with now, you are closer to properly organized private enterprises than the proprietorships attached to a person?...

C3B1: Yes, yes...

R.: In '99 you were far away from... did you function more attached to persons? Were you closer to the enterprises attached to a person than to organized ones?

M.: Όχι, όχι. Απλώς οι συνθήκες της αγοράς ήταν τέτοιες που δεν σου επέβαλαν να λειτουργείς πιο εξελικτικά και πιο γρήγορα αφομοιώνοντας τις καινούριες καταστάσεις που έχεις ν' αντιμετωπίσεις καθημερινά τώρα. Δηλαδή, υπήρχε ένας πιο αργός ρυθμός γιατί η αγορά έτρεχε κατά τον ίδιο τρόπο ούτως ώστε πραγματικά οι παρεμβάσεις σου ήταν πολύ αργές. Παρ' όλο ότι είχες την ανησυχία να δημιουργείς τη δομή εκείνη που θα εξελισσόταν προς αυτήν την κατεύθυνση γιατί είχες κατά νου ότι κάποια στιγμή η αγορά θ' αλλάξει, δεν

μπορεί να συνεχιστεί σε αυτό το επίπεδο να λειτουργεί, παρ' όλα αυτά η ίδια η πορεία της αγοράς δεν σε άφηνε να τρέξεις και να φτιάξεις για να λειτουργείς τις δομές σου. Το άφηνες για μετά. (58.30) Και είχες την άνεση και την πολυτέλεια να το κάνεις αυτό. Σήμερα δεν έχεις την άνεση και την πολυτέλεια.

Θ.: Άρα σήμερα είσαι πιο κοντά στις οργανωμένες δομές του ιδιωτικού τομέα, δηλαδή...

Μ.: Είσαι πιο κοντά... στην οργανωμένη λειτουργία που ανταποκρίνεται στις συγκεκριμένες συνθήκες της σημερινής αγοράς.

C3B1: No, no. Simply, market conditions were of such a nature that didn't impose you to work more advanced and more quickly, absorbing new daily conditions like the ones that we must face now. It means that there was a slower temp because market was expanding by itself so our intervention was really slow. Despite our anxiety to create a structure which would be evolved towards this direction, because we had in our mind that at some point the market would change and could not keep functioning at that level, nevertheless it was the actual market trends that didn't let you run forward and establish new structures to operate. We left thing to be done in the future. And we had the comfort and luxury to do so. Today, we have neither comfort nor luxury.

R.: Consequently, today, you are closer to the more organized structures of private sector; that is...

C3B1: We are closer... to the organized operation that meets specific conditions of current market.

Θ.: Και η τελευταία ερώτηση είναι, στην ίδια τη διαδικασία της αλλαγής, όταν ξεκινήσατε να κάνετε όλες αυτές τις αλλαγές, είτε ήταν οι θυγατρικές είτε οι προαιρετικές, η διαφοροποίηση της εμπορικής πολιτικής, οι υπηρεσίες, κλπ, ο τρόπος που το σχεδιάζατε αυτό ήταν ξεκινάω από δω από το Α και πάω στο Β, με 1,2,3,4 βήματα ή δοκιμάζατε, ξανακάνατε πίσω, ξαναδοκιμάζατε, πηγαίνατε από τεθλασμένη οδό..., ακολουθήσατε μια τόσο ορθολογική διαδικασία δηλαδή... μηχανική διαδικασία να το πω έτσι;

Μ.: Σε πάρα πολλά πράγματα, επειδή η δομή της λειτουργίας της επιχείρησης φτιάχτηκε έτσι κι ήταν το μεγάλο προτέρημα αυτής της λειτουργίας μας αυτό και το ανταγωνιστικό πλεονέκτημα αυτής, είναι σίγουρο ότι οι πολυμετοχικές επιχειρήσεις και η λειτουργία κάτω από συνεταιριστική βάση δημιουργούν προβλήματα. Σε πάρα πολλές περιπτώσεις κι εμείς εξαναγκαστήκαμε κάποια πράγματα τα οποία πιθανώς εμείς σαν διοίκηση τα βλέπαμε εντελώς διαφορετικά, πολύ προχωρημένα σε σχέση με τα μέλη, έπρεπε να δώσουμε το χρόνο πίστωσης για να μπορέσει να γίνει και κτήμα των μελών ή αν θέλετε της πλειοψηφίας των μελών.

R.: And the last question... When you started to make all these changes, amidst the very change process, no matter how the subsidiaries were, or optional shares, purchasing policy differentiation, services and so on, the way that you planned this was: I start from here, from A, and I go to B with 1,2,3,4 steps or were you trying, stepping back and then trying again, following a curvy road...? Did you follow such a rational process, let's say a mechanical process?

C3B1: Regarding many things, due to the structure of operations of our enterprise which was built in that way and this was also its big advantage of operation and our big competitive advantage, it is certain that multi-shareholders' enterprises and co-operative basis of their function create some problems. In many cases, for things that we, I mean the

administration, could see differently, more advanced comparing to our members, we were forced to credit time to our members or the majority of our members to realize them.

Θ.: Όταν αποφασίζατε να ξεκινήσετε;...

Μ.: Όταν αποφασίζαμε, το κάναμε.

Θ.: Με αυτόν τον τρόπο; Φεύγω από δω πάω εκεί με 1,2,3,4...

Μ.: Ναι, λίγες ήταν οι περιπτώσεις οι οποίες λειτουργούσαμε σταδιακά, όσον αφορά την εμπέδωση της πολιτικής, της λειτουργίας δηλαδή της επιχείρησης. Τις περισσότερες περιπτώσεις, πιστεύω ότι λειτουργούσαμε πάντα σε επίπεδο επιτελικό κατά τον ίδιο τρόπο ούτως ώστε πραγματικά αυτό που αποφασίζαμε είχε ήδη επεξεργαστεί ούτως ώστε να μπορεί να είναι εφαρμόσιμο.

Θ.: Ένα βηματάκι, όσο δύσκολο και να ήταν... ναι, ναι... Νιώσατε ποτέ να ξεκινάτε από το Α κι αντί να πάτε στο Β να κάνατε κάποια τεθλασμένη ή ακόμα χειρότερα να φτάσατε στο Γ, που δεν το 'χατε προβλέψει ποτέ;

Μ.: Ναι. Υπάρχουν τέτοιες περιπτώσεις

Θ.: Υπάρχουν τέτοιες περιπτώσεις; Σ' αυτές τις αλλαγές που συζητάμε, τις βαθιές αλλαγές έτσι;

Ρ.: When you decided to start...?

C3B1: When we decided something, we [always] did it.

Ρ.: In the way I described? Leaving here and going there with 1,2,3,4...

C3B1: Yes. In few occasions we acted gradually, as far as the absorption of our policy and the operation of the enterprise are concerned. In most occasions, I believe that we always acted in staff-level and in a way that what had been decided had been already worked out in order to be practicable.

Ρ.: A small step, no matter how difficult it was... yes, yes... Did you ever feel that you started from A and instead of arriving at B you made a zigzag or, worse, you arrived at C where it hadn't been predicted?

C3B1: Yes, there were some occasions like that.

Ρ.: There were? Concerning changes that we are talking about, deep changes?

Μ.: Η πορεία κι η λειτουργία μιας επιχείρησης, έστω κι αν είναι συνεταιριστική επιχείρηση, με κάποιες δομές οι οποίες είναι πολύπλοκες όσον αφορά τη λειτουργία των αποφάσεων κλπ, εξελικτικά και στην καθημερινότητα είναι οι ίδιες οι συνθήκες της αγοράς και της πραγματικότητας που σε αναγκάζουν πολλές φορές να κάνεις και πιασχυρίσματα, να κάνεις και τεθλασμένες και πιθανώς χωρίς να το καταλαβαίνεις προχωρώντας να έχεις φτάσει στο Γ και να έχεις ξεπεράσει το Β.

Θ.: Εσείς το νιώσατε αυτό δηλαδή.

C3B1: The development and the operation of an enterprise, regardless its co-operative form, with complicated structures regarding its decision making, etc., [are interconnected] with the very market conditions and reality which in their daily deployment and evolution force one to make setbacks, or follow zigzags and maybe, without realizing how, to arrive at C having passed by B.

Ρ.: Did you feel that?

Μ.: Ναι, ναι, πολλές φορές. Πολλές φορές. Γιατί είναι οι συνθήκες και οι αλλαγές τέτοιες που στο χρόνο που ήθελες από το Α να φτάσεις στο Β είχε ξεπεραστεί και ήσουν ήδη στο Γ. Δηλαδή, να σου δώσω ένα πολύ απλό παράδειγμα που έχει μεγάλη σημασία. Όταν ξεκινήσαμε τη διαδικασία μέσα στις καινούριες συνθήκες της αγοράς που

αντιλαμβανόμασταν ότι έρχονται και αλλάζουν τα πράγματα είδαμε ακριβώς ότι η κερδοφορία της επιχείρησης είναι περιορισμένη, χαμηλή. Άρα θα έπρεπε να ξεκινήσουμε να το δούμε και να επεξεργαστούμε σενάρια που και θα επιβράβευαν τα μέλη που συμμετέχουν στο συνεταιρισμό αλλά και θα έδιναν δυνατότητα να εξελιχθεί η επιχείρηση. Γιατί το πιο σημαντικό είναι αυτό. Να εξελιχθεί η επιχείρηση. Όταν εξελιχθεί η επιχείρηση ακολουθούν και τα μέλη κι εντάσσονται σ' αυτήν την πορεία. Άρα, λοιπόν, προβληματιστήκαμε πολύ εάν η συμμετοχή μέσα από τις προαιρετικές κι επενδυτικές μερίδες, στις οποίες θα επένδυαν τα μέλη θα δημιουργούσε αντιθέσεις ή θα δημιουργούσε διάφορες... διαφορετική λειτουργία κι επίπεδο μελών που θα ταρακούναγε πλέον το σύστημα και θα (ακατανόητο) μια ισορροπία. Προβληματιστήκαμε, λοιπόν, αρκετά. Εγώ και τα υπόλοιπα μέλη της διοίκησης, σε κάποια φάση, αν θέλεις και ξεπερνώντας τα στελέχη τα ίδια, γιατί πιάναμε τον παλμό της αγοράς και της λειτουργίας των μελών, είδαμε ότι ήταν ένα... μια επιχειρηματική λογική που θα έπρεπε να είναι κάθετη, δεν θα έπρεπε να είχε ζιγκ ζαγκ. Άρα αποφασίσαμε απόλυτα και παρ' όλο που πολλοί δεν το πίστευαν και πήγαμε μέσα στη Γ.Σ. και καταθέσαμε την πρόταση, όλοι έτριβαν τα μάτια τους όταν είδαν την προσέλευση των μελών προς αυτήν την κατεύθυνση.

C3B1: Yes, yes, many times. Many times. Because it is the conditions and changes that happen during the time one needs to go from A to B that one is being overtaken and one already finds oneself at C. Let me give you a simple example of great significance. When we started the change process after we realized that new market conditions were coming and things were changing, we noticed that the profitability of our enterprise was limited, was low. So, we had to deal with this and develop scenarios with which committed members would be awarded while giving the opportunity to the enterprise to come along. Because this is the most important, the enterprise to come along. When the enterprise comes along, members will follow and they integrate into the whole process. Hence, we were seriously concerned about whether the introduction of optional or investment shares could cause confrontation or a different... a different function and different status among members which would in turn shake the whole system and *[intelligible]* the balance. Well, we were seriously concerned about it. At some point of time, I and the rest members of the administration, even passing by our executives as we had a better perception of the pulse of the market and our members, realized that it had to be a straightforward entrepreneurial logic, without zigzags. So, we decided in an absolute way and despite the fact that many people did not believe in this, we proceeded to a General Assembly, submitted our suggestion and everyone remained astonished when they observed members' acceptance for this direction.

Θ.: Την αποδοχή...

Μ.: Την αποδοχή. Που σημαίνει ότι η λειτουργία σου η ίδια όλα αυτά τα χρόνια, η επιχειρηματική σου δραστηριότητα είναι τέτοια, που όσο και να μην συμμετέχει το μέλος κοντά του δίνεις να καταλάβει ότι βασίζεται σε μια σοβαρή επιχείρηση. Άρα όλα αυτά τα οποία λες τα εκλαμβάνει και τα δουλεύει σαν μια επιχειρηματική λογική. Όχι σαν μια απλή συμμετοχή.

Θ.: Νιώσατε ποτέ κάποιες αποφάσεις που είχατε πάρει στο παρελθόν, που δημιούργησαν κάποιες διαδικασίες, κάποιες δομές, σε οποιοδήποτε επίπεδο, από την επιχείρηση μέσα μέχρι την κεφαλαιουχική δομή της, κλπ, να σας έσπρωχναν προς μια κατεύθυνση ακόμα και παρά τη θέλησή σας;

M.: Ναι, πολλές φορές. Πολλές φορές...

Θ.: Δηλαδή να πούμε ήταν ένας χείμαρρος κάποια απόφαση που σας παρέσερνε κι ενώ θα θέλατε κάποια στιγμή να πείτε «όπα», υποχρεούστε η επόμενη απόφασή σας να είναι στα πλαίσια αυτού του χείμαρρου; Το έχετε νιώσει αυτό, δηλαδή να σας παρασέρνει το καράβι που λέμε χωρίς να το...

M.: Είναι πολύ δυναμικό πράγμα η λειτουργία της επιχείρησης. Είναι δυναμικό πράγμα. Και πολλές φορές δεν σου αφήνει το περιθώριο να κάνεις στάση. Δηλαδή σε σπρώχνει συνέχεια μπροστά... Σε σπρώχνει μπροστά. Και λειτουργεί δυναμικά. Σε σπρώχνει θες δεν θες.

R.: Acceptance...

C3B1: Acceptance, which means that the way we had been working all these years, our business activity is such that even if the member does not participate actively, we can make one understand that one counts on a serious business. Therefore, one perceives what you are saying and works them out towards business logic, not a simply participatory logic.

R.: Did you ever feel that some of the decisions you made in the past, which in turn established some procedures or structures in any level, from the business part to the equity, etc., pushed you to a direction even despite your will?

C3B1: Yes, many times. Many times...

R.: Well, could we argue that a decision could be a stream that carried you away and while you might wish to say "enough", you were forced make the next decision? Have you ever felt like this, the ship to be carried away without you ...

C3B1: The operation of an enterprise is a very dynamic thing. It's very dynamic. Many times it does not leave one afford a break. It constantly pushes one forward. It pushes you forward and it functions in a dynamic way. It pushes you, whether you like it or not.

Θ.: Ακόμα και για αποφάσεις που παίρνατε εσείς οι ίδιοι;

M.: Οι ίδιες οι λειτουργίες της επιχείρησης ήταν τέτοιες που σε ανάγκαζαν να πας στο επόμενο. Και αυτό λειτουργούσε στα στελέχη και στον υπόλοιπο εργαζόμενο κόσμο της επιχείρησης. Και πιθανώς είναι ένα κομμάτι σημαντικό αυτό εξετάζοντάς το έτσι απολογιστικά τώρα που έδωσε ποιότητα στη λειτουργία της επιχείρησης.

Θ.: Μάλιστα. Και η τελευταία. Όχι δεν είναι ερώτηση είναι λίγο ποιητική. Αν υποθέσουμε ότι το περιβάλλον που κινείται ο συνεταιρισμός είναι μια θάλασσα, τι είναι ο συνεταιρισμός μέσα σε αυτή τη θάλασσα. Πώς είναι;...

M.: Μια θάλασσα, έ;

Θ.: Ή οτιδήποτε, μια αχανής έκταση, ...οτιδήποτε, κάτι που είναι τεράστιο.

M.: Εγώ πιστεύω είναι σημείο αναφοράς.

Θ.: Σημείο αναφοράς.

R.: Even regarding decisions that you make?

C3B1: The nature of the operations of our enterprise was such that forced us to move to the next one. And this worked so both for the executives and the rest employees. Perhaps, this is a very important part, if one examines it retrospectively, which provided our business operations with quality.

R.: I see. One last thing. It is not a typical question but a lyrical one. Imagine that the environment in which the co-operative moves is a sea, then what is the co-operative like? How is it?

C3B1: A sea, ha?

R.: Or any vast area..., anything that it can be vast.

C3B1: I believe that it [the co-operative] is a point of reference.

R.: A point of reference...

M.: Σημείο αναφοράς. Εδώ με τα στοιχεία που έχουμε σήμερα από τις συνθήκες λειτουργίας της αγοράς, αποτελεί σημείο αναφοράς του κάθε ανθρώπου, του κάθε μέλους που έχει συμμετάσχει όλα αυτά τα χρόνια σε αυτήν την πορεία. Σήμερα, δηλαδή, βλέπει ότι ακριβώς ο ρόλος του και η λειτουργία του μέσα από αυτή την επιχείρηση όλα αυτά τα χρόνια δεν ήταν μια απλή σχέση, αλλά αναβαθμισμένη συνεχώς και περνώντας σε διαφορετικό επίπεδο σε κάθε λειτουργία και συνθήκες της αγοράς. Και αυτό αν θέλετε φαίνεται σήμερα έντονα γιατί τα προβλήματα είναι πάρα πολύ οξυμένα. Σήμερα, δηλαδή, πιεζόμαστε από τα μέλη να κάνουμε πράγματα τα οποία είχαμε σχεδιάσει σε 2-3 χρόνια και πιεζόμαστε να τα κάνουμε άμεσα γιατί; Γιατί τα μέλη βλέπουν σαν σημείο αναφοράς το συνεταιρισμό. Είτε αυτό είναι το καράβι που τους σώζει, πνιγμένοι μέσα στη θάλασσα, το ναυαγοσωστικό δηλαδή είτε είναι η σανίδα σωτηρίας που πιάνονται για να μπορούν να σωθούν μέσα στην τρικυμία που υπάρχει μέσα. Άρα είναι μεγαλύτερη σήμερα η πίεση από τη μεριά των μελών να τρέξουμε πράγματα που πιθανώς με διαφορετικές συνθήκες της αγοράς θα έτρεχαν με μικρότερη ταχύτητα.

Θ.: Ευχαριστώ!

C3B1: A point of reference! From the evidence that we already have out of the market conditions, it consists a point of reference for everyone, for every member that participates all these years in this course. Today, one realizes that one's role and operation within this business all these years was not a simple relationship but an ongoing and advanced one, upgraded to a level consistent to any function or condition of the market. And this is well observed today because problems are very acute. This means that today we are pushed by the members to make things, which were planned to be made in a couple of years, immediately. Why so? Because members perceive the co-operative as a point of reference; either as a lifeboat that saves their lives being nearly drowned in the sea, or as a lifeline which everyone grips to save ones' life amid the storm. Therefore, pressure coming from members to run things faster than they would run in different circumstances, is greater today.

R.: Thank you!

APPENDIX VI: Coding Process – Formation of Categories (sample)

TEXT	CODES
R.: From the interviews with the executives of the co-operative we have identified some changes in a sequence that has started since 1999, which were: the imprest you were taking based on the turnover; they continued with the trade policy, the establishment of subsidiaries and the optional shares. They (the executives) describe to us how you are now in a stage to develop high value-added services that will lead you to other paths. Do you believe that these changes brought one another? That is, was there a common logic behind them so as when you started making them in '99, one led to the other?	
C3B1: The truth is that we started based on market conditions. The key issue which confused us was where the market is heading; where the market goes.	Market conditions
So we had to adapt our business to new market data.	Adapt to market
What are the new market data? That the pharmaceutical market has a tendency to continuously shrink,	Market shrinks
so we should in advance ensure the operation and progress of the co-operative through different services offered to members,	Ensure operation and progress
and give incentive for members to participate in this co-operative form we have made, so that one really understands that he is a member of a business and enjoy some benefits and services.	Incentives to members
So looking at the market conditions we tried to see which way it goes. What we found was this: that is great value for the company and brings closer the members to their co-operative and binds them organizationally not in a passive function as a member anymore, but in an active one; in the sense that he sees that he has invested in a company that through its operation he enjoys economic benefits as well as through the operation of the pharmacy itself, as we add and develop this part by offering additional revenue, additional services for the development and operation of the pharmacy through the co-operative.	Activate members
In this part the various functions of the co-operative are included, first and foremost the issue of computerization. Computerization service is complicated and quite difficult to set	

up; it is currently offered to all co-operative members and anyone who wants enjoys it with specific benefits through this process, in a way that it is guaranteed to have a support from the co-operative in that part of the computerization that is crucial for the operation of the pharmacy to new facts. Pharmacy without computerization means a pharmacy that works blindly. Pharmacy with computerization means organized pharmacy and these are the pharmacies we want to develop; organized pharmacies as members of the co-operative and in general terms with a co-operative point of view so that they can actually cope with market conditions. So this is service one.	
Second service: economic benefits through investment in the co-operative. What does this mean? That we stopped operating with the old co-operative mode, according to which all members enjoy the same benefits, independently of their participation, their passive or active function;	Stop old co-operative mode
we changed taking into account each member's function and the attitude he takes towards our enterprise. Does one want to invest here? Then, one will enjoy these services as well as financial benefits and more services. The provision of the products, the facilities, namely the IT department which (staff) can go to any pharmacy-member - and in this the commitment and the operation of the member in the co-operative clearly affects - to take inventory, to show him exactly some weak points in the pharmacy in order to be better organized and has a better performance. This is a specific and measurable service also being enjoyed by too many. So, these are elements which necessarily differentiate members	Treat members according involvement
without losing the co-operative identity. It is purely a question of what everyone wants to enjoy from this company as a member; does one want to be a simple member or to be a more active member? Does one want to enjoy all the services of the co-operative? Well, this is in his discretion. But, at this time the co-operative can provide to him all the elements he needs in order to best operate in his pharmacy and this is what we are looking for.	Not lose co-operative identity
R.: Observing the temporal sequence within which you took these decisions about this specific type of changes, I see that some were	

<p>taken in conditions of fat years, so to speak for the market as well as the co-operative, and by extension, also for pharmacists, etc. and some, perhaps the more recent, in situations where the overall financial system in Greece has entered crisis conditions. So we have decisions taken within a favorable environment and also decisions taken in a very hard environment. I'm tempted, then, to ask: are eventually all these changes decisions imposed on you by the environment or was there an internal process and necessity of your co-operative that led to these changes? For example, if the optional shares have to do with the current financial pressure or IT services and beautician services come along with a period of growth for the pharmaceutical market, for the co-operative, etc. Is the environment that imposes on you these change decisions or is there an internal process, are you oriented to this process?</p>	
C3B1: I would say both.	Both environment and internal process
R.: Both?	
C3B1: Both in the following sense. First, our operation was such that it really touched these points.	
R.: You mean, from the very beginning.	
C3B1: From the beginning; since our establishment. We wanted to get away from the stereotype of co-operative function and give impetus to other functions so that it could really be a difference and vitality through this process.	Get away from co-operative stereotype
Namely, to function not in leveling and equalizing way but to leave room for variations... these differences push the business forward, it does not stagnate, and this came through an analysis of the general experience of co-operative structures that have been created all these years in Greece. And we spent enough time. That's why I am saying that even in good times when possibly we could have more solutions for greater profitability, we still insisted on this attitude. Why?	Difference push forward
Because we chose a business model which operated at a purely co-operative level but at the same time, with purely private economic criteria, regarding some of its functions. We rewarded everyone who wanted to participate more and either financially or with his operation itself wanted to grow along with the co-operative. And these worked together with each other and as a result so many functions ran	Both co-operative and private economic criteria

better [than planned] because of the pressure that members who leaned on the firm put on.	
On the other hand, I want to say that this was good and bad at the same time in the following sense. In many points it kept us back from the market because ... our suppliers and the wholesale market in Greece was influenced too much by the export activities and by an enlarged market as it operated in Greece and this caused adverse effects on our relation with many companies. We accepted it, probably pay the price for it,	There were alternatives
however on the other hand, this helped us to grow internally and develop functions collateral with the main operation of the pharmaceutical warehouse, in order to really open the fan and offer such services that brought members closely [to the co-operative] and also gave them a return in the form of a compensation in relation to their participation in the co-operative.	Return to members
R.: You weren't oriented to easy profits, were you?	
C3B1: That's the point! And this was the difficult route because it needed great deal of strain as well as long enough investment time in order to provide the staff and monitor the whole thing. For example, providing the staff for computerization service that I mentioned before, is not something that we built in one day; you cannot hire already experienced staff, position them here and make them work. They must be integrated to the firm and function for the firm. Therefore, you need to build this part.	Not oriented to easy profits
The oxygen-therapy service, the (<i>unintelligible</i>) and every side act regarding the operation of this service, need to be built. However, we are now building this, stone by stone and we have reached a very good point. We have significantly been troubled by the part of parapharmaceutical products. In the conditions of expanded market this was a small part, however it was a part integrating the function of a pharmacy. It's a great thing for a pharmacist to know that there is a business behind him which can negotiate, maybe not for 100% of the products but surely for the majority of them, for the largest part. Foreseeing the future market conditions, we chose this niche. We knew that we would end up at this point ...we should be in the current phase long ago. Namely, it is not	Market growth stops

possible for Greek [pharmaceutical] market to grow with double-digit rate while the rest European market is growing with single-digit rate. At some time, [growth rate] will become the same.	
R.: You said something previously, that in the decision making process there were alternatives. These changes were not one-way route; there were alternatives. Which was the criterion to choose these decisions and not something else, equally valid, or maybe more efficient, or more public-relation-like, more... anything?	
C3B1: The most fundamental criterion was that other changes would create problems in the co-operative structure.	Not change co-operative structure
R.: I see.	
C3B1: It is certain that, despite the fact that our dedication to the co-operative [form] is given and we actually realize that we have no other choice, this is not a panacea though;	Co-operative not a panacea
especially if we examine this within the market conditions and more precisely, within an open market conditions like the ones that we experience today. There are problems. Problems in decision making, in estimating things, in implementing things immediately; it needs consolidation, it needs work! Anyway, it was a choice. We chose this part because we considered that this is our basis, here is where we should be deployed, in this segment we should be deployed and at the very end one cannot do everything well.	Problems in decision making and fast implementation
Some things would follow one direction and some another direction. Perhaps, if a blending of these things could happen then it would be the ideal. But it is very difficult to achieve this blending under these market conditions. Therefore, one chooses a part and develops this. This is the reason we expanded regionally, founded other warehouses, our subsidiaries, in other prefectures and we ran them under almost zero cost conditions; in the sense that they were really just branches in local level, only for reasons of better service, without adding big cost to the firm. Hence, we managed to expand in the market	Managed to expand
and created, with our identical and proper operation - a reliable prop for the pharmacy and the pharmacist in any market conditions.	Reliable prop for the market
And this is proved today; despite the fact that we live very difficult moments in the sense that	Everything changes

everything changes and turns upside down,	
I can argue that we are not so worried regarding the future in the following sense: we adapted very quickly.	Not worried about future
That is, from the very beginning, even before changes were made and Bills imposing the new state of things in drugs wholesaling were approved, we had already taken our measures. We had stopped distributing dividend; we introduced optional shares in order to have a return from there and not searching for profits elsewhere, as it was obvious that the profits for the co-operative in the future would be very few and at the same time we increased pressure in those departments that add value to the pharmacy within new tough market conditions, because for now on, here is the big bet to be won.	Proactive change
If you are ready, together with your pharmacies [-members], to overcome the new market conditions. Namely, whether the pharmacist, who is facing serious problems at this moment as well as thousands of new things and it is difficult to adapt quickly,	Pharmacies face severe problems
could have all these services by the [co-operative] firm he belongs to. [Services] that could make his work easier, could give him fast solutions, could [help him] make changes very fast so as we could avoid any victims, as we say, by all this process, at least among the co-operative pharmacies.	To help members survive
R.: From your words I realize that ... you face external environment with gravity but not with horror. I was talking to an executive the other days and he said to me: "it is horrifying what exists outside us", he faced this... How do you face external environment? And when I am saying 'external environment' I mean the sum of relations outside the co-operative: suppliers, government, society, economy...	
C3B1: This is difficult, no doubt for that. The banking system also causes problems at this very moment because fund raising is expensive and cash flow is always under pressure. The government which takes measures that make you adapt to new conditions in a daily basis. The suppliers whittle down their business in order to minimize their bad debts, since, as we all know that Greece is nowadays a country that faces severe financial problems so they [suppliers] must be very cautious in order to have the least	Difficult environment nowadays

losses. All these definitely influence... But just consider the case that one had to face all this as well as new conditions and one's internal operation would not be prepared for this direction. This would be the absolute wreck!	
R.: Therefore, you feel strong against this difficult...	
C3B1: This is what I am saying. We definitely face difficulties, every day we arrange meetings for the existing problems but we do know that we have built a premise; that we can work through any difficulty, under any circumstances. By changing few things in our structure we can rise above the circumstances regarding the newly created market conditions. And this is for sure... previous experience helps us.	Work through any difficulty
R.: Are these adaptation or changes that will finally alter your character as business or preserving...?	
C3B1: This is a challenge. This is a challenge in the following sense; that in life we must not have obsessions and must not be stuck in standards.	No obsessions
If the market conditions are of this nature that one must make changes even in one's structure and operation, one has to make them; otherwise one will be thrown out of the market.	Even change structure/operation
R.: Could you give me an example?	
C3B1: If conditions...	
R.: ...Changes in legal person, in legal entity?	
C3B1: No. Not in the legal entity. We have chosen to be a co-operative. And this has both some negative and many positive aspects, in the sense that you are united around a structure regarding the equity, which is really a very strong piece which can work through any conditions. is a great thing, to feel a member of a firm, of a corporation...	Preserve co-operative legal entity
On the other side, we must search and find - and we are constantly searching, we are constantly thinking hard – how to create, within the existing operational frame, an environment and a framework which could [really] help us and not create rigidities. That is, without distorting the co-operative character ...but facilitating instead; either regarding the decision making or the investing plans, to make fast decisions and implementation. Hence, not to be delayed by this kind of operational processes that would leave us behind the market needs. This is a very important aspect.	Puzzle to cut delays in decision/implementation

R.: Yes... but all these changes that we described, the specific changes that lead the co-operative to a more entrepreneurial structure, a more business-like condition than those of the traditional co-operatives to which we were accustomed, raise a question: which is the difference, today, between a co-operative and a similar corporation, perhaps a multi-shareholders enterprise, but definitely not a co-operative one... a private enterprise, let's say...	
C3B1: There is a big difference. An enormous difference I would say; in the sense that co-operative operating imposes some things and defines the frame within one moves, with many negative and a lot of positive aspects. However, I believe that within the new market conditions and if one analyze what must be developed in this phase, and we have seen it very early... Namely, the direction of developing the parapharmaceuticals, the computerization, the supply department and the whole administration [re-organization], give us the ability to be deployed in other sectors which will be the challenge of our time; in the sense that we'll be forced to play in generic drugs as well, which is the next step and the most important bet for the drug industry; we should be prepared. Just as [we did] in the services we mentioned before, without which a single pharmacy cannot function well.	Enormous difference
The biggest differentiation is the following: a private wholesaler or a multi-shareholder wholesaling company is not able to offer any of those we were talking about because those add costs in a firm, both financial and investment costs to create this infrastructure	Competitors unable to offer services
R.: Concluding, is this the fundamental distinction today, despite the fact that the co-operative takes, today, entrepreneurial initiatives that could be also taken by a private wholesaler, a private enterprise?	
C3B1: This is the big difference because through this process it protects its members.	Difference is services
R.: So, we can argue that the difference lies in the profit seeking, can't we?	
R.: A private enterprise, for example, whether it is multi-shareholders owned or single proprietorship, that has the money could easily find the know-how, so why not do it? It seems that it hasn't done it, as far as the market is concerned. Why? What is this that makes, for	

example, the co-operative on one hand to take entrepreneurial initiatives that a private enterprise could also take but on the other hand a private enterprise cannot do what a co-operative does?	
C3B1: Firstly, the biggest distinction is that the private owner is interested solely in his profit and nothing else.	Private interested solely in profits
He doesn't care whether the pharmacy earns more or less, whether the pharmacy... He is interested only in a market in order to sell his products; he doesn't care whether this market is pharmacies or export trade or anything else. So what he cares about is how much money he can put in his pocket from his operations.	Private not interested for pharmacy
What we care about is our pharmacies to exist. We are interested in not losing the part of operations regarding medicines because if this leaves the pharmacy we cease to exist both the pharmacies and the co-operative, the market has fallen...	Care about pharmacies' existence
R.: Do you shut down then?	
C3B1: Yes, we do.	
R.: I mean, if we make the assumption that today the pharmacies-members of the co-operative undergo a crushing blow or that the pharmaceutical retail market alters so much that it becomes unrecognizable anymore and we cannot talk about pharmacies-members or about anything else, does the co-operative close down?	
C3B1: If pharmacies go bankrupt, then it definitely closes down; there is not any reason to exist.	Not exist without pharmacy
R.: No, not to bankrupt but to change completely their character... for example it could be no pharmacies of single proprietorship, but pharmacies belonging to corporations...	
C3B1: No, this is what I was saying previously...	
R.: This is a working hypothesis... What will the co-operative do then?	
C3B1: This is what I was saying previously, that in this phase the co-operative plays the role we were talking about. In the [potential] new phase that you describe, the co-operative could be perfectly transformed into a coordinating and logistics company serving these new entities	Co-operative could be transformed
that will be established in the [altered] market conditions in order to manage the operations of co-operative or corporate pharmacies.	Pharmacies could be transformed
R.: Consequently, it will keep working...	

C3B1: Certainly!	
R.: ...It is trying...	
C3B1: Otherwise, its working mode will change. It will not be the one that it is till now. It will not be a function like a wide open fan, like it was till now. It will be more qualitative; in the sense that it will have to deal with the management of larger companies which will come about through this kind of enterprises, if they come about due to the market conditions, when market conditions will be of such a type that your rivals will be big. There will be no small competitors, therefore management will be the A and Z of the case, so as the new corporate forms that will emerge could survive.	Working mode could be changed
R.: Yes, I see.	
C3B1: Otherwise it cannot exist anymore.	
R.: Obviously, yes. We noticed the differences between the co-operative and its competitors, today. All these changes that you have made all the years since 1999 till our days, which moved it off a lot from the traditional co-operative form, do you believe that enhance differences from the private competitors or make them weak?	
C3B1: They enhance them.	Difference enhanced
R.: Enhance them, nonetheless!	
C3B1: They enhance them and this is proved recently. In the hard market conditions that have been generated the last years, what we observed through our operation – i.e. by insisting on orienting ourselves towards the internal market – is that we were better in any operational level than any private [competitor]. Our services, our operations, our supply capacity are much better than private competitor's and as a result there is a significant difference between co-operative pharmacies in one place from non-co-operative pharmacies that work with private enterprises. And this happens despite the fact that we made no significant effort to enroll new members and bring new people to the co-operative because we had focused on the other issues that I described you before.	Better than private in any level
However, people have been asking all these years to become either clients or members in such an insistent way that we had to stop this and say, "no more"! We need no more people at this moment. We want to support properly those we already have!	Big demand for membership

R.: So, does it mean that despite the fact that you take decisions and proceed with changes of entrepreneurial character regarding efficiency, you still believe that the difference in the nature of a co-operative and a private enterprise is being enhanced; namely, the co-operative is still the co-operative that used to be in 1994 when you started...	
C3B1: Yes, yes! It is enormous, in the new market conditions.	Enormous difference
R.: This is very important.	
C3B1: You see, our reliability in wholesale trade is factual and it is significantly apparent since [co-operative pharmacy] differentiates itself from the non-co-operative pharmacy. This is a steady observation. Namely, the fact that our [co-operative] pharmacy is able to be supplied [by the co-operative] with lots of products concerning pharmacy's operation which add profits to it while the other, across the street, which purchases from the private capital is not able to do the same; this is obvious. That's why even in current phase we are irritated by lots of people who want to come to our side either as members or simply as clients.	Apparent reliability
R.: Everyone describes the last years' environment as much turbulent, vague, blur, dangerous and so on. How do you believe that this will influence the decision making process regarding this kind of changes, namely changes that remove the co-operative from the old, traditional standards? Do you believe that it will enhance the specific decisions making process or will it weaken it, at least as long as the turbulence prevails?	
C3B1: I believe it will enhance it in the following sense... This is my opinion based on the process of the last decisions we made, both regarding optional shares and the preparation of the co-operative to the new data and the new situation.	Turbulent environment enhance changes
I saw our members hustling at once and coming together, they rallied around. In other words, there were no side effects of centrifugal tendency...	No centrifugal effect
R.: ... so as to close you in upon as administration and prevent you from making decisions...	
C3B1: ...to revisit or struggle hard to make some decisions. On the contrary, it was an advantage because we all see the difficulties and since we	Tough environment as advantage

have been proved reliable and capable to cope with the function of a co-operative pharmacy, by standing on its side and serving it, things were easier for us. In other words, our role was recognized in the new situation. And probably, it made some people to realize that their perspective is to operate through the co-operative. Hence, it facilitated us. I found no difficulties, neither in the General Assembly nor in the Board of Directors, to pass advanced suggestions; whereas the previous years we would have a long discussion, we would hear all the arguments and wait until things were better absorbed; all the members- either the General Assembly or the Board of Directors would also process and examine all the matters before taking our decisions;	
in the current phase, because the events run and the market becomes tougher and conditions of uncertainty arise, members are snatched up from us, and why does this happen?	Members snatched up from co-operative
Because we have built something all these years, this is what I was talking about. What we planted brings now nuts!	Special achievements
R.: Could I make a provocative question?	
C3B1: Certainly!	
R.: The external environment of the co-operative consists of its suppliers, banks, the government, society and so on. Are the pharmacists included? When you make your plans, do you objectively consider the [pharmacies-] members as part of the external or the internal environment of the co-operative?	
C3B1: This is a twofold issue. It is connected with each member's operation. In the new conditions, there are members who realize today things better than they used to before but there are also members who do not realize the situation and operate isolated and as a result they do not receive these messages. But what it counts is that the majority of the members is aligned with the first direction and this is what influences the operation of our enterprise.	Internal/external according involvement
R.: Which is, to consider themselves as an organic part of ...	
C3B1: As an organic part of the firm. And this is very important. We noticed and evaluated that, for example in our last General Assembly when a large part of what we suggested there was exactly this. We argued that, from now on, what is going to bring profits back to us will be our	Members organic part

participation in the operation of our enterprise and not the dividend that we used to share all these years or the discounts we used to take the years of the expanded market when no similar problem could exist. We realized that it can be a good profitability through our participation to the operation of our enterprise. It seemed to us that the majority of our members are ready to enter a new process. It still needs work for this. Pharmacists need to include themselves in a different operation.	
However, it is notable that they really participate in the new facts and the new plans we introduced regarding the source of our profitability. For example, we argued that the new era will be the era of the generic drugs; it will be the era of the signage of the pharmacies and so on. We analyzed this issue and I saw a good attitude from the pharmacists towards the perspective to operate as virtual chain, through the co-operative's operation. We can see the advantages from this.	Members enhance participation
R.: So, you don't believe that, exactly as the rest elements of the environment that put a pressure on you in a certain degree and in certain moments, pharmacists also put pressure on the co-operative, additional to the one from the market. Market pressures are obviously the same for everyone.	
C3B1: No, I can't see any pressure; no pressure. On the contrary, I am talking about the operation of the enterprise in the core level.	No pressure from members
R.: There are some structures over there: administration, executives, departments, the existing hierarchy, and the way that work is done. Do you believe that all this stuff affected the decisions you made regarding changes from 1999 till now?	
C3B1: Yes, definitely!	
R.: In which way? We can understand the role of the administration; it administrates, hence it affects them. But, was there something inside the co-operative, its structures, its people, or its processes that pushed things towards this constant changes direction?	
C3B1: Firstly, it was the pressure for the continuous enhancement of the co-operative's operations, in the sense that everything we did as administration and with our co-operation with our executives, was made clear to them in order to change it accordingly and change it into	Internal conditions affect change

a new function of the co-operative, was as follows:	
we cannot function as a wholesaler, simply with the given operative conditions of a co-operative wholesaler. But, we should be an advanced wholesaler, operating in competitive market conditions;	Not function as simple wholesaler
which means that the member who was going to come to us and co-operate with the enterprise, would not come because of a general and vague acceptance of the co-operative ideas and nothing else	Members need not accept co-operative ideals
but one would come because of the specific work samples concerning the enterprise's operation and the efficiency that one could gain through this process. That is, the benefits one could have. I believe that this was clear.	Members acknowledge efficiency/gains
This created such internal conditions that our executives themselves enhanced our level of operations; of course, we, as administration, offered them all the needed qualifications – post-graduate programs for many executives, training seminars while the structure of our operations provides an educational character to the whole operation. We leave nothing to chance; everything that happens here is being examined in its process and is adapted to new facts. Building these [facilities] helped too much because it offered an infrastructure to make the best of our executives. Our executives and people's capabilities who work here in the new infrastructure... It was the greatest and most obvious thing after our relocation here to the new facilities that we make the best of each executive's capabilities.	Internal conditions affect change
R.: In the whole change process, which of the three played the most important role in forwarding the change process: procedures, people or hierarchy?	
C3B1: I would say a combination of all.	
R.: Of all the three?	
C3B1: A combination of all because unless the administration had not this direction the executives could not act accordingly or in the same level. Firstly, it begins from the administration, from its worrying and its function in a purely administrative level. Secondly, it is how the executives absorb what the administration decides and finally is the operational part in order to achieve what one has decided about. And this concerns the	

operational level; its monitoring, the improvement interventions, the internal changes that needs to happen, new facts and individuals' specialization to new technological facts in order to have a better approach to a scientific way of enterprise's function.	
All these constitute a constant part, a continuous operation that never stops but it is deployed and one thing brings the other. When one enters this process, one must necessarily keep going because if one stops then this will become visible...	Continuous operation
R.: How will it become visible? This is important. If you interrupt the change process...	
C3B1: ...of the changes. The pressure coming from the market is very high. Because, as I am telling you, the function of the market, as we absorbed it, provides us with stimuli and motives to move further. For example, it [the co-operative] doesn't work in only one level, let's say the level regarding the supply of some products that the pharmacy needs. It is trying, through its operation, to highlight some strong points of each pharmacy-member and respectively to add value through discounts or special offers, developing parts that every pharmacy can develop depending on the different level that it is placed. Therefore, it is a constant pursuit. And, to do so...	Market pressure irritates
R.: But, what if it is interrupted...?	
C3B1: If it is interrupted, then the emptiness will appear; because the pharmacist is familiar with this situation. He knows that the executive A of this enterprise, who deals with that part, is ready to satisfy his needs for the operation of the pharmacy in this level. Unless he covers them, the outcome will become visible.	
R.: Remembering '99, the internal structure of the co-operative – procedures, hierarchy, people (employees, managers, etc.) – and observing the same today, after all these changes, are there any differences?	
C3B1: Huge!	Huge difference in structure
R.: In what level?	
C3B1: Firstly, we ourselves have changed, as administration. We were operating in one way the first years of co-operative's running and in a different way we are operating after some years in the market and after closely observing facts and developments, from a different level.	Administration changed
Executives have also differentiated themselves	Executives changed

in the sense of an increased capability through their function in the enterprise and this was something that we, as administration, tried to reward it and make it available to everyone. We were rewarding every individual improvement and we were integrating this into the function of the whole system. Hence, it was an evolutionary process, I would say...	
R.: Was the change process that changed the...	
C3B1: Yes, it was an evolutionary process, which provided us with new data to grow every day. It gave them to us. It was our function itself that opened new paths to us. However, regarding the old times, if we make the account it would definitely not be possible, for both the administration and managers, to perceive the function of the enterprise through the new procedures. That is, ten years ago, we could not imagine the growth of the enterprise and the development of human resources in nowadays level. In no way!	Evolutionary process
This evolution process was combined with enterprise's advancement. And this happened by "osmosis" in the structures of our enterprise.	Osmosis with structures
R.: Once again, looking back at '94 or '99 when the change process began and comparing with today, when do you believe that the co-operative was closer to the requirements of the environment, then or now?	
C3B1: I believe, now.	Closer to environment
R.: Today? I am asking so because those times you were dealing with a rather stable environment; the social, financial, technological, environment was stable in one way or another. Do you really think the answer is today, despite the fact we are talking about all this turbulence that does not permit one to make plans, etc.? It is impressive to argue that today is much more adaptive!	
C3B1: It is today because the old environment – stability and market expansion - left no space, within the daily running and the market function, to think in a more selective level and about more specialized issues concerning the operation of the pharmacy.	Environment helped no selective thought
And something more, it was also the pharmacy that did not need us so much because the market expansion was so large that the biggest problem that a pharmacy had was to supply the products that it needed to cover its needs and nothing else more; everything was fine and	Environment helped members' indifference

good.	
Today, the operation of the enterprise is more specialized towards the member/client. The operation lies in a more selective level.	More specialized towards members
Today, our member has much more demands than before. Previously, one's anxiety was only to be served properly either regarding the pharmacy's operations or against the rivals. Today, realizing through the new market conditions that one must improve some things in the operation of his pharmacy, one demands different services in order to be able to do so. One demands from the co-operative in which one is a member and insists on the issues that would provide him with the ability to improve one's pharmacy's operation in order to be able to work through the new market conditions. Hence, it is much more qualitative today. For example, the new technologies department plays a significant role today because the pharmacy cannot operate without computers. Our relevant department it is structured in a way to offer easy solutions. One can even make a phone call, in any time, to be served and receive a ready solution. So, one knows that by making a phone call to the co-operative, all the needs concerning computers and software can be covered.	Members' multiple demands
R.: So, do you believe that in a sudden, radical change of the environment in '99, the co-operative would react with slower or worse reflexes than in a radical change that could happen in the current environment?	
C3B1: ...I would say that... I believe that it would react with slower reflexes.	Faster reflexes
R.: With slower...?	
C3B1: Yes, with slower reflexes because there was not this path, yet; the growth path regarding the whole structure. It does not only mean sales or business growth. It also means growth in the structure. A part that we emphasized a lot, as a co-operative, was the advancement of our structure. We invested a lot in it. For example, our managerial and working resources are under constant control in order to improve their capabilities while we offering them opportunities to grow into more. This is a constant operation already established and makes everyone who works here either to run or to be expelled. One cannot stay stagnant and acting in one way and the other. He will either	Advancement of structure

follow the route or get out; one gets out.	
R.: Well, regarding what is called 'hypercomplex environment' in which the enterprise runs, all this hypercomplexity, how did the co-operative interpret it inside its structure in order to confront it?	
C3B1: Firstly, what we were concerned from the very beginning when we started to talk ... was what we had to do in the structure of the enterprise in order to be able to overcome financially the new facts. That was all about from the moment that we chose a clear way of intervening solely to domestic market and nothing else. We started to arrange every operation in the enterprise and we spotted the parts we could improve in the financial and operational level so as to become more efficient and not only adds cost but also compensatory benefits. We checked out the operational level as far as the personnel are concerned. We realized that this is the biggest cost.	Become more efficient
What primarily does a private company, in this crisis situation and market alterations, is to compress costs. There is no other sector to compress more its cost than personnel; this is the biggest cost.	Private wholesaler compress personnel cost
We dealt with it in a different way. We talked with our members and with our executives and the employees and we put them in our path. We told them, unless each one's operation brings benefits to the enterprise then one functions in confrontation with the enterprise therefore there cannot be so many people for some operations presenting their minimum here. This must be reciprocal. Thus, we put them in a path of a constant qualitative upgrade of their operation so as not only add cost but also bring benefits. And this happened through a partnership agreement between the co-operative and its employees, the managers and the rest personnel, amid a debate which ended to a real possibility to avoid layoffs.	Combine job position with efficiency
R.: However, at the same time, you also invested; you introduced high technology, you developed services and you are trying to move to other niches of the market. Did you become complex? [I mean] as a structure, because of all these?	
C3B1: No, we didn't.	No more complexity
R.: No? You argue that despite the fact of a complex environment, you do not believe that	

environmental complexity has increased your own inner complexity, do you?	
C3B1: No, because we, as a structure, operated prospectively. This did not happen within a day when someone said “we change the existing environment”. There wasn’t a one-sided function of the enterprise so as when the current situation emerged – with all this complexity in various levels – to find suddenly it boggled.	Operated prospectively
There was a step by step process in which each department’s development and operation considered decentralized though centralized concerning control.	Step by step process
Hence, the departments were emerged by themselves. The parapharmaceuticals department as well as the other services departments was developed by themselves but at the same time they were integrated into the operation of the enterprise, hence it was ready.	New structure emerged
R.: Does this mean that now you are on the top and you observe down to your creation...	
C3B1: It doesn’t make any... It doesn’t make any...	
R.: It doesn’t... Yes...	
C3B1: Moreover, it is absorbed easily... It is absorbed more easily because our new investment and the new technological media we use this moment for the function of the enterprise were combined with our [general] course.	Complexity absorbed
Namely, the selection was made together with the evolution of the co-operative and its operations. I do not know if you understand what I am saying...	New technologies helped
R.: Yes, sure... sure!	
C3B1: This occurred by adapting to the new circumstances and also by personnel’s adaptation in order to overcome all these.	Adapting to new circumstances
It was difficult. In the beginning, there were problems, backlashes, malfunctions; there was a time for adjustment long enough and there was also cost	Problems in the beginning
but now I believe that we are in a very good level and despite the existence of this scattered complexity and the situation that you mentioned before, it functions awesome. Namely, in any time one can call the departments and they will give me a clear image of their sector, very specific and without messing other specifications or operations that	Functions awesome

one cannot grasp.	
R.: I see. This is important... As far as the internal structure and process are concerned, do you believe that you are closer to a private enterprise or do you believe that you are far away? I mean regarding the way that you operate internally, as a hierarchy, as staff, as procedures, as applied technology, and so on, comparing to a private enterprise.	
C3B1: This is also ambiguous, in the following sense: there are private enterprises which they function clearly attached to a person and this, in current market conditions, is ineffective; it might have worked in previous market situations and gave the entrepreneur the option to reap benefits for oneself without distributing anything, I mean, to stuff everything in one's pocket. But, in the current market situation it becomes more difficult.	Single proprietors ineffective
There are also private enterprises that they function under an organized structure. These are the enterprises that face the fewer problems today. There is nothing that does not face problems today. In a crisis situation, everything faces problems... however, organized enterprises, with structures which have been built and operate in a supporting level, definitely face the fewest problems.	Organized private enterprises face less problems
R.: Does this mean that if we look back in '99 and compare it with now, you are closer to properly organized private enterprises than the proprietorships attached to a person?...	
C3B1: Yes, yes...	Closer to organized private enterprises
R.: In '99 you were far away from... did you function more attached to persons? Were you closer to the enterprises attached to a person than to organized ones?	
C3B1: No, no. Simply, market conditions were of such a nature that didn't impose you to work more advanced and more quickly, absorbing new daily conditions like the ones that we must face now. It means that there was a slower temp because market was expanding by itself so our intervention was really slow. Despite our anxiety to create a structure which would be evolved towards this direction, because we had in our mind that at some point the market would change and could not keep functioning at that level, nevertheless it was the actual market trends that didn't let you run forward and establish new structures to operate. We left	No luxury for slow temp

thing to be done in the future. And we had the comfort and luxury to do so. Today, we have neither comfort nor luxury.	
R.: Consequently, today, you are closer to the more organized structures of private sector; that is...	
C3B1: We are closer... to the organized operation that meets specific conditions of current market.	Closer to organized private enterprises
R.: And the last question... When you started to make all these changes, amidst the very change process, no matter how the subsidiaries were, or optional shares, purchasing policy differentiation, services and so on, the way that you planned this was: I start from here, from A, and I go to B with 1,2,3,4 steps or were you trying, stepping back and then trying again, following a curvy road...? Did you follow such a rational process, let's say a mechanical process?	
C3B1: Regarding many things, due to the structure of operations of our enterprise which was built in that way and this was also its big advantage of operation and our big competitive advantage, it is certain that multi-shareholders' enterprises and co-operative basis of their function create some problems.	Co-operative nature creates problems
In many cases, for things that we, I mean the administration, could see them differently, more advanced comparing to our members, we were forced to credit time to our members or the majority of our members to realize them.	Administration ahead members
R.: When you decided to start...?	
C3B1: When we decided something, we [always] did it.	Always implement decision
R.: In the way I described? Leaving here and going there with 1,2,3,4...	
C3B1: Yes. In few occasions we acted gradually, as far as the absorption of our policy and the operation of the enterprise are concerned. In most occasions, I believe that we always acted in staff-level and in a way that what had been decided had been already worked out in order to be practicable.	Acted gradually
R.: A small step, no matter how difficult it was... yes, yes... Did you ever feel that you started from A and instead of arriving at B you made a zigzag or, worse, you arrived at C where it hadn't been predicted?	
C3B1: Yes, there were some occasions like that.	Achieved different aim than planned
R.: There were? Concerning changes that we are talking about, deep changes?	

C3B1: The development and the operation of an enterprise, regardless its co-operative form, with complicated structures regarding its decision making, etc., [are interconnected] with the very market conditions and reality which in their daily deployment and evolution force one to make setbacks, or follow zigzags and maybe, without realizing how, to arrive at C having passed by B.	Daily practice curves plans
R.: Did you feel that?	
C3B1: Yes, yes, many times. Many times. Because it is the conditions and changes that happen during the time one needs to go from A to B that one is being overtaken and one already finds oneself at C. Let me give you a simple example that is of a great significance. When we started the change process after we realized that new market conditions were coming and things were changing, we noticed that the profitability of our enterprise was limited, was low. So, we had to deal with this and develop scenarios with which committed members would be awarded while giving the opportunity to the enterprise to be come along. Because this is the most important, the enterprise to come along. When the enterprise comes along, members will follow and they integrate into the whole process. Hence, we were seriously concerned about whether the introduction of optional or investment shares could cause confrontation or a different... a different function and different status among members which would in turn shake the whole system and [intelligible] the balance. Well, we were seriously concerned about it.	Many times changed path
At some point of time, I and the rest members of the administration, even passing by our executives as we had a better perception of the pulse of the market and our members, realized that it had to be a straightforward entrepreneurial logic, without zigzags. So, we decided in an absolute way and despite the fact that many people did not believe to this, we proceeded to a General Assembly, submitted our suggestion and everyone remained astonished when they observed members' acceptance for this direction.	Administration shows determination
R.: Acceptance...	
C3B1: Acceptance, which means that the way we had been working all these years, our business activity is such that even if the member	Members' acceptance

does not participate actively, we can make one understand that one counts on a serious business. Therefore, one perceives what you are saying and works them out towards business logic, not a simply participatory logic.	
R.: Did you ever feel that some of the decisions you made in the past, which in turn established some procedures or structures in any level, from the business part to the equity, etc., pushed you to a direction even despite your will?	
C3B1: Yes, many times. Many times...	Follow paths despite will
R.: Well, could we argue that a decision could be a stream that carried you away and while you might wish to say “enough”, you were forced make the next decision to be on that stream? Have you ever felt like this, the ship to be carried away without you can...	
C3B1: The operation of an enterprise is a very dynamic thing. It’s very dynamic. Many times it does not leave one afford a break. It constantly pushes one forward. It pushes you forward and it functions in a dynamic way. It pushes you, whether you like it or not.	Constantly dynamic function
R.: Even regarding decisions that you make?	
C3B1: The nature of the operations of our enterprise was such that forced us to move to the next one. And this worked so both for the executives and the rest employees. Perhaps, this is a very important part, if one examines it retrospectively, which provided our business operations with quality.	Operation forces people
R.: I see. One last thing. It is not a typical question but a lyrical one. Imagine that the environment in which the co-operative moves is a sea, then what is the co-operative like? How is it?	
C3B1: A sea, ha?	
R.: Or any vast area..., anything that it can be vast.	
C3B1: I believe that it [the co-operative] is a point of reference.	Point of reference
R.: A point of reference...	
R.: Ευχαριστώ!	
C3B1: A point of reference! From the evidence that we already have out of the market conditions, it consists a point of reference for everyone, for every member that participates all these years in this course. Today, one realizes that one’s role and operation within this business all these years was not a simple relationship but an ongoing and advanced one,	

upgraded to a level consistent to any function or condition of the market. And this is well observed today because problems are very acute.	
This means that today we are pushed by the members to make things, which were planned to be made in a couple of years, immediately. And why so? Because members perceive the co-operative as a point of reference;	Pushed by members
either as a lifeboat that saves their lives being nearly drowned in the sea, or as a lifeline which everyone grips to save ones' life amid the storm. Therefore, pressure coming from members to run things faster than they would run in different circumstances, is greater today.	A lifeboat
R.: Thank you!	

CODES	SUB-CATEGORIES
Market conditions	External demands to change
Adapt to market	Change process
Market shrinks	Features of environment
Ensure operation and progress	Co-operative's aims
Incentives to members	Co-operative's aims
Activate members	Co-operative's aims
Stop old co-operative mode	Change results
Treat members according involvement	Change results
Not lose co-operative identity	Change results
Both environment and internal process	External/internal demands to change
Get away from co-operative stereotype	Co-operative's aims
Difference push forward	Change process
Both co-operative and private economic criteria	Co-operative's essence
There were alternatives	Change process
Return to members	Co-operative's essence
Not oriented to easy profits	Co-operative's essence
Market growth stops	Features of environment
Not change co-operative structure	Change results
Co-operative not a panacea	Co-operative's essence
Problems in decision making and fast implementation	Co-op's self-assessment
Managed to expand	Co-op's self-assessment
Reliable prop for the market	Co-op's self-assessment
Everything changes	Features of environment
Not worried about future	Co-op's self-assessment
Proactive change	Change process

Pharmacies face severe problems	Features of environment
To help members survive	Co-operative's aims
Difficult environment nowadays	Features of environment
Work through any difficulty	Co-op's self-assessment
No obsessions	Co-op's self-assessment
Even change structure/operation	Co-operative's aims
Preserve co-operative legal entity	Co-operative's aims
Puzzle to cut delays in decision / implementation	Co-op's self-assessment
Enormous difference	Co-operative's essence
Competitors unable to offer services	Features of competition
Difference is services	Co-operative's essence
Private interested solely in profits	Features of competition
Private not interested for pharmacy	Features of competition
Care about pharmacies' existence	Co-operative's essence
Not exist without pharmacy	Co-operative's essence
Co-operative could be transformed	Change results
Pharmacies could be transformed	Features of environment
Working mode could be changed	Change results
Difference enhanced	Change results
Better than private in any level	Co-operative's self-assessment
Big demand for membership	Co-operative's self-assessment
Enormous difference	Co-operative's essence
Apparent reliability	Co-operative's self-assessment
Turbulent environment enhance changes	External demands to change
No centrifugal effect	Change results

Tough environment as advantage	External demands to change
Members snatched up from co-operative	Perception of its members
Special achievements	Co-operative's self-assessment
Internal/external according involvement	Perception of its members
Members organic part	Perception of its members
Members enhance participation	Perception of its members
No pressure from members	Perception of its members
Internal conditions affect change	Internal character of change
Not function as simple wholesaler	Co-operative's self-assessment
Members need not accept co-operative ideals	Perception of its members
Members acknowledge efficiency/gains	Perception of its members
Continuous operation	Change process
Market pressure irritates	External demands to change
Huge difference in structure	Change results
Administration changed	Change results
Executives changed	Change results
Evolutionary process	Change process
Osmosis with structures	Change process
Closer to environment	Change results
Environment helped no selective thought	Features of environment
Environment helped members' indifference	Features of environment
More specialized towards members	Change results
Members' multiple demands	Internal character of change
Faster reflexes	Change results
Advancement of structure	Change results

Become more efficient	Change results
Private wholesaler compress personnel cost	Features of competition
Combine job position with efficiency	Co-operative's self-assessment
No more complexity	Co-operative's self-assessment
Operated prospectively	Co-operative's self-assessment
Step by step process	Change process
New structure emerged	Change results
Complexity absorbed	Co-operative's self-assessment
New technologies helped	Co-operative's self-assessment
Adapting to new circumstances	Change process
Problems in the beginning	Change results
Functions awesome	Co-operative's self-assessment
Single proprietors ineffective	Features of competition
Organized private enterprises face less problems	Features of competition
Closer to organized private enterprises	Change results
No luxury for slow temp	Co-operative's self-assessment
Co-operative nature creates problems	Co-operative's self-assessment
Administration ahead members	Co-operative's self-assessment
Always implement decision	Co-operative's self-assessment
Acted gradually	Change process
Achieved different aim than planned	Change results
Daily practice curves plans	Change process
Many times changed path	Change process
Administration shows determination	Co-operative's self-assessment
Members' acceptance	Co-operative's self-assessment

Follow paths despite will	Change process
Constantly dynamic function	Change process
Operation forces people	Internal character of change
Point of reference	Co-operative's essence
Pushed by members	Internal character of change
A lifeboat	Co-operative's essence

APPENDIX VII: Measures to meet ethical research requirements

A letter was sent to the board of directors or the senior management of each co-operative explaining briefly the title of the research project, the aims and objective, the methodology to be followed and the potential benefits for the organizational theory about co-operatives; also requesting for their co-operative's contribution (both with staff and other material) to the project. In the same letter, the co-operative's administration was ensured for the confidentiality regarding the data that would be given or obtained during the research and the anonymity regarding persons or the firm.

If the answer was positive, another letter was sent explaining the strict measures would be taken to ensure confidentiality and anonymity. For example, in any written material regarding the research project (thesis, papers, reports, etc) the co-operative would be referred to as a code number or letter and not as the real name, the same would happen with the individual participants. Any additional limitations regarding information which could lead to a potential identification of the co-operative (e.g. geographical position) would be inserted under administration's request.

A positive attitude of co-operative's administration regarding the research project does not presuppose or impose the positive attitude of each individual. Therefore, an *informational letter* (APPENDIX III) was sent to each person requesting for his/her participation. In this letter, the purpose of the study and the exact role of person's involvement was explained including the use of member review (or respondent feedback) technique. There was also manifested person's right to withdraw consent at any stage of the research. Measures that would protect person's anonymity in the published results of the research were presented (e.g. using code number or letter instead of real names). Finally, permission to recording the interviews was asked.

In case that a person potentially involved in the study needed more explanation, a face-to-face meeting was arranged in order any vague issues regarding the research to be clarified (alternatively, communication via email or phone).

A *Research Participant Consent Form* (APPENDIX IV) was sent to the organizational members who had accepted to participate in the research in order to be signed and returned back to the researcher.

Real names, original recordings and written material are only available to authorized academic staff such as the supervisors and the members of the Research Committee of Business School of Salford University and only for research evaluation reasons. The physical storage of hard copy/taped data as well as electronic data is secured by the use of a locked cabinet, within locked office, accessed only by the researcher. While the electronic storage is secured by the use of a password protected computer known only to the researcher.