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PACKS, TROOPS AND HERDS: PROSOCIAL COOPERATIVES AND INNOVATION IN THE NEW NORMAL

Pablo Muñoz*

Professor of Entrepreneurship
University of Liverpool, Management School
Liverpool, UK
e-mail: pmunoz@liverpool.ac.uk
&
Universidad del Desarrollo, Chile

Jonathan Kimmitt

Lecturer in Entrepreneurship
Newcastle University, Business School
Newcastle, UK
e-mail: jonathan.kimmitt@newcastle.ac.uk

Dimo Dimov

Professor of Entrepreneurship and Innovation
University of Bath, School of Management
Bath, UK
e-mail: dpd24@bath.ac.uk

**Corresponding author*

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Abstract

Prosocial organizations are emerging to tackle the effects of a New Normal. As they navigate its fragile and liquid institutional membranes, they prioritize cooperative forms of governance. These forms allow for collaboration and democratic decision-making necessary for the development of innovative solutions in this new context. At the same time, the high coordination costs of cooperatives lead to significant market pressures. Therefore, understanding when and under what conditions these new cooperatives innovate and thrive is important as it provides insight into whether and how these ventures can become a viable alternative in this changing landscape. Using configurational analyses of organizational enablers leading to innovation in 40 entrepreneurial cooperatives, we identify three approaches: *Attentive Pack*, *Eclectic Troop*, and *Wandering Herd*, showing that innovative outcomes can indeed emerge under traditional cooperative features emphasizing collectivism. However, the pursuit of higher novelty requires a shift to more individualistic, business-as-usual, approaches. The New Normal does indeed enhance entrepreneurial activity, but of a different kind comprising novel sets of antecedents and outcomes, which we show can easily become the new dominant form of venturing required in this new context.

Keywords: *New Normal; Cooperatives; Entrepreneurship; Innovation; Fuzzy-Set Qualitative Comparative Analysis; Chile*

1 Introduction

Intensified discussions of the New Normal reflect radical changes in the business landscape and durable shifts in business behavior (El-Erian, 2010; Etzioni, 2011). The global financial crisis of 2008 triggered institutional and political shifts arising from financial insecurity and volatility, rising inequality, and general public malaise (Cohen, 2013). This was accompanied by a sense of diminished state of wellbeing characterized by austerity, displacement, shallowness, laziness, and disconnection from the natural world (Best, 2011). At the same time, venturing has developed a distinct prosocial edge, turning concerns with the living conditions of society as a whole into a core business purpose (Hollensbe et al., 2014; Muñoz et al., 2018). The question of whether the New Normal represents a more fulfilling characterization of the good life (better social relationships, cultural and spiritual pursuits) or an impoverished state of wellbeing is an open call to the power of human innovation. The question that arises naturally is how traditional business imperatives for long-term survival such as innovation, operate under such new organizing logics.

In the context of this New Normal, cooperative organizational forms have re-emerged amongst ventures seeking to resolve social or environmental problems, embodying new sets of values and enabling new practices in the marketplace (Knupfer, 2013). These organizational forms allow for collaboration and collective decision-making, therefore enabling the articulation of democratic business models and the involvement of different groups of community members in the development of innovative ventures (Ashforth and Reingen, 2014; Boone and Özcan 2014). At the same time, the historic problems of cooperatives (i.e. economic disincentives, operational inefficiency, high coordination costs, lack of scale economies, performance-monitoring problems, and underinvestment) have reduced their ability to innovate and remain competitive. Yet such forms also show distinct abilities that allow them to survive (Boone and Özcan, 2016). This occurrence gives rise to two important and timely

research questions related to their navigation of the discontinuity marked by the New Normal: *what organizational configurations enable innovative outcomes in entrepreneurial cooperatives?* And, *what types of innovative approaches do entrepreneurial cooperatives articulate as a result?*

We conceptualize innovation as both a process and an outcome, broadly defined as the ‘production or adoption, assimilation, and exploitation of a value-added novelty in economic and social spheres; renewal and enlargement of products, services, and markets; development of new methods of production; and establishment of new management systems’ (Crossan and Apaydin, 2010, p. 1155). Innovation among prosocial ventures requires distinct leadership skills (Bacq et al., 2016); experience, understanding and nurturing of social problems (Kimmitt and Muñoz, 2018); and/or management of organizational tensions (Battilana and Lee, 2014). Our theoretical development thus focuses on how these factors interplay with the distinct nature of cooperatives as an organizational form (Boone and Özcan, 2015). We posit that innovation aiming to sustain more than economic goals engages leadership (*cooperative leadership*), managerial (*cooperative organizing*) and business-process (*cooperative processes*) factors in a more holistic fashion.

Our empirical setting is the emerging economy of Chile. While being a relatively large and fast-growing context for prosocial enterprises, which have flourished in response to decades of intensive yet unequal growth, it has lagged behind in the formalization of ‘for-benefits’ structures typical of more developed economies (Nicholls and Teasdale, 2017). This creates a unique setting in which prosocial organizations respond to the New Normal by adapting their business models and existing legal forms for a better fit with their mission and business approach. This, in turn, represents a fascinating context for understanding innovation among a new generation of cooperatives and where innovation in cooperatives in this New Normal is central to their success and survival.

We draw on a unique sample and data from 40 entrepreneurial cooperatives to conduct a configurational analysis of multi-level organizational conditions and associated innovative outcomes (Tsoukas, 2017). Aiming to capture the drivers of innovation in a more holistic sense, we leverage Fuzzy-Set Qualitative Comparative Analysis (fsQCA) to map out the conditions under which entrepreneurial cooperatives in the New Normal are likely to innovate and survive in the marketplace (Ragin, 2008).

Results show that innovative outcomes can indeed emerge under traditional cooperative forms of organizing, which emphasize collectivism. Our results paint a complex picture of high innovation as resulting from organizational configurations that mark three distinct, novel approaches among entrepreneurial cooperatives: *Attentive Pack*, *Eclectic Troop*, and *Wandering Herd*. At the same time, the pursuit of more radical innovation requires a shift to more individualistic, business-as-usual, approaches.

Our study makes several contributions that intersect the New Normal, innovation, and cooperative literature. First, we contribute to theory on cooperatives by identifying a number of pathways to innovation, involving different combinations of cooperative workforce competency, agency, stewardship, innovation orientation, competitive focus, and market diversification. This represents much needed empirical evidence for how the governance models of cooperatives produces innovation (Boone and Özcan, 2016). By highlighting the conditions under which cooperatives operate as innovative organizations, our work helps understand the restructuring of the economic order in its micro-level complexities.

Second, we also contribute to the current understanding of the role of leadership and capability renewal in organizational innovation. We show how the locus of support for innovation shifts within cooperative forms and how old competitive forms can be rejuvenated to deal with radical change. This highlights the varied anatomy and importance of innovation in navigating the New Normal landscape and offers innovation scholars a holistic framework

for understanding innovation in cooperatives. Lastly, we contribute to policy by providing a cautionary note on the “professionalization” of cooperatives and demonstrating how traditional legal structures can remain relevant in the New Normal. This is of particular importance in the context of prosocial cooperative emergence in emerging economies and beyond.

2 Theoretical Background

2.1 Cooperatives and the New Normal

The development of cooperatives extends across a long history, sectors and international contexts. From an economic perspective, cooperatives have historically needed to confront several challenges facing market dynamics. They are subject to strong economic disincentives (Aldrich and Stern, 1983) as the lack of hierarchy makes them operationally inefficient (Williamson, 1985). Cooperatives tend to exhibit higher ownership coordination costs (Boone and Özcan, 2016), in particular when membership preferences are heterogeneous (Hansmann, 1996). Unlike traditional corporations, cooperatives face greater difficulties to achieve economies of scale (Bonin et al., 1993), struggle with performance-monitoring problems (Williamson, 1985), and suffer from underinvestment in assets that materialize only in the long term (Soboh et al., 2009).

Nevertheless, cooperatives continue to exist (Boone and Özcan, 2016), mostly because they uniquely combine social, political, governance and economic factors under one organizational structure (Garnevska et al., 2014). From a social point of view, cooperatives tend to be embedded in communities, thus having a distinct social orientation with a focus on collective organizing for community benefit (Shrivastava and Kennelly, 2013). They combine private and public interests, with social, environmental and economic interests (Borzaga and Defourny, 2004; Florin and Schmidt, 2011) in one organizational proposition. Consequently, they manage a diverse range of social (e.g. social cohesion, community engagement,

environmental protection) and business functions (e.g. efficiency, profitability), which can sometimes induce strategic conflicts (Battilana and Lee, 2014; Kasabov, 2016).

Despite these potential challenges, cooperatives are reemerging in several rather unexpected contexts, arguably as a result of movements against market-dominance of corporate rivals (Boone and Özcan, 2014), mostly in non-supportive contexts. Knupfer (2013) argues that modern cooperatives are emerging as a democratic and locally sustainable impulse in the market place, offering alternative organizing approaches (Boone and Özcan 2014, 2016; Paraque and Willmott, 2014; Schneiberg et al., 2008), largely due to their unique shared governance, decision-making and goal-setting structures.

In the context of the New Normal, cooperative reemergence has followed from the expansion of prosocial businesses, which are driven primarily by social or environmental objectives and whose surpluses are normally reinvested in the community. In the absence of legal frameworks for this growing set of enterprises, these businesses have been required to select the closest framework aligned with their objectives and distinct collaborative forms. Cooperative legal structures (however outdated) and governance forms have thus emerged as a natural organizing form for social ventures, as they allow for collaboration and collective decision-making at the governance level. As McDonnell and colleagues (2012, p45) emphasize: "...their sustainable business model and practices provide hope in a time of economic recession. Cooperatives have always strived to be innovative, correcting market failures and creating benefits for members." Therefore, in the New Normal, political and economic change has been radical, instigating the frequent emergence of prosocial businesses. In our particular context, this emergence relates particularly to prosocial entrepreneurial cooperatives, attempting to navigate the challenging landscape through their innovative behavior.

2.2 Innovation in Cooperatives in the New Normal: Configural enablers

In most circumstances, innovation by new ventures is an important ingredient of their performance, survival, and/or reputation (Lounsbury, and Glynn, 2001; Bradley et al., 2012; Cefis and Marsili, 2005). In our context of interest, innovation is of added importance for navigating the extreme uncertainty of the New Normal environment (York and Venkataraman, 2010), particularly in emerging economies (Ahlstrom, 2010). Whilst innovation represents a vital part of what entrepreneurs do in such contexts, when done by cooperatives, it requires governance structures that both fit with this New Normal and sustain its gains (Sanz Cañada and Macías Vázquez, 2005). Therefore, understanding how innovation occurs in cooperatives, requires an overview of relevant conditions or ‘theoretical units’ for it (Crossan and Apaydin, 2010, p. 1169).

In considering organizational enablers for innovation in cooperatives, we draw on a multi-dimensional conception of organizational innovation comprising (1) leadership, (2) managerial and (3) process-level elements, as synthesized by Crossan and Apaydin (2010). This represents a framework ‘that can link different theoretical units into a coherent whole’ (p.1169). Given their point of origin and despite their democratic and collective emphasis, cooperative ventures in the New Normal are mainly managed by the founder and a smaller entrepreneurial group (Ashforth and Reingen, 2014), engaged in the fine balancing of a financially viable venture and community-driven principles that foster prosocial value propositions (Huybrechts and Haugh, 2017). As such, appropriate governance structures, leadership approaches and strategic orientation are necessary for innovation and, ultimately, for maintaining a competitive advantage in the market. Thus, cooperatives represent a site of complex relations and interdependencies between leaders, their strategic calls and levers at their disposal, as well as business processes. In Figure 1, we propose and elaborate such an interdependent configurational framework for innovation in cooperatives.

INSERT FIGURE 1 ABOUT HERE

Cooperative leadership for innovation

Cooperative enterprises exploit place-based resources (Kibler et al., 2015; McKeever et al., 2015) in pursuit of a common good for the hosting community (Peredo and Chrisman, 2006). Their organizational activities are deeply integrated in the fibers of local communities (Boone and Özcan, 2014), offering a simple organizational structure to channel local, collective action (Greve and Rao, 2012) and engage with the issues affecting the community in question. Relatedly, cooperatives' governance models are designed to be participative and not merely representative (Ebrahim et al. 2014).

Leaders in cooperatives organize collective venturing activities and solve conflicts in the pursuit of reconciling different social, environmental and economic objectives among various member and stakeholder groups. Internal conflicts can be sparked by field-level or macro/collective judgements (Bitektine and Haack, 2015; Hannah et al., 2011) as to what constitutes 'good' and 'bad' methods, and values are reinterpreted in the course of gaining and maintaining organizational legitimacy (Bitektine and Haack, 2015; Suchman, 1995). Indeed, cooperative ventures may require 'different response strategies to cope with internal conflict, depending on whether they are exposed to conflicting demands related to goals or means' (Pache and Santos, 2013, p. 995).

The unique collaborative and participatory nature of cooperatives means that approaches to *cooperative leadership* are likely to be particularly critical to explaining the innovative nature of the organization. The organizational governance literature discusses two contrasting approaches to leadership: *agency* and *stewardship*. In the former, leaders are thought to operate in a more individualistic, opportunistic manner and in accordance with personal aims and ambitions. In this context, leaders are not necessarily driven by financial interests (Wiseman et

al., 2012) but they would likely introduce governance mechanisms (e.g. performance management, monitoring) that link personal ambitions to organizational outcomes. Prior research demonstrates that such an agency mindset leads organizations to focus on one core goal, i.e. social or financial (Bacq et al., 2016). Senior management in cooperatives may demonstrate biases in decision-making towards projects at management and member level which can ultimately be detrimental to organizational performance (Deng and Hendrikse, 2015).

In contrast, stewardship theory suggests that leaders are not motivated by individual goals but their objectives are aligned with their ‘principals’ or organizational members (Davis et al., 2007). This type of leadership involves strong affinity to and identity with the organization. Sklaveniti (2017) suggests that leadership involves ‘co-action’ of a venture’s development, so it is inherently participatory. Zaech and Baldegger (2017) also discuss a similar concept of transformational leadership which focuses on approaches to empower others (Kennelly and Odekon, 2016). Whilst an agency perspective suggests that the self-interest of a leader drives innovation, stewardship indicates that leaders invest in innovations to strengthen the firm and its personnel in the long term (Miller and Breton-Miller, 2006). Garnevska et al. (2014) identify the damage that a lack of trust in leaders can have in cooperatives but how this relates to innovation between agency and stewardship approaches remains unclear. In sum, *cooperative leadership* represents an important determinant of innovation, with *stewardship* and *agency* as two important sub-components of leadership approaches.

Cooperative organizing for innovation

Managerial levers within entrepreneurial cooperatives allow naturally for collaboration and collective decision-making at the strategic level: we label these managerial levers here as *cooperative organizing*. Cooperative forms of governance permit articulating democratic

business models and enable the involvement of different groups of community members in the venture development process (Ashforth and Reingen, 2014). As a result, cooperatives continuously face coordination challenges and inefficiencies at the governance level (Boone and Özcan, 2014; Hansmann, 1996). They are required to maintain high levels of member commitment and engagement (Boone and Özcan, 2016) and to carefully integrate and manage a diverse workforce composition, i.e. local members with heterogeneous backgrounds and skillsets (Marti et al. 2013; Nuñez-Nickel and Moyano-Fuentes 2004). This integrated structure (i.e. diverse workforce composition, shared business and governance activities) is necessary, yet insufficient to capture how organizational wellbeing and legitimacy is maintained over time (Ashforth and Reingen, 2014; Doherty et al., 2014).

Typically, therefore, members of the cooperative share a strong commitment to the organization (Kennelly and Odekon, 2016; Heras-Saizarbitoria, 2014). These notions of collective ownership and democratic decision-making (Knupfer, 2013), however, may trigger tensions and negotiations regarding the enterprise's means and goals potentially challenging their innovative capabilities (Battilana and Lee 2014; Pache and Santos 2013). Therefore, *cooperative workforce competency*, as a way of capturing the quality, quantity (availability) and engagement of workers, represents an important managerial lever in the process of *cooperative organizing* and therefore innovation.

In terms of organizational culture as a managerial lever, the cooperative model is particularly interesting because of the type of the ideas behind ownership and decision making. Cooperatives are deeply rooted in the fibers of local communities (Boone and Ozcan, 2014). They ultimately emerge as an entrepreneurial response to community circumstances, where strategic decisions are guided not only by private economic interest but also by social and community-embedded interests (McKeever et al., 2015; Schneiberg et al., 2008). They offer a simple organizational structure to channel local, collective action (Greve and Rao, 2012) and

engage with a chosen community issue, sustainably. As such, there are financial imperatives to how they are organized and managed. Although cooperatives tend to constitute an organizing form driven by collective movements acting against predominant capitalist-based corporations (Boone and Ozcan, 2014), they must marry their community-focused aims with a *competitive focus* to give them the prospect of a financially viable venture in often competitive industries and markets (Muñoz and Kimmitt 2018). This can represent a tricky balancing act of commercial and social objectives (Besharov, 2014). Taken together, *cooperative organizing* represents an important managerial lever for innovation in cooperatives, with *workforce competency* and *competitive focus* as two key sub-components.

Cooperative processes for innovation

Cooperative processes here refer to the actions of organizations such as how they make decisions and how strategies are created for innovation. Crossan and Apaydin (2010) describe the initiation and attitude towards innovative ideas is particularly crucial as a business process. We label this in Figure 1 as the *innovation orientation* of the cooperative organization. Such an orientation enables organizations to react and adapt to rapidly changing environments and therefore represents an important dimension related to innovation outcomes (Flecha and Ngai, 2014; Guo, Su, and Ahlstrom, 2016).

Similarly, portfolio management represents a crucial *cooperative process*, typically referring to the strategic, technological, and resource choices made by an organization (Crossan and Apaydin, 2010). Ultimately this can help or hinder the organization's ability to create new knowledge, learn and subsequently innovate (Su, Ahlstrom, Li, and Cheng, 2013). From a portfolio management perspective, cooperatives are usually managed by the founder and/or a smaller entrepreneurial group (Ashforth and Reingen, 2014). These actors become central in balancing financial viability and community-driven principles (Schneiberg et al., 2008;

Huybrechts and Haugh, 2017), maintaining a strong internal membership base and building the necessary legitimacy in the eyes of external stakeholders (Boone and Özcan, 2014; Núñez-Nickel and Moyano-Fuentes, 2004). Ultimately, the effectiveness of a cooperative depends on how entrepreneurs' entry choices affect their survival chances (Boone and Özcan, 2014). Thus, strategic decision-making regarding *market diversification* is particularly relevant for understanding innovation. Ahn et al. (2012) identify, for example, that agricultural cooperatives tend to suffer more through coordination challenges when the project is more complex. As a result of their organizing structure, market diversification and subsequent innovation may therefore be more challenging. In sum, *cooperatives processes* for innovation in cooperatives can be understood through *innovation orientation* and *market diversification*.

In summary, the framework in Figure 1 builds on Crossan and Apaydin's (2010) holistic approach to innovation and contextual understanding of cooperatives. It enables us to draw distinctions among entrepreneurial cooperatives based on constellations of cooperative leadership, organizing and processes. For example, varying leadership styles of entrepreneurs may galvanize or deter the workforce to support and enable innovation. Similarly, governance structures may involve an interplay between innovative orientation of the venture, role of the workforce and their respective leaders.

3 Research context

'New Normals' constitute social-economic-political structures in the process of becoming, therefore their inner institutional arrangements are uncertain and not yet rationalized through formal norms and rules. In our quest to capture an emergent New Normal, our study focuses on the emerging Chilean social economy. In Figure 2 we provide a simple timeline delineating the evolution of the social economy as it relates to our phenomenon of interest, highlighting changes in both macro and meso levels. It starts with the legalization of the cooperative model

in the 1960s, resulting from revolutionary agrarian reforms, until 2017 with the presentation in parliament of a proposal for a new legal framework for collective interest companies. It is worth noting that the cooperative legal form in Chile has not changed since its conception.

INSERT FIGURE 2 ABOUT HERE

In the upper section of the timeline, we highlight a sequence of shocks marked by Pinochet's dictatorship (1973-1989), an emphasis on privatization and the return to democracy. Altogether they created the most important economic expansion in Chile's history but also deepened social divisions and increased income inequality in significant ways. During the 1980s, all community associational forms were revoked and banned and only reinstated in 1994 at the end of the first democratic administration. 20 years after the return to democracy, Chile witnessed a resurgence in social demands (e.g. the Penguin Revolution, the largest student protest in Chile's history) leading to social unrest but also multiple initiatives in civil society, mostly related to prosocial venturing.

The 'TECHO generation' (Rivas, 2011) is a cohort of social leaders (former volunteers at TECHO NGO) that from 2011 onwards led the surge of a new 'fourth sector'¹, with initiatives having enduring consequences including the foundation of B Corps Latam, the first social investment fund, the first international social innovation festival, social movements to support social enterprising formalized through '101 solutions' (Sistema B, 2014), the development of a new legal framework for collective interest companies, among others. This grassroots response to the old normal led to a New Normal in which prosocial organizations made the traditional cooperative form their own, embracing collective ownership, democratic governance and social value distribution. Noted Jorge Rodríguez-Grossi, Former Minister of Finance, Chile (Economia, 2017):

In Chile) cooperatives are much more than a traditional form of business organization, they have a strong social mark and promote a type of development that is, by definition, inclusive. The

challenge for cooperatives is that they have to be at the forefront of ethical entrepreneurship and social responsibility in the country. Its operation and updating will not only allow them to contribute with more strength to the creation of employment and local development; they will also allow us to demonstrate that they are a special "lighthouse" amongst companies, representing a way of doing valuable business (emphasis added).

This unexpected evolution offers a unique context in which to understand the antecedents of business innovation in entrepreneurial cooperatives before its 'rationalization' as the sector is yet to define its institutional framework. Currently, legal forms adopted by social enterprises cover the full spectrum ranging from for-profit private entities (44.4%) to non-for-profit organizations (34.7%). This means that the Chilean social economy is a rather colorful sort of New Normal, capable of accommodating a wide range of organizational forms on both extremes of the spectrum, including joint-stock enterprises, LLCs, charities and communal associations; with a large proportion (~21%) not yet legalized.

Interestingly, cooperative legal forms are the third most preferred legal structure (16.5%) for social enterprises after limited liability and joint stock companies. Two separate bills for a new 'social-benefit-enterprise' legal framework were presented in 2017 for discussion in parliament, embodying the two sides of the social industry spectrum. One represents the more traditional sector of cooperatives and communal associations and the other one represents the growing community of prosocial entrepreneurship (e.g. B Corps), which brings to light the emergent and non-rationalized nature of the Chilean social industry. Therefore, this context enables an investigation of the emergence of entrepreneurial cooperatives with low isomorphic pressures, which in turn enables a bottom up understanding of the determinants of innovation outcomes before 'managerialization' has taken place and 'forced' innovation practices are implemented as the most legitimate ones.

4 Methods

4.1 Configurational Approach to Innovation in Cooperatives

To understand innovation outcomes within entrepreneurial cooperative, we need to adopt a conjunctural view, combining *cooperative leadership*, *cooperative organizing* and *cooperative processes*. But such a holistic understanding of how these organizational enablers elicit innovation requires an alternative – configurational – approach (Tsoukas, 2017). One which is able to capture how, for example, the innovation orientation of the firm relates to its leadership style and subsequent innovation outcomes. Or how the unique governance structure of cooperatives helps when understood as combined with other key organizational factors that typically elicit innovation.

In understanding the conjunctural relationship between organizational enablers and innovation in cooperatives, we use Fuzzy-Set Qualitative Comparative Analysis (Ragin, 2008). fsQCA is a set-theoretic method that uses Boolean algebra, counterfactual analysis and logical minimization to observe and analyze causal complexity. By systematically comparing cases as configurations of factors (Ragin 2008) it allows for dealing with complex causal relationships in a more parsimonious way and making causal inferences based on the notions of causal necessity and causal sufficiency. This method is particularly well-suited for addressing research questions dealing with complex causal relationships (Misangyi et al., 2017) and works robustly with small Ns (Fiss, 2011; Haxhi and Aguilera, 2017).

4.2 Sample and Data

Our data stems from a unique data set of 40 entrepreneurial cooperatives from Chile. Data were collected in May-August 2016 as part of larger survey of the Chilean fourth sector's structure and dynamics. Given the non-existence of a register of social enterprises in the country, the research team embarked on a 2-month process aimed at identifying organizations with declared

social or environmental ambitions. Using intermediaries (e.g. universities, councils, local government organizations, minister of finance, co-working spaces, incubators, regional GEM teams, etc.), we identified and created a directory of nearly 2,500 potential social enterprises, which were invited to participate in the study. In order to refine the sample, we retained only those self-identified as social enterprises (i.e. for- and not-for-profit organizations with social and environmental objectives). 584 individuals responded to the survey.

In a subsequent stage, we refined the sample in line with three criteria: years of trading (only <10 years were included); active involvement of the participant in the management of the social business; and availability and reliability of data (only those participants who completed at least 70% of the survey were considered). Within the final sample of 340 socially-oriented enterprises, we identified 56 socially-oriented young cooperatives distributed across the country. These have been trading for the less than 7 years with a median of 3.5 years of trading.

In order to truly capture the influence of the full range of factors, we focused only on those cases where the survey was responded to by either the head of board or the general manager (i.e. subset of those with active involvement). This resulted in a final sample of 40 entrepreneurial cooperatives. This is a diverse group of cooperatives, representing three types of cooperative legal forms (collective association, cooperative, communal organization) and a wide range of industries including management consulting, software development, drug rehabilitation, life science research, arts and design, hunting, and tourism, uncommon in the cooperative world, as well as more traditional industries such as textiles, agriculture, fishing, financial services and housing. Reflecting the New Normal nature of our sample, a significant portion recognize traditional businesses to be their main competitors (44%), followed by other cooperatives and social enterprises (30%), NGOs (11%), and government (7%).

Follow-up interviews

To make further sense of our results, we conducted follow-up semi-structured interviews with board members and general managers from a purposive sub-sample of eight cooperatives covering all four solution terms. The interview protocol included three questions dealing with the organization, its emergence and mission (e.g. can you tell me how your organization got started and how it has developed since then? what is the organization's core mission and why do you think it is important?) and nine questions tackling the three levels of analysis: leadership, managerial and business processes. For example, we asked the participants: how would you describe your approach to leading the organization? How do you communicate your mission to differing stakeholders, including employees, volunteers and beneficiaries? How do you balance your social objectives with your financial needs? And, where do you tend to get new ideas for the business from? The interviews lasted between 50 and 70 minutes. These were recorded and transcribed in Spanish and subsequently translated into English by one of the authors who is a native Spanish speaker. This allowed us to retain cultural nuances and the richness of the local language.

4.3 Measures and Calibration

In the delineation of our measures, we draw on our configurational view of organizational enablers, depicted in Figure 1, to explore the multi-dimensional and complementary nature of innovation amongst entrepreneurial cooperatives. The framework explains innovation in cooperatives in terms of three configurational enablers (i.e. cooperative leadership, organizing and processes) and six inner dimensions. The idea of our configurational approach is to consider the outcome of innovation in a causally complex manner; the presence or absence of such dimensions work together to reinforce and combine to produce innovation outcome. We use this theoretical structure to delineate constructs and measures.

Outcome condition

A common mistake in the delineation of innovation as an outcome is the representation of innovation outcomes as a proxy for market performance (Crossan and Apaydin 2010). Instead, the authors argue, innovative outcomes should be defined and thus observed as a type of referent or form. A given artefact can be new to the firm, to the market it serves, or to the industry and this new artefact can be product or service, a process, and/or a business model. In line with this view, our outcome variable for innovation in cooperatives captures *level of business innovation by focusing on nine potential areas of innovation*. After framing the context (i.e. all organization, both social and commercial, offer products and services to the market and compete against other organizations for particular market segments) we explored which of those nine areas apply to them for the products or services currently on offer. We specifically asked the participants the degree to which they believe their products and services are i. novel to markets either at the i. local, ii. national and iii.. international level; iv. are different from those offered by the competition; or v. innovative in terms of manufacturing or vi. distribution/logistics leading to vii. lower costs; also whether their products and services viii. come to solve unmet needs in a novel way, or ix. attend a new market segment. We aggregated the scores under the assumption that the wider the coverage the higher innovation outcomes.

Causal conditions

Mirroring our configurational framework (Figure 1), which depicts enablers for innovation in cooperatives, our delineation of causal conditions include three sets of standardized variables for cooperative leadership, organizing and processes.

In terms of *leadership*, the main roles leaders play in cooperative ventures are to organize collective venturing activities and manage conflicts and tensions derived from collective

governance and the pursuit of hybrid objectives. In assessing this level, we focused on two complementary theories of leadership (Van Puyvelde et al., 2012): agency and stewardship.

The *cooperative organizing* level highlights two dimensions relevant for understanding innovation amongst cooperatives; strategy and culture. Firstly, the articulation of an innovation strategy by entrepreneurs/senior management is seen as aligning the innovation goals of the cooperative with their broader strategic objectives. Secondly, organizational culture refers to the unique values, beliefs and rituals which are drawn from in order to substantiate the identity work of organizational members (Hatch and Schulz, 1997). In this perspective, innovation is determined by developing a culture of cohesiveness, satisfaction and commitment that fosters it. Following this line of reasoning, we assessed *cooperative organizing* by means of two causal conditions: cooperative workforce competency and competitive focus.

The third set of innovation enablers focuses on *cooperative business processes*. Firstly, cooperative organizations require a particular orientation supporting the continuous development of innovative ideas, which involves particular capabilities and organizational adaptability. Secondly, portfolio management, as a business process, enables cooperative organizations to effectively deal with a multitude of strategic choices, which in turn create new knowledge, learn and subsequently innovate. Our assessment of *cooperative processes* is consequently focused on two causal conditions: innovation orientation and market diversification. Table I describes and provides supporting references for our six measures.

INSERT TABLE I ABOUT HERE

Calibration

Once measures have been collected, they need to be calibrated. Calibration in configurational studies is essential as it enables systematic comparison, ensuring that each of the measures match or conform to dependably known standards. During the calibration procedure, the

research team is required to specify the score that would qualify a case for full membership in the sets of entrepreneurs with high innovation, as well as in the set of each causal condition and also the score that would completely exclude it from each of the sets. It does so by using a simple estimation technique (automated in fsQCA 3.0) that transforms variable raw scores into set measures (Ragin 2007), rescaling the original measure into scores ranging from 0.0 to 1.0. The calibration of Likert scales is based on scale distribution setting cross-over points in the middle of the scale, whereas calibration for competitive focus, market diversification and innovation in cooperatives is based on observed distribution of scores across the sample. In Table II we provide a summary of measures, calibration thresholds and calibration rationale².

INSERT TABLE II ABOUT HERE

5 Data Analysis and Results

5.1 Identifying Necessary Conditions

The necessity test in fsQCA reveals whether one of the configurational enablers is individually enough to produce innovative outcomes (Haxhi and Aguilera, 2017). Our analyses of necessary conditions reveal two conditions with stronger fuzzy subset relationship with high innovation and its component parts, these are: workforce competency (WFC) and innovation orientation (IO). In further scatterplot analyses we observe that membership in the outcome is almost always less or equal than membership in the causes, corroborating the argument of necessity. Despite the high concentration of instances along the full membership in WFC and IO, the distribution of cases across the plots shows that there is no set skewed towards high membership, eliminating the potential risk of trivialness of the necessary condition (Schneider and Wagemann, 2012).³

5.2 Identifying Sufficient Solutions for Innovation

Following the identification of necessary conditions, fsQCA evaluates the different combinations of causal conditions that are linked to the outcomes in terms of causal sufficiency as well as the strength of the causal relationships between conditions or combinations of conditions and the outcome of interest. This is done using fsQCA 3.0 (Ragin and Davey, 2016) in a stage-wise fashion. The first step involves the construction of a truth table, which lists all 64 (2^6) logically possible combinations of causal conditions along with the cases conforming to each combination⁴. In line with the limited diversity of the empirical world, we did not find evidence for all 64 possible combinations. In order to reduce the truth table to simplified combinations, fsQCA requires the specification of two minimization criteria: a frequency threshold that specifies the minimum amount of cases to be considered in the analysis and a consistency threshold that defines the minimum acceptable level to which a causal combination is reliably associated with the outcome. In line with previous studies, we applied a consistency threshold of 0.789 and a frequency threshold of one, which is recommendable when the aim is to build theory from a relatively small sample (Muñoz and Dimov, 2015).

Following, we run three configurational analyses with three alternative specifications for the outcome: high, very high and low innovation, which are shown in Table III. The conditions in the table are organized from top to bottom using the three dimensions of organizational innovation outlined in Figure 1: cooperative leadership, cooperative organizing and cooperative processes. In Table III, large circles represent core conditions for explaining innovation whereas small circles indicate a peripheral condition. When the circle is black it highlights the presence of that condition but where circles are white with an X, they emphasize the absence of that condition. In the absence of any circle, the dash represents the irrelevance of the condition for explaining the outcome. Overall, solutions are highly consistent (0.88; 0.82; 0.86) and empirically relevant (0.70; 0.66; 0.77), with individual solution terms

exhibiting equally consistent results ranging from 0.77 to full consistency 1. Overall, the three solutions explain the set of conditions through which prosocial entrepreneurial cooperatives operate in the continuum of innovative organizations. Each of the solutions for high, very high and low innovation are sorted from left to right by their empirical relevance.

INSERT TABLE III ABOUT HERE

High innovation in cooperatives

As observed in Table III, our configurational analysis shows three sufficient configurations for *high innovation in cooperatives*, comprising two solution terms (A1 and A3) and one superset (A2a*A2b). Overall solutions are dominated by combinations of individual and organizational level determinants. Particularly relevant are the presence of innovation orientation and cooperative workforce competency, with strategic-level factors playing a peripheral role. Interestingly, in one of the solutions, strong competitive focus needs to be absent to produce innovation in cooperatives, which is supported by strong cooperative workforce competency. The configurational results are complemented by Table IV with supporting qualitative evidence for each of the solutions.

INSERT TABLE IV ABOUT HERE

Solution A1 Attentive Pack. Solution A1 presents a set of conditions where *cooperative workforce competency* is core alongside the *innovation orientation* of the cooperative organization. Commitment and workforce competency are particularly relevant to the cooperative model because of its unique democratic structure. The integrated structure of entrepreneurial cooperatives necessitates a committed workforce so that activities and governance can be coordinated effectively. Cooperatives in Solution A1 also demonstrate a notable *competitive focus* in terms of approaches to competition. The leadership is *agency*

driven meaning that is relatively more dependent on the drive and initiative of the individual entrepreneurs, who are focused on pre-defined single goals, aligning incentives and putting into place the formal management structures to allow the organization to achieve its aims. Both *competitive focus* and *agency* represent present peripheral conditions which complements the two core conditions. This is further complemented by the absence of *market diversity* as a peripheral condition for understanding the innovation of the entrepreneurial cooperative. We label this approach: *Attentive Pack*.

This indicates an interesting set of interrelationships between the conditions. As the entrepreneur is only focused on a very small market base, their *innovation orientation* is particularly important as they seek to demonstrate value and retain the legitimacy of a relatively small number of clients within a single industry and social domain. This is perhaps not surprising given the nature of prosocial cooperatives in the New Normal who focus on particular social/environmental problem within a single context. As the organization is bound, to an extent, by this domain and disruptive context they have fewer options and are subject to the pressures of competition thus requiring a notable *competitive focus*. As a result of this narrower competitive and market focus, Solution A1 suggests that it requires an *agency* driven approach to leadership based on an individualist approach which prioritizes monitoring and incentives as a governance approach to fulfill their competitive strategic objectives.

This is evident in the case of “*Cultural Center*,” This is an organization that brings together individuals in the cultural sector (e.g. artists, musicians) to promote the culture of indigenous communities and also awareness of critical issues (e.g. drugs, poverty). The artists represent the collective membership of the organization. The vast majority of cultural events take place within schools so it has a relatively narrow client base in a highly competitive and resource constrained education sector. This form seems a response to the continuous demonstrations demanding an urgent reform to the educational system. Thus, it is also highly

competitive and requires them to hold an *innovative orientation*. The entrepreneur's innovative orientation exists in the context of a highly competitive and resource constrained educational industry but also under the realization that cultural awareness and 'consumption' can be diverse and extended within the sector they're operating within. By his own admission, this will require an innovative approach to developing the organization further to generate value in that sector.

In the case of "*Cultural Center*," the aforementioned business processes and managerial levers also combine with the *agency* based leadership approach of the entrepreneur. The entrepreneur appears to have adopted an *agency* based approach to leadership in the absence of a team to whom he is willing to delegate responsibilities. Solution A1 demonstrates that this leadership approach may be relevant for understanding innovation amongst prosocial cooperatives in narrow market domains which are inherently competitive. In the absence of a closer team, *agency* takes over as the preferred leadership style to be able to monitor, incentivize and performance manage the activities of the cooperatives and sustain its competitive position.

Solution A2: Eclectic Troop. Solution A2 is presented as a super set combining Solutions A2a and A2b. Cooperatives within this superset present a united deployment in the market across multiple fronts, relying on alternative leadership styles and using novel solutions. We label this approach: *Eclectic Troop*. In Solution A2a, *cooperative workforce competency* and *innovation orientation* represent core conditions for innovation but are complemented by the joint leadership effects of *agency* and *stewardship* which are peripheral to the innovation outcome. The presence of both *agency* and *stewardship* suggests the situation-specific use of varying approaches to leadership.

Given that a *stewardship* leadership approach indicates a collaborative, intrinsically motivated method to goal alignment across an organization, it suggests that this approach may help elicit *cooperative workforce competency* but it is contrary to the findings from Solution

A1. The combined presence of *agency* suggests some sort of combined approach whereby trust, collaboration and intrinsic motivation is blended with performance management, monitoring and control approaches. In this particular set of cases, it seems that these organizations are attempting both simultaneously to help them organize their innovative cooperatives.

“*Sustainability Management*” provides technology and innovation process solutions to other companies interested in meeting environmental challenges. Their development and growth as an organization in recent years highlights contexts in which *agency* and *stewardship* become present together. For “*Sustainability Management*”, cooperatives are an inherently collaborative model that allows them to build a network of members who share similar sustainability values. However, as the organization takes on more tasks and responsibilities across international borders and elsewhere it also brings with it the demands of structure inviting methods of control such as performance monitoring. Thus, for the entrepreneur to ensure that organizational aims are being met - and avoid goal conflict - an *agency* based leadership style becomes necessary to provide such structure and process.

In contrast, Solution A2b identifies no absent conditions for explaining innovation amongst entrepreneurial cooperatives. Instead, Solution A2b demonstrates the presence of a *stewardship* approach to leadership – as a peripheral condition – in the presence of *cooperative workforce competency* and *innovation orientation* as the two core conditions. *Competitive focus* is also present as a peripheral condition; cooperative organizations in this category are also diversified across a broader range of clients/industries. Thus, agency based leadership seems no longer relevant when entrepreneurs diversify across markets.

Whilst the core conditions for Solution A2b remain consistent with Solution A1, it is the varying presence of *stewardship* leadership approaches and the presence/absence of *market diversification* which sets it apart. In contrast to Solutions A1 and A2a, it suggests that a narrow *agency* leadership approach may hinder cooperatives from operating in a diverse range of

markets. This occurs because a *stewardship* approach is inherently participatory and thus involves bringing on board multiple stakeholders who share similar values and goals from different domains to ‘co-act’. Of course, it must always be seen in the presence of the core conditions of *cooperative workforce competency* and *innovation orientation*.

The case “*Rehabilitation Clinic*” helps to elucidate the interaction between the solutions further. Started by a rehabilitated drug offender, it focuses on delivering affordable healthcare to those with issues related to addiction. The idea is that they are then transformed from addicts to entrepreneurs who use business to sustain their livelihoods. This exists in a context of poor public healthcare and expensive private provision. With competitors in both the private and public health sector, it is a highly competitive environment for the cooperative, explaining their competitive focus. But as their clients are simultaneously beneficiaries they exist across a number of industry domains meaning that the organization is highly diversified.

Solution A3: Wandering Herd. Solution A3 presents a combination of conditions where presence of *cooperative workforce competency* and an absence of *competitive focus* represent core conditions for explaining innovation amongst entrepreneurial cooperatives. This is further explained by the presence of *stewardship* in terms of the leadership of the organization as a peripheral condition but also the absence of *market diversification* and *agency*. The absence of *agency* could be explained by the presence of *stewardship* but as Solution A2a demonstrates, both leadership approaches can be seen together. As such, Solution A3 points to a more distinctive form of innovative organizing where there is no clear leader or overriding objective. We label this approach: *Wandering Herd*.

The combination of conditions in Solution A3 suggests a highly unique form of collaborative organizing. As it rejects *agency*-based leadership, it indicates the absence of control and performance management/monitoring mechanisms within the organization. With *competitive focus* absent as a core condition it indicates that they focus on collaborating with

others in the industry more than competing with them. This collaborative focus seems consistent with the *stewardship* leadership style which involves intrinsic motivation, collectivist approaches to problem solving and shared organizational values. The entrepreneurs engage in ‘co-action’ which involves bringing their clearly committed workforce with them on the journey. Thus, the interaction between leadership approaches and managerial are particularly critical for understanding the innovation of the cases in Solution A3.

This is demonstrated through the counterintuitive case “*Financial Services*”, which is the only cooperative offering financial services in our sample. We suspect that the lack of *competitive focus* derives from the very same nature of its regulatory environment, where the diversity of competitive strategies is restricted by formal rules that only apply to financial services, such as base-line interest rates, warranties and monetary provision. Another case, “*Indigenous Workers*”, is a cooperative for arts, craftsmanship and local knowledge. Although it operates in a radically different industry from *financial services*, it equally produces innovative outcomes by narrowly combining activities from different parts of the territory in a collective fashion. For example, the organization of the 2017 Mapuche cuisine and wine festival run within the We Tripantu (winter solstice and Mapuche New Year) along a local documentary film festival and the formation of the first group of Mapuche puppeteers that uses performing arts to teach about Mapuche culture and spoken language. This is the founder’s fifth successful cooperative since 2008, where he has been using the same collective model to deliver small-scale innovation in agriculture, craftsmanship and culture. Counterintuitively, cooperatives can still produce innovation under a narrow competitive focus, when this is combined with its most prominent feature, the adequacy of their cooperative workforce.

Very High and Low innovation in cooperatives

To further understand the relationship between the above organizational conditions and

innovation, we examined what conditions lead to both very-high innovation and the absence of innovative outcomes. We did so by recalibrating and inverting our outcome measure to create two new sets. First, a set of cooperatives only showing *very high innovation*. This is done by squaring the calibrated membership scores of *innovation in cooperatives*, which moves the outcome scores downwards retaining within the set of *very high innovation* only those cases with very strong scores (Ragin, 2000; Kogut, 2009). Doing so can have a major impact on patterns of necessity and sufficiency, as well as on how central or peripheral conditions are when facing a more reduced set of cases with very strong membership. Absence of innovation was simply coded as the negation of the measure of high innovation described above. It allows us to explore whether certain conditions leading to high innovation can equally lead to the absence thereof.

Both combined, along the results for high innovation, give us a more fine-grained understanding of how innovation happens in entrepreneurial cooperatives, and allow us to go deeper into our interpretations of the data and explore further what underlies the counterintuitive findings. It particularly allows us to reflect on how *cooperative workforce competency*, as a managerial component, interacts with alternative types of leadership and business processes to produce high, very high and no innovative outcomes. The results indicate that it leads to high innovation when it is accompanied by the presence of core business processes (innovation orientation) and peripheral individual-level conditions (agency and stewardship).

The outcome increases its strength when a more individualistic and opportunistic type of leadership mindset (i.e. agency) comes to the fore, alongside the use of a more extensive range of competitive strategies at the managerial level, which collectively replace *cooperative workforce competency* as a core condition, moving the presence thereof to the periphery. The middle section of Table II presents two solutions for *Very High Innovation* (B1 and B2) and

largely shares case consistency with Solution A1 and A2a for High Innovation (left section in Table II). However, in solutions B1 and B2, *cooperative workforce competency* is no longer a core condition yet *agency* and *competitive focus* are. Given the more collaborative leadership style of *stewardship*, this suggests that for entrepreneurial cooperatives to be more innovative they have to adopt leadership approaches which seem more ‘business-like’. It is guided by a driven individual with an *innovation orientation* and they put the structures and organizational processes (e.g. performance monitoring) in place to ensure that goals are met and avoid conflict. There is a strong focus on the competitive position of the organization in the manner of a commercial entity. However, they focus this *competitive focus* within a single domain in which the social and/or environmental industry may exist.

Interestingly, our analysis of low innovation also demonstrates a consistent presence of *cooperative workforce competency*. In such an analysis, one would expect to see core conditions disappearing when the outcome condition is altered in such a way, yet *cooperative workforce competency* remains present and relatively stable across all three outcomes. However, its role in producing no innovation is only possible in the absence of opportunistic leadership mindset (superset C1a / C1b) or in the absence of innovation orientation (superset C2a / C2b).

Conjunctural statements

Our configurational analyses allowed us to produce several conjunctural statements that help us to explain innovation in cooperatives, these are presented in Table V. These statements demonstrate the combinatorial manner in which innovation is sustained amongst entrepreneurial cooperative in a distinct New Normal, the Chilean non-rationalized social industry. They represent a way in which in an old method of organizing is being rediscovered in the 21st century in an innovative manner.

INSERT TABLE V ABOUT HERE

5.3 Robustness tests

In line with prior research we conducted three robustness tests. Firstly, we run two sensitivity tests to validate the stability of our results (Muñoz and Dimov, 2015). By readjusting the calibration and frequency thresholds, we were able to corroborate that our results are robust to the use of alternative specifications of causal conditions confirming the validity and reliability of our results. Secondly, to discard alternative explanations we run independent configurational analyses with subsets of the innovation outcome, including novelty to markets (local, national and international), product differentiation, manufacturing innovation, low-cost innovation, unmet needs, and new market segments. Our aim was to test whether conditions leading to innovation change significantly when the specific components of the outcome are assessed independently. The results do not reveal relevant differences between our assessment of the outcome as an aggregate construct and of each of its components. Finally, we assessed necessity against a negative outcome to eliminate alternative explanations regarding possible causal relationships between (positive and negative) conditions and absence of the outcome. The analysis proves that the alternative explanations are causally weaker and the necessity results are stronger for presence of innovation than the absence thereof. Results for alternative configurational analyses and necessity against a negative outcome are available from the authors upon request.

6 Discussion

In recent times, the cooperative model has started to re-emerge as a viable organizational form that can deliver social innovation. It offers a counter-story to firm models that exist within the structures of global capitalism yet are also bound by some of these structures in terms of a need

for competitiveness and innovation. One particular unexplored challenge reflects how entrepreneurs use cooperative forms of governance to develop innovative ventures.

Our attempt to resolve this was focused on the components of Crossan and Apaydin's (2010) framework, discussed in relation to context of entrepreneurial cooperatives and further consolidated in a configurational framework of enablers of innovation in cooperatives (Figure 1). Implied throughout our framework are the interrelationships between its dimensions. For example, an entrepreneur with a particular leadership style may well have a particular organizational culture which, in turn, may be more open to initiating new innovative ideas. This calls for understanding organizational innovation in a causally complex manner whereby dimensions in the framework interact to produce innovation outcomes. Our analysis outlined a range of solutions that represent distinct configurations of factors related to styles of leadership style, managerial approaches, and business processes. The advantage of this analysis is that it captures the complexity of the phenomenon rather than its piecemeal simplification. The cooperatives in our sample are very diverse, operating in different sectors and dealing with the distinct challenges of their geographical and social context. As such, they mix the organizational levers in different ways.

Our analyses reveal a new business landscape. Results suggest that, in the New Normal for cooperatives, there are two levels of innovation in entrepreneurial cooperatives which we attribute to changes in the structure of the venture. Where innovation is high, *cooperative workforce competency* and *stewardship* approaches are more dominant alongside *innovation orientation*. Alternative combinations thereof mark three distinct, novel approaches among entrepreneurial cooperatives: *Attentive Pack*, *Eclectic Troop*, and *Wandering Herd*. As with our cases, Packs, Troops and Herds are distinct social groups leveraging different types of leadership, coordination and surviving tactics facing uncertain or challenging environments.

In the social economy New Normal, a stronger push towards innovation requires a more

individualistic leadership style and a move away from the collaborative model. In the transition from high to very high innovation, cooperative workforce competency moves to the periphery (small circles), becoming less important and perhaps even expendable or exchangeable (Fiss, 2011). Instead, competitive focus and agency work in conjunction with innovation orientation to form a strong causal relationship with very high innovation. This is further supported by the assessment of low innovation, where the centrality of *cooperative workforce competency* can only be explained in the absence of agency or the absence innovation orientation. The differences between these two levels of innovation and their distinct determinants can be evidenced in Figure 3.

INSERT FIGURE 3 ABOUT HERE

6.1 Contributions

Our study makes several contributions to organizational studies and innovation research in this new business landscape. First, our work adds to current theoretical understanding regarding the performance of cooperatives facing disruptive environments. Prior research draws from theoretical perspectives such as governance modes and ownership (Paranque, and Willmott 2014); strategic entry choices (Boone and Özcan, 2016); entrepreneurship and social movement theory (Boone and Özcan, 2014) and/or organizational dualities (Ashforth and Reingen 2014) to understand the emergence and performance of cooperatives. However, these theoretical perspectives overlook the link between governance modes and innovation, as highlighted by Boone and Özcan (2016). Indeed, we show that a base layer of cooperative workforce competency is necessary but not sufficient for innovative performance. Our analyses of cases with very high and low levels of innovation (i.e. ~innovation) allow us to go deeper into understanding the relationships between the conditions as related to innovation within entrepreneurial cooperatives.

Our configurational framework helps develop a more holistic understanding of how innovation works in cooperatives in the New Normal. As cooperatives enter an era of radical changes in their business landscape, with new enablers and constraints, our framework emphasizes that particular well-understood factors (e.g. role of workforce and collective leadership) – traditionally understood as critical to cooperative performance and innovation – work in conjunction with other pertinent leadership, process-based and organizing conditions. Our results reveal that collective ownership and decision-making (assumed to derive in high coordination costs) do not constitute a major drawback, nor restrict performance. These intrinsic features can potentially constitute a major source of survival advantage under uncertain conditions when taking into account complementary conditions that constitute the ‘whole’ for innovation in cooperatives (Tsoukas, 2017). As such, cooperative forms embracing their traditional features no longer need to isolate themselves from adverse environments and competition from other organizational forms. We argue that this is unique in the New Normal for cooperatives. As Núñez-Nickel and Moyano-Fuentes (2004) emphasize, it is possible if some critical business processes and managerial levers are in place (e.g. innovation orientation and competitive focus). In revealing the conjunctural and dual nature of the *cooperative workforce*, we add to Bogaert et al.’s (2011) examination of social value orientation, cooperative climate and affective commitment. Our multi-level examination provides a more fine-grained view of the antecedents enabling survival in the New Normal, and therefore provides insight into how cooperative climate and commitment can work in conjunction with (rather than moderating) individual, managerial and process-level variables.

The diversity of innovation conditions is highlighted further in the results for very high innovation. Here, high levels of member engagement – while playing a central role in the production of high innovation – become only peripheral when the aim is to produce even higher levels of innovation. We speculate here that this represents the cooperative model becoming

less relevant for organizations when the innovation outcome is more intense. While the role of *cooperative workforce competency* is consistently present across high, very high or low innovation, its explanatory power is contingent upon the role played by differences in leadership style and business processes. Put differently, in the absence of *cooperative workforce competency*, innovation is unlikely to occur but it is the mixture of conditions alongside the commitment of the workforce that are likely to produce it. This makes it necessary but insufficient for innovation. It requires the presence (or absence) of other conditions, strengthening our case for a configurational understanding of the phenomenon. By uncovering this plasticity of collective ownership and decision-making we can better appreciate how innovation works in the New Normal, expanding significantly our understanding of innovation in cooperatives and survival strategies (Boone and Özcan, 2016).

With this in mind, we feel compelled to echo recent cautionary tales: the superiority or inferiority of particular modes of governance can only be determined in relation to particular combinations of contextual and firm-level circumstances. In this vein, our work also contributes to understanding of cooperatives as social change vehicles, by explaining the antecedents and dynamics enabling the survival of cooperatives in changing times. While we do not have a definitive answer as to whether the collective motives that drive the formation of cooperatives are a sufficiently robust foundation to enable these ventures to become a viable organizing method (Boone and Özcan, 2016), we do know what sufficient combinations of conditions enable them to innovate and remain competitive in the New Normal. Odd combinations of old (innovation orientation) and new (cooperative workforce) from both sides of the economic spectrum are sufficient for producing innovative outcomes in this new business landscape.

Second, we develop lines of thinking that can inform key theories in organizational innovation research in regard to the role of individual leaders and sources of renewal.

Innovation leadership literature, leveraging upper echelon theory, argues that innovative performance is fostered by leaders' values, experiences, and personalities, who create the conditions for innovation to flourish (Caridi-Zahavi et al., 2016). It is thus assumed that without their support and guidance innovative efforts are unlikely to succeed (Mumford and Licuanan, 2004). By looking at how leadership works alongside managerial levers and processes, we show an alternative view in which the locus of support for innovation "navigates" within cooperative forms. We show that effective interactions among group members, as an innovation enabler, can occur as a result of cooperative dynamics and under low levels of agency-based leadership. This calls into question the assumed necessity of individual-level factors for organizational innovation, such as over-confidence, personal initiative, originality and determination to succeed.

Upper echelons theory and newer approaches to innovative leadership, e.g. transformation leadership for innovation (Jung et al., 2003), do consider additional group-level variables, such as team cooperative norms (Jiang and Chen 2016), team empowerment (Zhu and Chen, 2016) or collective leadership (Friedrich et al., 2016), yet these are normally located within the top management team. Our results suggest that composition and characteristics at member level within cooperative organizations might yield an explanation of organizational outcomes that is equally robust in terms of explanatory power. This is particularly relevant in emerging economy settings, where socially-oriented innovation is not always amplified by collaboration with external ecosystem actors (Bradley et al., 2012). We show how it can also be amplified within inherently collaborative organizations.

Our findings also challenge the resource-based (RBV) understanding of organizational innovation, such as dynamic capabilities (Ambrosini et al., 2009) and absorptive capacity as it pertains to learning capacity-building activities (Fabrizio, 2009). RBV-related theories have emerged to explain learning, organizational adaptation and innovation in response to intense

changes in the environment and rapid competitive moves (Teece, 2007). The latter requires firms to continuously learn, adapt and renovate their resource base to create new advantages (Ambrosini et al., 2009). Our results show that some organizations revert to old forms (i.e. cooperatives) to sustain innovation and their competitive position, challenging the notion of evolutionary fitness as a forward-looking process. Renovating the resource base of the firm can also be backward-looking, which involves a return to old competitive forms. This is particularly relevant as dynamic innovation capabilities exist at the managerial level, where the workforce cooperation in cooperatives also reside.

More broadly, our work also offers innovation scholars a framework of innovation in cooperatives, which builds on Crossan and Apaydin's (2010) call for more systemic conceptualization of innovation enablers. By connecting the different theoretical units into a coherent whole, our configurational approach provides an empirical account of the interdependencies that exist between these theoretical conditions (Haxhi and Aguilera, 2017) at the meso level. This cannot be captured when looking at simple linear effects which dominate theoretical understanding of innovation in for-profit contexts (e.g. Madsen and Leiblein, 2015). Our approach thus enriches our theoretical understanding of innovation in an alternative organizational setting as it allows for analyzing and making inferences about its enablers in a holistic, configurational manner (Haxhi and Aguilera, 2017) and in an emerging economy context (Ahlstrom, 2010; Ahlstrom and Ding, 2014).

6.2 Policy implications

Reflecting on the earlier section on the research context, we contribute to policy by identifying how entrepreneurial cooperatives remain innovative and competitive. This is relevant as it brings additional evidence to debates regarding professionalization of cooperatives and legal forms for prosocial organizations. In policy circles, we have witnessed repeated calls for more

managerial professionalization of cooperatives or emphasis on behaving-as-a-business.⁵ Counterintuitively, we observe that entrepreneurial cooperatives, assumed to embrace modern managerial guidelines, seem to rely on traditional principles of commitment and engagement of members and strong innovation orientation of the board to produce innovative outcomes. Leadership variables (i.e. agency and stewardship) assumed necessary in the corporate world for boosting the emergence of innovative start-ups, seem peripheral at best. Our results shed light on the unique determinants of business innovation in an under studied organizational form, which differ from traditional recipes for start-up success. Factors assumed to be necessary for boosting business innovation fade away when combined with coops' unique governance and workforce composition. It indicates that member-led ventures, embracing their unique features, can equally and distinctly develop innovative outcomes without necessarily the need of imitating business-as-usual styles.

Curiously, this innovative behavior exists in the context of legal structures from the Old Normal which are deployed through prosocial organizing in the New Normal. This highlights that despite the radical institutional change brought about by the New Normal, aspects of the Old Normal still resonate and can be re-crafted towards innovative ends. With the development of prosocial enterprise, much attention has been given to the appropriate legal forms such as the formation of Community Interest Companies in the United Kingdom. Whilst our research did not delve into the extent with which entrepreneurs deem their legal structures adequate for their purposes, it does indicate that brand new legal structures may not always be necessary in the New Normal. It appears mainly relevant that prosocial enterprises are able to select from a menu of useful legal structures that relate to their aims and ambitions.

6.3 Limitations and future research

Inevitably, there are limitations to our research, which interestingly open up a range of

opportunities for future research. The first limitation pertains to the boundary conditions of the study, which – while allowing us to frame clearly the ‘New Normal’ under examination – encapsulate our findings within a particular time and space, i.e. the current status of the social industry in Chile. While this may seem narrow, we take our frame of observation as a unique snapshot of a radical transformation that can only be captured and assessed within a particular time and space. Though these transformative processes are context-specific, they tend to share patterns, for example the emergence of innovative cooperatives under odd conditions and their competitive behaviors. Certainly, more can and should be done within this space. Future research can look at the (eventual) disruption of industries and forms of organizing as a result of the action of these new cooperatives. It would be interesting to see what happens if and when the New Normal becomes mainstream. The second limitation pertains to our selection of constructs and proxies. The definition of innovative outcomes and its enablers has been under the microscope for decades. The precarious agreements on how this works are mostly dependent on the context and level of analysis with many possible explanations. In our paper, we draw on Crossan and Apaydin’s (2010) influential innovation framework and a range of cooperative literature to delineate our own configurational framework. While this bounds the findings to one particular set of enablers, it also opens up opportunities for future research since our study provides the first analytical framework to observe and assess innovation in cooperatives.

Finally, we believe that there are many nuances in the way cooperatives organize themselves and make decisions that our study cannot capture. We suspect that in the ‘New Normal’ this unobserved ‘dark side’ of cooperatives involves not only many of the problems we highlight in our literature review but also those resulting from their interactions with broader transformative processes. Future research can look into this mostly untouched side. We suspect that what does not work in the Old Normal, constraining the performance of

cooperative model (i.e. high coordination costs, lack of scale economies, performance-monitoring problems, and underinvestment), may become key competitive factors in the New Normal. Future research could similarly examine coops' contribution to innovation and economic growth, particularly in emerging economies (Kennelly, 2001; Tomizawa, Zhao, Bassellier, and Ahlstrom, 2019). Whether prosocial cooperatives, in pursuit of collective ownership, democratic governance and social value distribution, will overtake large corporations is difficult to visualize but it is now plausible under this 'New Normal' of possibilities.

6.4 Conclusion

In re-setting the business landscape as a response to radical institutional and political shifts, a New Normal opens up new opportunities for innovation and changes the fitness of organizational forms. Just as the extinction of the dinosaurs created the conditions for previously obscure mammals species to thrive, so can the New Normal bring vitality to previously sidelined forms of economic organization. In this paper, we have asked: *what organizational configurations enable innovative outcomes in entrepreneurial cooperatives?* And, *what types of innovative approaches do entrepreneurial cooperatives articulate as a result?* This paper was inspired by the reemergence of cooperative forms of organization among prosocial new ventures in distinct institutional contexts. This drew us in to examine the anatomies of their innovative performance. We show that the complex stakeholder environment of cooperative ventures requires an equally complex internal system of individual, managerial, and business process levers. Understanding this complexity requires shifting the focus away from individual components as linear predictors towards their holistic configuration. Using this logic, in this paper we reveal the configurations of organizational factors that enable cooperatives to innovate in particular contexts. We show how the

cooperative model, despite its limitations, can use its inherent features to deliver value and thrive in more disruptive times.

¹ The fourth sector combines market-based approaches of the private sector with purpose-driven aims of the public & non-profit sectors. Source: <https://www.fourthsector.net>

² The resulting calibration table and descriptive statistics and correlations based on calibrated measures are available as supplementary evidence in the online Appendix (Tables A1 and A2). The low correlation values observed in Table A2 of the Appendix do not trigger concerns pertaining convergent validity or collinearity.

³ Results and scatterplots for the analysis of necessary conditions are available as supplementary evidence in the online Appendix (Table A3 and Figure A1).

⁴ Truth table analysis is available as supplementary evidence in the online Appendix (Table A4).

⁵ See for example recent discussions in popular press and relevant professional associations: <https://www.theguardian.com/social-enterprise-network/2013/nov/28/battle-maintain-co-operative-values-co-op-group>

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Figure 1. Configurational Enablers for Innovation in Cooperatives

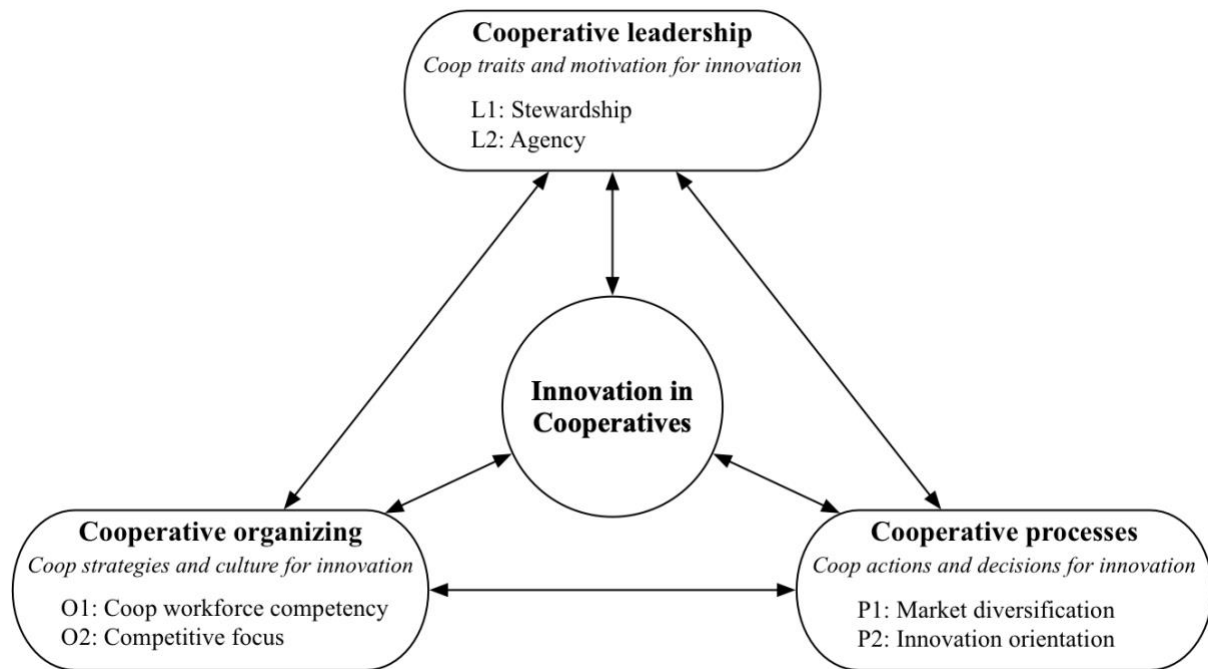


Figure 2. The Emergence of a New Normal Social Industry in Chile

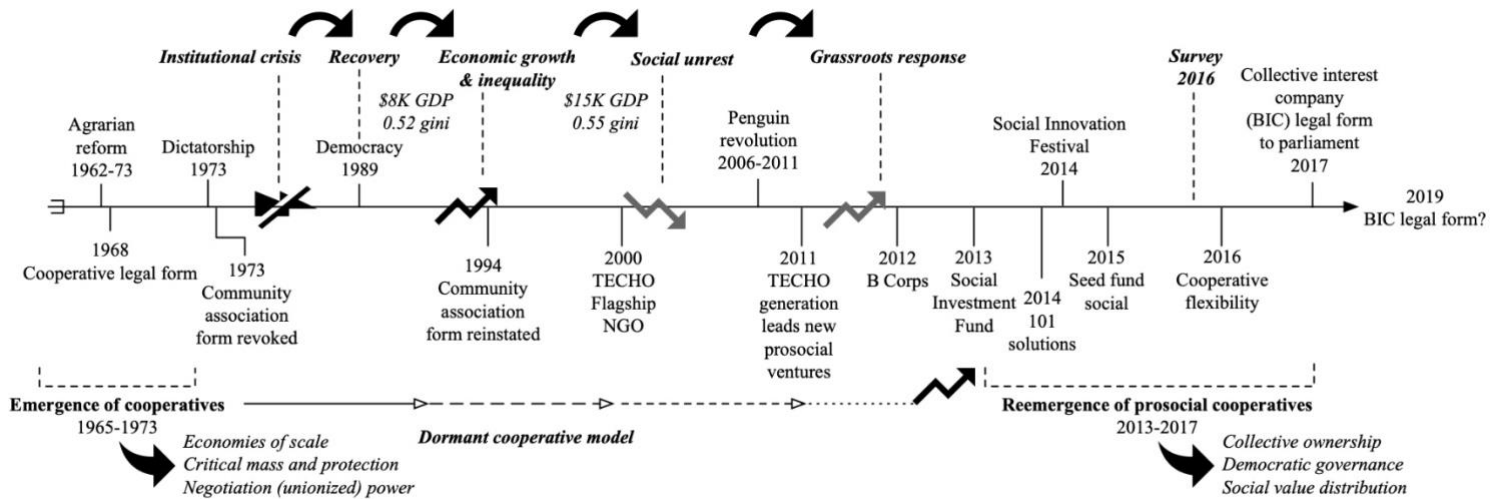
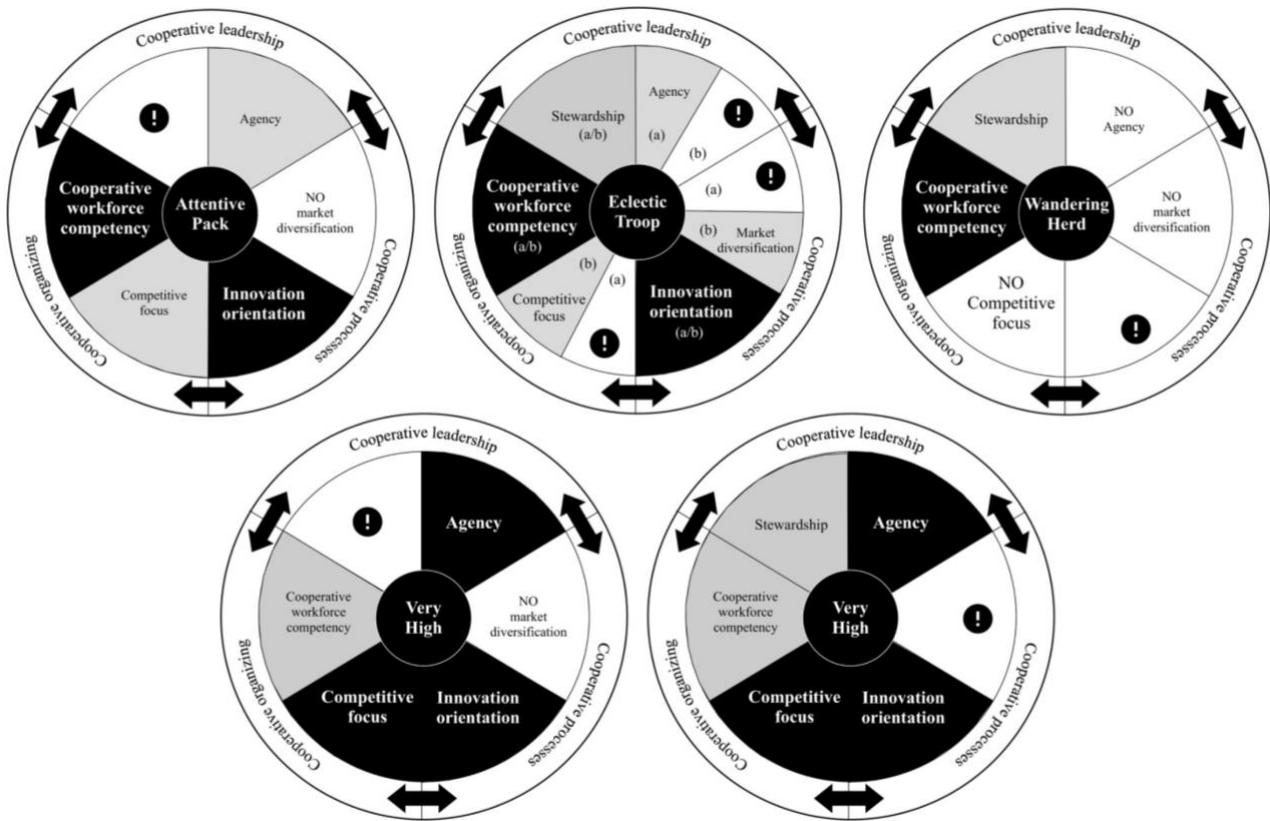


Figure 3. Visual Models for Configurations of High and Very High Innovation¹



¹ Legend: Black space indicates presence of the condition. Grey space indicates absence of condition. White space indicates condition is irrelevant. Large font indicates condition is strongly causally connected to the outcome (core). Small font indicates condition is weakly connected to the outcome (peripheral). Letters in brackets indicates which part of the overlapping solution the condition belongs to.

Table I. Causal conditions

Condition	Measure description	Source
Agency	4-item agreement scale (α .851), depicting the leadership mind-set of the respondent as self-serving. Measure was adapted to capture the respondents' mind-sets rather than other governance mechanisms.	Frankforter et al. (2007); Davis et al. (2010); Bacq et al. (2016)
Stewardship	4-item agreement scale (α .932). It captures the extent to which the respondent promotes a cooperative, supportive, and caring environment in the organization, which portrays his or her commitment for collective development as well as the alignment between the respondent's motivations to behave altruistically and the purpose of the enterprise. Measure reflects not only the personal, psychological factors, and motivations of the executive, but also the organizational and cultural conditions within the organization.	Zahra et al. (2008); Bacq et al. (2016)
Competitive focus	Level of strategic intensity of the cooperative across a range of 11 potential competitive strategies. It captures the perceived importance of traditional strategies: low prices, differentiation, marketing and first mover advantage; as well as others particular to social enterprises, such as partnerships and serving neglected social groups.	McDougall and Robinson (1990); interviews data from survey development stage
Cooperative workforce competency	Level of satisfaction with the quality, quantity (availability) and engagement of workers including paid employees and volunteers. Measure focuses on both emotional and intellectual commitment to the enterprise, hence: engagement (energy and involvement) and quality/quantity (available knowledge and skills).	Saks (2006)
Market diversification	Captures innovation-oriented business processes by focusing on the cooperative's market scope, which can range from highly concentrated (competing in a small number of industries/market segments) to highly diversified (competing in a large number of industries/market segments). Diversity is assessed across 19 possible industries	Chilean Department of Finance's broad industry classification (also used by Tax Service)
Innovation orientation	9-item agreement scale (α .858). Captures the degree to which the respondent (general manager or lead board member of the cooperative) see him/herself as oriented towards developing novel business solutions. Items reflect attention to new opportunities, propensity to innovate, attitude towards risk-taking, proactivity, self-determination, etc.	Bogaert et al. (2011); Covin and Wales (2011); Boso et al. (2013); Khedhaouria et al. (2014); Muñoz and Dimov (2015)

Table II. Summary of Measures, Calibration Thresholds and Rationale

Measure	Descriptive and calibration thresholds							Calibration rationale
	MAX	AVE	MIN	SDV	IN	CP	OU	
Agency	20	13.3	4	3.72	17	13.0	9	Observed distribution of scores. Mean as COP. Inclusion and exclusion thresholds based on STDV
Stewardship	20	17.1	4	3.82	20	17.0	13	Observed distribution of scores. Forced strong membership given observed skewed raw scores.
Competitive focus	55	45.0	32	5.28	50	45.0	40	Observed distribution of scores. Forced strong membership given observed skewed raw scores
Workforce competency	4	3.3	1	0.62	3	2.5	1	Theoretical delineation setting cross-over point in the middle of the scale
Market diversification	8	2.7	1	1.26	5	3.0	1	Observed distribution of scores
Innovation orientation	5	4.5	3	0.50	5	4.0	3	Theoretical delineation; COP adjusted based on observed distribution of scores
Innovation overall score	9	5.1	0	1.88	7	5.0	3	Theoretical delineation setting cross-over point in the middle of the scale. Inclusion and exclusion thresholds based on STDV

Table III. Solution Table for Innovation in Cooperatives

Configurations	High				Very high		Low					
	A1	A2a	A2b	A3	B1	B2	C1a	C1b	C2a	C2b	C3	C4
<i>Cooperative leadership</i>												
Agency	●	●	-	⊗	●	●	⊗	⊗	●	●	⊗	●
Stewardship	-	●	●	●	-	●	●	⊗	●	⊗	●	-
<i>Cooperative organizing</i>												
Competitive focus	●	-	●	⊗	●	●	●	⊗	-	⊗	⊗	⊗
Cooperative workforce competency	●	●	●	●	●	●	●	●	●	●	●	⊗
<i>Cooperative processes</i>												
Market diversification	⊗	-	●	⊗	⊗	-	●	●	●	-	⊗	⊗
Innovation orientation	●	●	●	-	●	●	●	●	⊗	⊗	-	●
Consistency	0.89	0.84	0.91	0.77	0.82	0.79	0.91	0.88	0.91	0.89	0.89	1
Raw coverage	0.47	0.64	0.38	0.37	0.58	0.56	0.371	0.339	0.248	0.24	0.497	0.079
Unique coverage	0.058	0.058	0.035	0.01	0.094	0.072	0.064	0.009	0.0326	0.021	0.0205	0.011
Overall consistency	0.88				0.82		0.86					
Overall coverage	0.70				0.66		0.77					

Table IV. Supporting Qualitative Evidence

Solution A1: Attentive Pack

To have a company you send a person to evaluate the project if it is viable here in the long term. It then goes from there to another person who is in charge of making presentations; there is always a machinery. But in this case I am alone, then it is super difficult to leave the execution of the projects to be able to get things done, that is an eternal problem, not being able to count on a team: "I have the idea to self-sustain ourselves, I need to analyze it. Let's brainstorm and try to lift it", but I do not have that but I keep knocking on doors. *[Entrepreneur, cultural center]*

Solution A2: Eclectic Troop

As a cooperative, our membership bill has grown. As cooperatives work with partners, they are for profit. The [cooperative] model for us was very favorable as a social enterprise because at the international level there is a very large support network for cooperatives. It was a great help to have had this support network. We also seek to be a global company, so we have had a very good reception outside the country, in Colombia we are making very good alliances, here in Chile we see that there is still a lot of education, but we are collaborating with the association 'Una Pyme'. This groups more than one hundred thousand SMEs nationwide are some of the most important guilds in Chile. *[Entrepreneur, sustainability management]*

I realized that there were two ways to enter a center: one was from the private area and the other was from the state, which was free. But in the free form there were waiting lists and waiting to be called ... it could take a year or two, according to the quota that they could give you. Disadvantages is that they [public sector] have more resources, more professionals. They have many things that we do not have... The other [private] was in a particular way, which was very expensive. Nowadays there are also excessively expensive treatments; 350, 400 thousand pesos, even knowing that the Chilean family lives with a minimum salary of 250 thousand pesos. It is impossible to get a boy to rehabilitate in a particular way. *[Entrepreneur, rehabilitation clinic]*

Solution A3: Wandering Herd

We want to give access to financial services to those left behind, the unbanked segments of the Chilean population. We firmly believe in associativity, and with that we have built an organization where collaboration and common welfare are prioritized. Associativity is a solid foundations which will allow us to contribute to the development of a social economy. *[Director, Financial Services]*

Table V. Conjunctural statements

- 1a **Innovative** entrepreneurial cooperatives can result from strong orientation towards developing novel business solutions and have a committed workforce. These are also fiercely competitive in a single industry domain and driven by an individualistically-ambitious leader (A1).
- 1b **Innovative** entrepreneurial cooperatives can result from strong orientation towards developing novel business solutions and have a committed workforce. Some of these **innovative** cooperatives combine individualistically-ambitious leadership with a collectivist approach (A2a) and some others a collectivist approach with fiercely competitive strategies in multiple markets (A2b).
- 1c (Counterintuitively) some **innovative** entrepreneurial cooperatives can (also) result from a committed workforce, but with a collectivist approach to leadership whereby they embrace a more collaborative approach to competition in a single industry domain (A3). However, if the collaborative approach to competition and single industry operation become more prominent (i.e. from peripheral to core), the result is no innovation (C3)

- 2 **Very highly innovative** entrepreneurial cooperatives can result from strong orientation towards developing novel business solutions and are fiercely competitive, blending individualistic-ambitious leadership with a committed workforce. Some of these **highly innovative** cooperatives are characterized by operating in a single industry domain (B1) and some others by their collectivist approach (B2).

- 3a **Non-innovative** entrepreneurial cooperatives can result from a committed workforce but with no individualistically-ambitious leadership, despite their orientation towards developing novel business solutions and presence in multiple markets (C1a/b).
- 3b **Non-innovative** entrepreneurial cooperatives can result from no orientation towards developing novel business solutions, despite their committed workforce and individualistically-ambitious leadership (C2a/b).
- 3c (counterintuitively) some **non-innovative** entrepreneurial cooperatives can (also) result from a non-committed workforce if a collaborative approach to competition in a single industry domain is dominant (C4)