

The Role and Strategy for Community Association of Co-operatives as the Secondary Organization

- Case of Guro Community Association of Co-operatives-

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I . Introduction

After the Framework Act on Co-operatives went into effect on 2012 in Korea, there have been an increasing number of co-operatives in various fields. By July 2015, the number of co-ops registered at The Ministry of Strategy and Finance (MOSF) reached a total of 5,601. Among those numbers general co-ops took up the majority at a whopping 5,391, approximately 96% of the entire number. Regionally, with 1,484 co-operatives, Seoul has the highest count. Among those social co-ops established with the authorization of relevant ministries, most have been authorized by the Ministry of Employment and Labor.

However, socially and economically, awareness of co-ops have not been fully established among the general public. Moreover, most pre-established co-ops, which in a lot of the cases are comprised with less than ten members, have not been able to get their businesses properly started¹. According to a research conducted by MOSF in November 2013, among the 1,209 co-ops registered and authorized by May 2013, about 45.6% out of 747 co-ops reported back inactive. The main reasons were lack of fund (33.4%), unprepared revenue

¹ Kyungki Daily News, 'Let's just make a co-operative, half of them just open without business,' by Jayeon Jung, 2013.11.18. <http://www.kyeonggi.com/news/articleView.html?idxno=720442>

models (22.3%) and a shortage of union workers (14.1%). Under such circumstances, discussions concerning the sustainability and operation of co-ops are being conducted, and the importance of cooperation among the co-ops are becoming a focal point. Not only is cooperation one of the seven principles for the co-ops, but it is necessary for these individual co-ops to survive and sustain themselves.

Second-degree organizations created by multiple co-ops are one of the main forms of cooperation among co-ops, which is the 6th one of the co-operative principles. This principle can express the co-operative value of solidarity in practical way, and, at the same time, make contributions to build ecosystem in the co-operative sector through collaborative network. According to McDonnell, Macknight and Donnelly (2012), cooperation among co-ops does not necessarily conclude that one needs to receive resources and services from another co-op. Instead, they explain that cooperation can lead to rapid growth in management and contribute to the development of co-ops throughout the community. As such, cooperation between co-ops is based on the basic value of solidarity and helps in supporting long term sustainability within the community. The regional association of co-ops, a second-degree organization consisting of individual co-ops, can bring out cooperation between different co-ops and create a stable environment for the co-ops to operate in. Therefore, appropriate strategies to activate the co-operative council are necessary, and the possibility of cooperation between individual co-ops must be explored and put into action.

Recently in Korea, the association of co-ops are being established as a method to bring co-ops together. Based on the case of Guro Community Association of Co-ops, this study reveals the nature of the association of co-ops as a second-degree organization of co-ops. It also focuses on the association's role and function, and proposes measures to activate the council and the cooperation between different co-ops.

II. Theoretical Background

1. Concept and Characteristics of the Association of Co-ops

1) Concept of the Association of Co-ops

The association is a union created by multiple federations with a sole purpose concerning a single issue. It is a less strict organization than federations and alliances. However, there is a lack of data on the concept, role and range of the association and therefore does not have a specifically established definition. According to Yang and Ahn (2002), the association can be established by the cooperation of multiple organizations that have a sole purpose concerning the coordination and liaison of the office. It also helps multiple organizations to collaborate on wide-area plans. In other words, the association is a connection between multiple groups but is a less severe type of co-agency, in the sense that the organizations can maintain their independence. However, because of this nonbinding characteristic the agreements may not have the desired effectiveness. When the association strengthens its solidarity, it can then become a legal entity, and be able to perform independent businesses from a wider range.

2) Characteristics of the association as a Network Organization

The association can be seen as one of the forms of network organizations, so its characteristics can be understood by applying related theoretical research. With reference to previous studies, the association of co-operatives can be established by agreement of related co-ops in order to achieve common purposes and mutual benefit. This has the characteristics of a network organization. Bae (2003:75) defines network as follows. "A syntagmatically

created organizations that go beyond vertical, horizontal and spatial boundaries in order to solve the task of social issues caused by maladjustment of the person or company in the environment." Such network organizations are formed by the interactions between the actors and resources. In other words, the actors are dependent on the resources that are controlled by one another and by jointly utilizing these resources they pursue mutual interests. In addition, by using relational means of communication they are able to form an open-oriented nature (Bae, 2003). Since this is a loose form of cooperation among co-ops, it can have some advantages for 'strength of weak tie'. On the other hand, the binding power could be weak, so cannot guarantee active participation of members.

Actors in the network can bring or utilize resource from the network, and this can be helpful to complement to each co-op's weakness. Some researchers also found that network can be viewed within three interconnected layers in a business perspective, and mentioned about resource network among them. Holmlund and Tornroos (1997) suggest three kinds of network layers in business network: production network, resource network, and social network. First, production network is made by firm actors in a business network, and this layer is related to the value chain of the products/services. With the firm actors, resource actors which provide necessary elements for production such as finance, technology and knowledge can form resource network layer. The boundary of the layer could be expanded including different and interconnected actors. As this interconnection develops to the individual level, human actors in the network constitute social network layer as the third.

Simmons and Birchall (2008) recognize the nature of co-operative with a network perspective. With reference to the values and principles of co-operative, according to them, the 'connectedness' between co-ops and their member are essential. Thus, a co-operative can act as "a hub for organizing particular local economic interests and/or for protecting common

pool resources”. In addition, they argue that the principle of ‘cooperation among co-ops’ serve as the useful measures to enlarger the interests by extensive network. Mondragon group in Spain and small manufacturing co-ops in Northern Italy are mentioned as examples of this secondary network. They also stress the role of federation which can represent collective interests of co-ops. Further, when these networks connect with other actors in wider level, country and abroad, tertiary network can be created at the national or global level (Pollet and Develtere,2003: 53).

Lee et al.(2006) explains the long term strategic network that companies use in order to gain a competitive advantage in the market. The main advantage that comes from utilizing strategic networks is the effectiveness and efficiency of achieving economies of scale. In economics an economy of scale is defined as a phenomenon whereas the output increases the long-term average total cost declines. In order for a small organization to achieve economies of scale, creating synergy by establishing networks is essential.

In relation to this, there are studies focusing on the effect of networks within co-operatives. First, in the research about the supply chain of agricultural co-operatives, Perez and Martinez (2007) argues that the enhanced collaborative supply chain networking of co-ops can help in building up the performance and financial interests of the co-ops. Desrochers and Fischer (2005) stated that enhanced network performance of the co-operatives can reduce transaction costs, and by formally integrating within the network such reduced costs can be maintained more stably.

Co-operatives can be seen as equivalent to SMEs and venture companies mentioned in the network theory. In other words, many co-ops are small-scale, most times struggling with procuring sufficient funds and manpower. Moreover, being a new form of entity, difficulties arise due to the lack of experience or expertise in operating the co-ops. These

issues may be resolved by individual co-ops forming a network and utilizing the positive effects stemming from this union. Businesses in the network are able to maintain their independence while being interdependent on one another. To clarify, this means that it is capable to effectively share information and resources through a loose connection. In particular, values that the co-ops have, such as cooperation and solidarity, can help in easily forming cooperative networks between these organizations. Given these points, trust has a huge effect on the success of a cooperative network. At the same time, trust is also closely related to the values and principles of co-operatives. Basic operating fundamentals such as, democratic operations, provision of information, participation and solidarity of union members cannot successfully be accomplished without mutual trust between the co-ops. Therefore, cooperation among co-ops can be seen as a formation of a network that is based on trust, and through this individual co-ops can increase the sustainability of their organization. Procuring necessary resources and learning through the network is especially crucial. The know-how and information of older co-ops that already have sufficient business experience, can be conveyed to the newer co-ops through the network. Moreover, by cooperating through the network with other co-ops in similar situations, new co-ops can find opportunities to create synergy. In the situation where neither the institutional infrastructure nor the market for social economy organizations is fully formed, networks such as this can serve individual co-operatives usefully.

In essence, the association of co-ops can be characterized as the network organization of co-ops, and to bring along more positive effects, it is necessary to strategically identify and utilize the characteristics as a network organization.

3) The Association as an Intermediate Support Organization

The association of co-operatives is a network organization of individual co-ops while at the same time has the characteristics of an intermediate support organization. According to Ma (2011), the concept of 'intermediate support organization' first made its appearance in the early 20th century in England. These organizations mainly helped in coordinating the activities of non-profit organizations and building up their competence. In European countries, where co-ops were an already prominent force, social economic organizations have developed into associations or consortium groups. In recent years there has been a growing tendency to actively reinforce support activities such as creating markets and enhancing professional competence. Co-operative intermediate support organizations, based on Ma's study, can be understood as "an organization that supports co-ops in various services such as costly business operations or matters that are hard to solve by itself, all for the purpose of developing co-operatives".

By putting together prior researches, Ma(2011) categorized the different types of intermediate support organizations in accordance with founders(or subject of foundation) and activities.

<Table 1. Classification of intermediate support organization >

Criteria	Classification
Founders	① Government-initiated type ② Private-initiated type ③ Consignment type
Operating structure and Resource mobilization	① Consulting type ② Coalition type ③ Consortium ④ Group type
Business contents	① Total support type ② Specialized field type
Area of service provided	① Wide-area type ② Local-area type

* Resource: Ma (2011)

First, divided accordingly by type, there are public institutions established in accordance with the founder, institutions formed by the private sector, and public institutions consigned over

to the private sector. Intermediate support organizations can also be divided according to the operational structure and resource mobilization methods. The consulting-type of intermediate support organizations is where consulting companies combine in order to provide consultations to relevant organizations. In the case of the coalition-type organization, including the main functions of co-operatives, they perform a variety of support functions to members and potential members alike. In order to implement joint projects, the consortium-type performs support functions to organizations participating in the consortium. In the case of the group-type organization, they are dedicated to the development and support of sub-enterprises within the group while sharing their overall management based on local homology or on a specific solidary motivation. In addition, based on the business content, intermediate organizations can be categorized into two groups, the total support-type and specialized support type. The former assists co-operatives in a wide range of fields and other related groups, whereas the latter only assists in fields where they are specialized in. Organizations can also be classified into two groups based on the area range they serve. The metropolitan organization which can assist in several municipalities nation-wide and province wide, and the local organization which only supports certain local areas. Given these points on the intermediate support organization, the associations of co-ops currently founded in Korea is understood as being privately initiated by individual co-ops, while at the same time it can also be seen as a coalition-type that serves the supporting and representing functions for member co-ops. In addition, they are regional associations of co-ops in certain areas.

Based on previous researches, Ko (2014) classified the roles and functions of an intermediate support organization into three categories. He explains the concept as "an organization that heightens the value of community networks by working as an intermediary, conciliator, and capacity builder within the network".

< Table 2. Role and function of intermediate support organization >

Role	Function
Mediator	<ul style="list-style-type: none"> . Policy decision maker and procedure executor . Improving policy effectiveness (Monitoring, Feedback) . Policy proposal (various policy-demand delivery)
Coordinator	<ul style="list-style-type: none"> . Participating in communication between members and forming an open network . Connecting and coordinating resources among stakeholders
Capacity Builder	<ul style="list-style-type: none"> . Gathering and providing information . Research . Counseling and consulting . Sharing information with members and training members (training human resources)

* Resource: Ko (2014)

Kim et al.(2013) summarized the role of existing intermediate support organizations, and compared its differences to intermediate support organizations for CB. First, as CB literally encompasses both the community and business, support is given for both activities. Second, when it comes to CB, the intermediate support organization plays a very important part. This is because the role of intermediate support organizations as an agency is crucial for local stakeholders and community businesses to establish partnerships and solidarity through network.

< Table 3. Basic role of intermediate support organization >

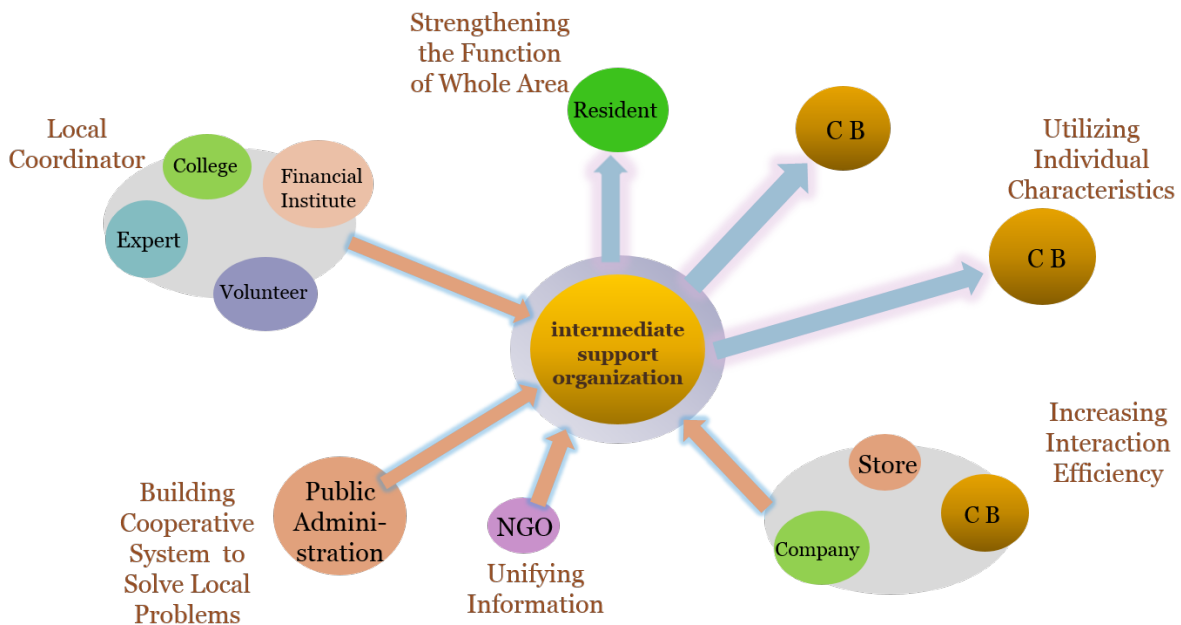
Function	Role
Gathering and providing information	<ul style="list-style-type: none"> . Providing a variety of information needed to solve social problems
Mediating resources and technology	<ul style="list-style-type: none"> . Mediating between provider of capital, human resources and etc. and organization in need
Training human resources	<ul style="list-style-type: none"> . Training expert in operating of organization and funding . Training expert in finance, tax, computer and technology
Counseling and consulting	<ul style="list-style-type: none"> . Providing management know-how to the organizations for systematic management . Consulting for difficult problems
Networking and promoting exchange	<ul style="list-style-type: none"> . Facilitate communication (exchange, field trip, forum, etc.) among organizations with various forms and values in order for them to network each other and to exchange their resources to achieve their objectives
NPO evaluation	<ul style="list-style-type: none"> . Providing information about actual status of activities of organization to the government, company, individual, etc.
Policy proposal	<ul style="list-style-type: none"> . Highlighting social issues or creating a new problem solving method . Strengthening the function of policy suggestions to build up new social system and method to solve local problem

Research	<ul style="list-style-type: none"> · Proposing solutions for social issues through investigation and research which only intermediate support organization can carry out · Implementing basic research to provide data and information for policy proposal
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* Resource: Kim et al. (2013)

Such characteristics of CB intermediate support organizations can also be applied to co-operatives. This is due to co-ops being voluntarily formed organizations from the bottom in order for members to meet their own needs, and because the 7th principles of co-operatives 'Concern for community', is a critical motive for co-ops to operate their business model that can work regionally and create positive effects to the local community. In actual, co-ops can be easily found in areas where CBs are active and many of these co-ops primarily operate business models to solve local issues based in the region.

< Figure 1. The role of intermediate support organization for community business >



* Resource: Kim et al. (2013)

As shown above, intermediate support organizations for CB or social enterprises are believed to perform various supporting functions such as providing consultations and various support for management, promoting networks and exchange, collecting information and transferring

knowledge and know-how in order to strengthen abilities. The association of co-ops can have similar characteristics as intermediate support organizations and performs the same function mentioned above. Although many co-ops have been established after the enactment of the Framework Act on Cooperatives, they are hard to cultivate the market and to survive the competition on their own due to their small size and lack of members. Therefore, they need to cooperate each other to overcome these difficulties. The association of co-ops being able to facilitate the cooperation among co-ops can help them to share information, know-how and man power, to do the joint business, and to build a strong network. As it evolves further into individual organization rather than just a network, the association of co-ops can carry out more various activities for members, with an identity as the representative organization for co-ops.

2. Cooperation among co-operatives through the association of co-operatives

1) Definition

In ICA principle, the 6th principle emphasized that cooperation among co-ops aims to ‘strengthen the co-operative movement’.² This explicit principle gives normative justifiability for cooperation among co-op. With reference to this, the Framework Act on Cooperative in Korea defines related regulation on the Article 8(Cooperation with other Cooperatives or Federations).³ Given these, the meaning of ‘cooperation among co-ops’

² 6th principle of Co-operative Principle : Cooperation among Co-operatives

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

³ Article 8 (Cooperation with other Cooperatives or Federations)

(1) Each cooperative, federation of cooperatives, social cooperative, or federation of social cooperatives shall endeavor to cooperate reciprocally with other cooperatives, cooperatives under other Acts, foreign cooperatives, and related international organizations, promote mutual understanding with them, and develop joint projects.

contains cooperation with various entities such as international organization as well as co-ops in wide-range of area, and takes a variety of forms. Also, to achieve these purposes, the Article states that a co-op can constitute the association with other co-ops or secondary organizations (Song, 2014). Thus, in the context of legal system of Korea, cooperation among co-ops through the association can be understood an actual way to pursue the principle of co-operative. At the 2014 Global Social Economy Forum in Seoul, Linda Shaw of the Co-operative College stated that “the 6th principle is a practical expression of the co-operative value of solidarity (Shaw, 2014:20).” Cho(2014), the former president of Gosam agricultural co-operative in Korea, defined that “cooperation among co-ops aims to reduce total debt as well as increase total benefit of community, by making the best use of each organizations’ resources with recognition of the difference of others (Cho, 2014:31).”

In this study, we defined the meaning of ‘cooperation among co-ops’ as follows, with intent to integrate meanings from definition above to deliver comprehensive understanding.

Cooperation among co-operatives means not only sharing the values of co-ops and strengthening the co-operative movement, but also reducing the total debt and increasing total profits by overcoming inherent limitations and solving a variety of problems through the recognition of the difference between each other, resource-sharing to the full and performance of a variety of joint business operations, such as mutual trade, co-production, joint sales etc., with other co-ops in the same or different industry.

2) Classification of Cooperation

Based on the definition of cooperation among co-ops mentioned above, this study tried to classify the type of the cooperation through the association of co-operatives and to adopt this classification to the case study carried out for this study. The purpose of this kind

(2) When it is necessary to achieve the purposes prescribed by paragraph (1), a cooperative, federation of cooperatives, social cooperative, or federation of social cooperatives may organize and operate a council with other cooperatives or cooperatives or federations under other Acts.

of classification is to find out more efficient ways of cooperation as well as to increase the understand of the cooperation among different types of co-operatives more than to figure out the necessity and role of the association of co-operatives.

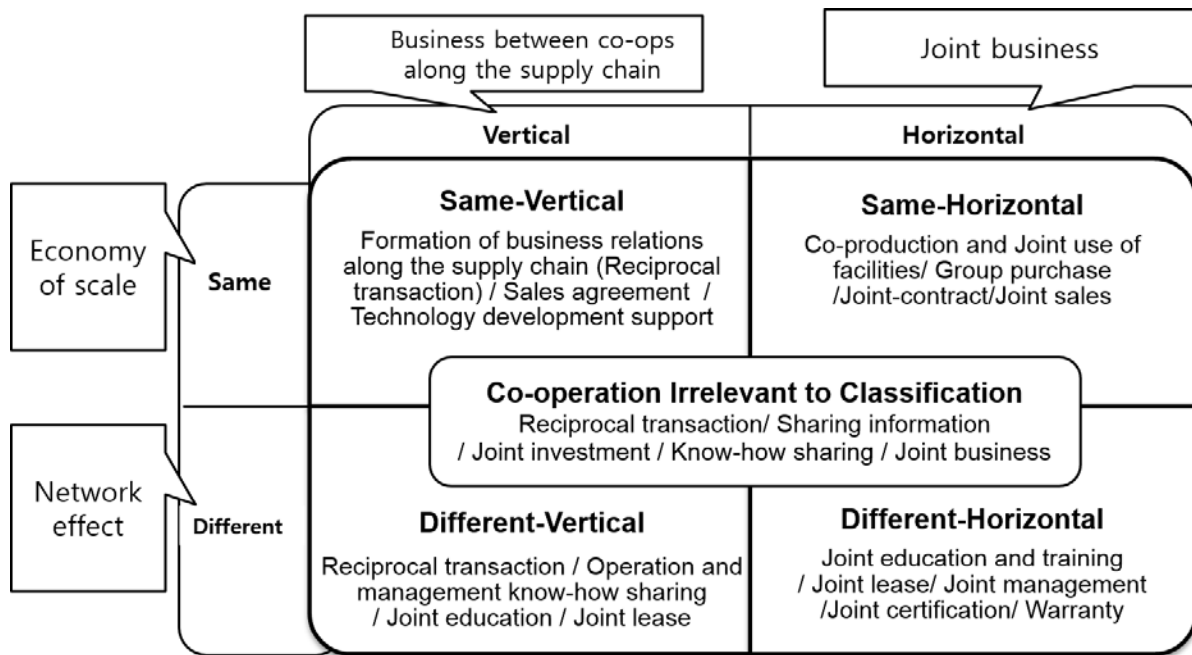
Two criteria were used to classify the cooperation among co-ops. One is the homogeneity of business between co-operatives; the same type of business vs the different type of business. The other one is the relationship of business between co-operatives along the supply chain; the vertical relation between co-operatives along the supply chain vs the horizontal relation between co-operatives along the supply chain.

In the case that co-operatives are doing business in the same industry (same), they can obtain the effect of the economies of scale through the cooperation among them. That is, they can increase their competitiveness and decrease the total cost. If co-operatives are doing business in the different industry (different), they can cooperate each other taking the advantage of networking. When multiple co-operatives are related in vertical level along the supply chain (vertical), they can cooperate each other by the reciprocal transaction. That is, they can deal in raw materials between the raw material provider and the product producer, or cooperate in the distribution stage between the product producer and the distribution channel member. If multiple co-operatives are doing business in the same level along the supply chain (horizontal), the effect of cooperation among them can be obtained by joint task related to the management of cooperatives rather than the cooperation along the supply chain.

Using these two criteria mentioned above, cooperation among co-ops can be categorized into five groups. First, those co-operatives doing business in the same industry and having the vertical relation along the supply chain can cooperate each other within the supply chain, like reciprocal transaction, price agreement, sales agreement, technology-development support and so on (same-vertical). That is, they can trade all kinds of materials

and services which co-operatives need to produce and sell product and/or service. Under this type of cooperation, therefore, co-operatives can form close transaction relationship in their main business. Second, when co-operatives are in the same industry, but hard to make business relation along the supply chain (same-horizontal), co-operatives can achieve economies of scale by co-operating each other. In other words, joint use of facilities and/or equipment which individual co-operative hard to buy or use alone, co-production, group purchase, joint-contract, joint sales and so on are possible through the cooperation among co-ops. This is because co-operatives are not only doing business in the same industry, but also performing similar function in the supply chain. Third, co-operatives doing business in the different industries and having the vertical relation along the supply chain (different-vertical) are difficult to find the way of cooperation related to their business contents each other. In this case, they can help each other by sharing operation and management know-how, buying equipment and/or service for operation and management. Forth, co-operatives doing business in different industries and having horizontal relations along the supply chain (different-horizontal) can cooperate each other by sharing operation and management know-how, joint education and training, joint lease, joint management, joint certification and/or warranty, and so on. Last, irrelevant to the criteria for classification mentioned above, there are co-operatives which can trade with all kinds of co-operatives. These co-operatives can perform reciprocal transaction, information sharing, joint investment, education, operation and management know-how sharing, joint investment, joint business, consortium building and so on with other co-operatives. These cooperation can be carried out better through the second-degree organization, like the association of co-operatives because the second-degree organization can organize these relationship easier than do co-operative themselves. Table 4 shows 5 types of cooperation explained the above.

< Figure 2. Classification of Cooperation among co-ops in Association >



III. Research Methods

1. Guro Community Association of Co-operatives (GCAC)

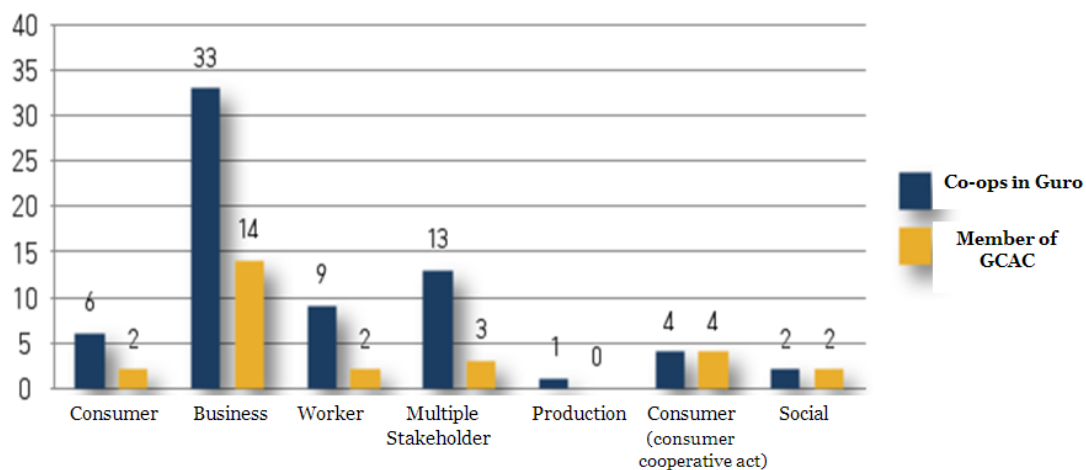
Guro-gu is one of the 23 districts (in Korean ‘gu’) of Seoul. In the mid-20th century, there were huge industrial complexes in Guro area, which was the base of industrialization of South Korea. For these reasons, the strong roots of labor and civil movement still remain in Guro. Before the enforcement of the Framework Act on Cooperatives in 2012, various kinds of social economy organizations like consumer co-ops, social enterprises and community businesses have run their own business.

It was May 2013 that some of co-ops in Guro gathered to discuss about the establishment of community association of their own. After a preparatory period, GCAC was founded in November including ten co-ops in Guro area. For a year, GCAC worked on activities to build up network and stable organizational foundation, such as “Getting to know

each other” Project, networking, mutual market, education, cooperation in local community, MOU with other non-profit organization, and so on.

At the time of this research, late December 2014, there were 27 member co-ops among 78 co-ops which accepted a report in Guro. Recently, GCAC joined as a member of Guro Social Economy Social Co-operative, which is an apex organization of social economy organizations in Guro area. Figure 3 shows the detail status of member co-ops of GCAC and other co-ops in Guro.

< Figure 3. Classification of Co-operatives reported and Member of GCAC in Guro >



2. Research Methods

To obtain data to analyze, we did interviews with co-ops in Guro. There were twice group interviews of member co-ops and several individual interviews with each member co-ops. Individual interviews were conducted after first group interview. Through the first group interview, member co-ops exchanged their opinions on cooperation between co-ops, participation and activities in GCAC, and their needs of GCAC as a member. After individual interviews, there was another group interview with member co-ops to give an opportunity members to compliment first group interview and to ask them more questions about their urgent problems to run co-ops. Individual interview included not only each member co-ops of

GCAC, but also non-member co-ops in Guro. By in-depth interview with each co-ops, we tried to understand their status, needs, and opinions about cooperation among co-ops and activities of GCAC for a year. By analyzing these interviews, this study examines the role of GCAC as a secondary organization and suggests some viable cooperation model through GCAC.

VI. Result

1. Interviews of member co-ops

(1) Questions related to activities of association

We asked member co-ops several questions related to activities of GCAC for past a year. Table 4 shows the questions and answers in summary. As the major reasons to join to GCAC, exchanging information, building up networks, and establishment of ecosystem for social economy were mentioned. Member co-ops want to construct foundation for co-op business, enhance competitiveness and find some business solution through cooperation among co-ops.

< Table 4. Summary of interviews of member co-ops – Activities of GCAC >

question	answer
Reason to Join	<ul style="list-style-type: none"> · Networking / Information exchange (Sharing experience) · Contribution to develop the infrastructure of co-ops · Enhancing competitiveness through the cooperation among co-ops · Solving business problem utilizing co-operative eco-system · Exploring co-operative projects · Contributing to the construction of co-operative ecosystem
Advantages of participation	<ul style="list-style-type: none"> · Networking – Forming the bond of emotional sympathy · Understanding other co-operatives' perspective · Smooth communication – cooperation through association

Disadvantages of participation	<ul style="list-style-type: none"> · Unavailable of time to attend the meeting due to the meeting time held during the business hours · Difficulties to find something in common among co-operatives in different industries. · Lack of active participation – Lack of understanding among members of association · Late decision – Low priority to participating in association (Higher priority to surviving of their own co-operatives) · Breakaway due to economic concerns – underprepared in detail, Lack of drawing interest in social market event · Just friendly society, Higher priority to surviving of their own co-operatives
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To the question about the advantages from being a member of GCAC, they answered that it is good for making a network, broadening their understanding of co-op, and getting emotional empathy with other co-ops by sharing similar experience. On the other hand, in terms of something to be desired, following answers were pointed out; lack of time to participate in activities, difficulties to find out common things among member co-ops, slow decision making, and lack of active participation. In sum, member co-ops didn't recognize actual merits or necessity for cooperation among co-ops.

(2) Questions related to activities of association

Most of interviewees reacted positive attitudes toward cooperation among co-ops and possibility of its realization. However, in actual, cooperation among co-ops were not made as enough as they thought. As the reasons, they have low level of understanding each other due to the lack of information, and this makes a barrier for mutual transaction between co-ops. In addition, the factors which hinder to cooperate with other co-ops were answered that each co-op cannot concentrate on cooperation among co-ops because their priority is to solve their current problems, it is hard to transact with other member co-ops due to the lack of mutual understanding caused by the difference of business, and concern about opportunistic situation. For possible type of cooperation among co-ops to overcome these situation, they answered various ways to cooperate, such as joint-business (joint workplace, joint sales showrooms,

joint local parcel service, joint search for new clients, sharing human resources, sharing job information), consortium model for public project at the association level, regularized interchange (sharing information about market situation at an appropriate time, sharing know-how and experience), joint education for members of co-ops including management education, joint development the concept, role and systematic methodology of cooperation among co-ops, and common infrastructure to facilitate the cooperation among co-ops in different industries. Especially, they expected that more cooperation would be possible when the level of understanding other members get higher within the association.

< Table 5. Summary of interviews of member co-ops – Cooperation among co-ops >

question	answer
<p>Current status of cooperation and Difficulties of Cooperation among members</p>	<ul style="list-style-type: none"> · Obstacle to reciprocal transaction because of low level of mutual understanding due to the lack of information about each other · Low trading volume · Urgent priority of solving the pending issues faced by the organization · Lack of mutual understanding among co-ops in different industries · Unavailable of time to participate · Lack of contents and Lack of common purpose · Opportunism
<p>Possible way of cooperation</p>	<ul style="list-style-type: none"> · Joint-business (joint workplace, joint sales showrooms, joint local parcel service, joint search for new clients, sharing human resources, sharing job information) · Developing joint business model for public project at the association level · Regularizing interchange (sharing information about market situation at an appropriate time, Sharing know-how and experience) · Joint education for members of co-ops including management education · Establishing the concept, role and systematic methodology of cooperation among co-ops · Building infrastructure to facilitate the cooperation among co-ops in different industries
<p>Activation plan for association</p>	<ul style="list-style-type: none"> · Securing foothold (place, manpower, funding) · Activeness and impellent power · Joint business of association – enhancement reciprocal transaction · Participation of various co-operatives – Supporting new co-ops · Providing high information – Solidarity for outside activity
<p>Supports from central and local government to activate association and cooperation</p>	<ul style="list-style-type: none"> · Improving support and incubating system (law, regulation, policy and management resources) · Allowing public procurement preferential purchase to the members of the association · Increasing the understanding of public servants about co-ops

To activate GCAC more, members thought that it is necessary to secure foothold including place, manpower and funding, do joint business driven by the association, and promote mutual and reciprocal transaction, etc. They also emphasized the role of central and local government for the association. Specifically, they mentioned the necessity of supporting system for start-ups and small businesses by proper law, regulation, higher understanding of public officers on co-ops and social economy, and preferential purchasing system for co-ops by local government.

(3) Requests to GCAC

Member co-ops require GCAC to serve various roles to strengthen their competitiveness by promoting cooperation among co-ops. In detail, there were requirements to facilitate cooperation among member co-ops to recruit new members for each co-op, to promote member co-op's business, and to publicize the activities of GCAC to raise fund. Some co-ops strongly suggest that GCAC need to secure a common place which can be a base for group activities and networking. It is possible to provide diverse managerial and administrative supports for small co-ops. Also, there were demands for education and communication such as training to develop core workforce, cross-coaching between member co-ops, and providing opportunity for communication, information exchange, and networking. There were other opinions as follow; encouraging quasi-membership system among co-ops, listening and solving the difficulties of co-ops, making an effort to improve act, system and public support policy for co-ops. The most required and preferred joint services were relevant to cost saving and new market opening. These kinds of services can enhance member co-ops' capability through actual cooperation.

< Table 6. Summary of interviews of member co-op - Requests to GCAC >

Items	Details
Promotion	<ul style="list-style-type: none"> · Encouraging mutual cooperation for member recruitment · Help to promote individual co-op business · Consistent publicizing the existence of association · Supporting a campaign for funds
Place utility	<ul style="list-style-type: none"> · Establishing a base for community-based-exchange · Securing a place for education · Providing a common working place
Business support	<ul style="list-style-type: none"> · Providing joint business for small co-ops · Supporting the establishment of business planning and strategy for small co-ops · Funding/ Collecting equity · Finding a market and/or steady work
Education and communication	<ul style="list-style-type: none"> · Education and training for members of co-ops to develop core workforce · Providing an opportunity for cross-training for practical task through coaching, talent donation, etc. · Advising to change opportunistic behavior · Providing an opportunity for communication, information exchange and cooperation among co-ops
Miscellaneous	<ul style="list-style-type: none"> · Encouraging quasi-membership system among co-ops · Listening and solving the difficulties of co-ops · Making an effort to improve act, system and public support policy for co-ops
Ranking of Joint service requested	<p>① Joint clerical services ② Co-design(logo, business card, etc.) ③ Joint office</p> <p>④ Joint delivery services ⑤ Joint web pages ⑥ Joint certification ⑦ Joint marketing</p>

To summarize twice group interviews and individual interviews with member co-ops, they recognize the characteristics of the association as a network organization, and try to have more chances to improve their network and to increase mutual understanding so that they can get synergy for the business. To meet their needs, however, GCAC has to strengthen its own ability to contribute and support member co-ops business and sustainability.

2. Interviews of non-member co-ops

We did interviews with co-ops which are in Guro but not a member of the association. First, we asked whether they recognize the existence of the association or not, and if so, how they know about the GCAC. Non-member co-ops we interviewed were aware of GCAC by directly hearing from the association or obtaining the information about the association from

education about co-operative. As the reasons not to join the association, they answered that they don't have enough staff or time to participate, or don't feel the sense of kinship and the need for solidarity. However, some of them showed their intention to join the association in the future. Similar to member co-ops, non-member co-ops request GCAC to take a role of representative for local co-ops and to provide management supports such as promotion and new market opening. They also mentioned about the need for government to carry out policies for co-ops and raise awareness. As a whole, the answers of non-member co-ops were similar to that of member co-ops, but some of them showed negative or passive attitudes toward cooperation among co-ops. For more cooperation among co-ops, they expected from GCAC to improve mutual understanding and networking.

< Table 7. Summary of interviews of non-member co-op >

question	answer
Route to know the association	<ul style="list-style-type: none"> · Most aware of the association · Hearing from the association or obtaining the information about the association from education about co-operative
Reason not to join the association	<ul style="list-style-type: none"> · Absence of staff · Not know in detail · Low solidarity · Unavailable of time
Intention to join the association in the future	<ul style="list-style-type: none"> · Most of them have intention to join the association
Barriers and difficulties of participation in association activities	<ul style="list-style-type: none"> · Unavailable of time due to absence of staff · Pursuit of private interests · Feeling no need for (for business)

VII. Conclusion

1. Summary

This study attempts to figure out the role and functions of GCAC as a network and intermediate support organization by interviewing member and non-member co-ops in Guro. First, we searched the characteristics of the association as a secondary organization based on

literature review. The association could be viewed as a network organization of individual co-ops, and also have a role of intermediate support organization for them. Given these traits, we concluded that it is possible to be achieved through cooperation among co-ops via association. Moreover, we investigate the concept of cooperation among co-ops, and attempt to classify the possible types of cooperation among co-ops through the association, with two criteria (same vs. different / vertical vs. horizontal) explained above.

Through the interviews, we can find some needs of member co-ops for the GCAC. According to the interviews, GCAC makes efforts to network between member co-ops and other social economy entities like social enterprise or community business. Member co-ops are satisfied with networking through the GCAC, but they want to have more opportunities to know each other, especially about other co-op's business model.

GCAC also contributes to local community. GCAC collaborates with other organization, and participates in various projects or events in Guro area. As a secondary organization, GCAC tries to explore new market for their member co-ops, but there are no remarkable results yet.

In terms of cooperation among co-ops, members recognize the importance and necessity of cooperation, and most of them are eager to participate in cooperation more actively. However, there are some barriers against cooperation, such as lack of understanding and difference of their business model. In addition, many member co-ops request GCAC to play an important role in joint marketing, education, communication and management support. Table 8 shows possible classification between individual member co-ops of GCAC based on the interviews.

According to each co-op's business model, the following ways of cooperation would be possible. First, some co-ops can have a mutual cooperative transaction along the supply chain

since their business models are in the same industry (same-vertical type). In case of Guro, the co-op which produce beauty products and the other co-op which is consist of beauticians, house remodeling co-op and LED lights producing co-op can cooperate with each other.

<Table 8. Classification of the Type of Cooperation⁴ >

	Vertical	Horizontal
Same	<ul style="list-style-type: none"> Transaction of Beauty Goods (17SeungRhee co-op – MiYongKunkang co-op) Transaction of LED Goods (Zipsurhee - Interior related co-ops) 	<ul style="list-style-type: none"> Sharing construction crew (between Interior related co-ops) Network table among co-ops in same industry (employment and recruitment services co-ops, consumer co-ops, interior co-ops, IT co-ops)
Different	<ul style="list-style-type: none"> Transaction related to advertising and (Kkumuel Pumuen co-op-the others) Employment and Recruitment Services/Co-ops need human resources(job co-ops – the others) Delivery service (flower co-ops – consumer co-ops) Sales agency service (joint marketing service for small merchant – LED co-op) 	<ul style="list-style-type: none"> Joint marketing (consumer co-ops – funeral co-ops – EcoGuro) Transaction of Garland (florists co-ops -The others) Funeral service (Gidok co-ops – The others) Digital cultural contents (Nabee co-ops / IT co-ops)
Cooperation Irrelevant to Classification	<ul style="list-style-type: none"> Activities led by association among co-ops Cooperation related to market exploitation through association Cooperation related to management support through association Enhancing mutual understanding / Mutual education and coaching through association 	

⁴ Business models of each member co-op of GCAC are as follows.

1	Kkumuel Pumuen Ads co-op	Manufactures for promotion(sing, printing)	2	Guro Seemin Dure consumer co-op	consumer co-ops
3	CoopY co-op	Education and research of co-op	4	Aruemdaun Dure consumer co-op	
5	Hankook MiyongKunkang CEO co-op	beauticians	6	Hansalim consumer co-op	
7	Uri Mill co-op	selling Korean wheat product	8	Guro iCOOP consumer co-op	
9	Youngrim Middle School Social co-op	cafeteria in middle school	10	LED co-op	LED lights and products
11	EcoGuro co-op	sunlight generation in Guro	12	17SeungRhee co-op	Beauty and medical device
13	Jiguchon co-op	businesses for multicultural family	14	Culture&Art co-op Nabee	Culture and art planning, education, performing
15	Hankook IT co-op	IT infra-building service	16	Hankook IT Gaebalja co-op	IT infra-building service
17	Zipsurhee co-op	House interior, remodeling	18	Jungsosangkongin joint marketing co-op	Joint marketing
19	JikupSangdamsa co-op	Career management, consulting, education	20	Awutsosing co-op	Supply of manpower
21	Baekmanin Ijari Chajajuki co-op	recruitment, job matching	22	Contaekcenter systemintegration business co-op	Building infra system for enterprise communication
23	HwaHwue co-op	flower shop	24	Gidok co-op	funeral services

Co-ops which are in the same business as well as their relationship is horizontal (same-horizontal type) can have networking field to share useful information and experience. There are co-ops which provide house interior services, employment and recruitment services, IT system services, and consumer co-ops. It is possible for these co-ops to cooperate with each other in the same business area. Co-ops each of which has different business model from others can trade with or help member co-ops in case of necessity by making use of their abilities and resources. In this case, one possible type of cooperation would be to make a vertical transaction along the supply chain (different-vertical type), and the other type would be to help one another via the network of association, such as cross-coaching and education, technology support (different-horizontal type). In addition, there are some kinds of cooperation not exactly relevant to certain co-op's business model. These ways of cooperation – such as new market opening, management supporting services, education, networking and voluntary activities - can be carried out by the association for all members.

2. Suggestion of Cooperation model

Based on the result of interviews, we made some suggestions of cooperation model through GCAC. Although this is the case of GCAC, it could be applied to other secondary organization of co-ops. First, GCAC can provide management support services to their member co-ops.

GCAC can offer a common space as a kind of 'business center' for small co-ops. At the center, GCAC can provide various joint activities for members, such as joint clerical service, joint education or training programs, tax accounting counselling, and so on. Many small co-ops in GCAC request GCAC to do these activities.

< Table 9. Ways of cooperation at the level of association – Management support service>

Specification	Activity
Common Space	<ul style="list-style-type: none"> · Utilizing for clerical work, meeting, conference and lecture room · Lease an available space with no or low-fee from the local government
Joint Clerical Service	<ul style="list-style-type: none"> · Secretarial work, administrative work, word processing, etc. · Gathering and sharing information about co-operative related policy and support announcements · Joint employment of clerical specialist (joint salary payment)
Joint Education Service	<ul style="list-style-type: none"> · Operating joint education program for the members of co-ops · Competitive co-ops supporting and coaching other co-ops · Exchange of opinions to develop the business model among co-ops
Tax Accounting Service	<ul style="list-style-type: none"> · Saving cost and increasing purchasing power through joint purchase

Second, GCAC has to do more efforts for market exploitation through cooperation. This is accomplished by related activities such as joint promotion, joint sale showroom, new market opening, and joint marketing. As the high level of collaboration for new market opening, it would be feasible to develop joint CI, introduce of joint certification system, and utilize negotiation power of the association. Since these plans would be directly associated with each co-op's marketing, it is required member co-ops' active participation and close mutual cooperation.

< Table 10. Ways of cooperation at the level of association – Market exploitation >

Specification	Activity
Joint promotion	<ul style="list-style-type: none"> · Making joint promotion materials · Compiling the information about members of association on its website / Joint website operating
Joint sales showrooms	<ul style="list-style-type: none"> · Open the joint drop-shipment market · Open the joint sales showrooms (selling products on consignments)
New market opening	<ul style="list-style-type: none"> · Promoting joint sales in the apartment area (cooperation with woman's association of the apartment community)
Joint marketing	<ul style="list-style-type: none"> · Enhancing competitive power and status of co-ops through joint CI, Joint certification, Co-design

Third, GCAC can facilitate mutual cooperation and promotion of interchange between member co-ops. For more mutual understanding, GCAC can provide a networking field to share each member's information or management know-how. Member co-ops can

deliver and exchange useful information or news to other co-ops through the association. Also, quasi-membership could be possible between member co-ops. This can be a good chance for each co-op to promote new member. When a certain co-op has financial problem, crowd funding within the association would be a one possible solution.

**< Table 11. Ways of cooperation at the level of association
– Mutual Cooperation/ Promotion of interchange >**

Specification	Activity
Promoting mutual understanding	<ul style="list-style-type: none"> · Promoting mutual understanding through networking on a regular basis, like monthly meeting · Providing networking field to share difficulties of running co-op (sharing best and worst practices, mutual coaching) · Activities as a group (participation in education program or event in other region, voluntary work together)
Promotion for new members	<ul style="list-style-type: none"> · Issue a newsletter to promote and give news related to co-ops in local area · Offer members of each co-ops detail information about other member co-ops · Provide quasi-membership or opportunities to be experiential member → member increasing
Crowd funding within Association	<ul style="list-style-type: none"> · Crowd funding or mutual funding to make financial assistance for member co-ops

Finally, GCAC can contribute to local community. In the cooperation with local government, GCAC can serve important roles in the policy making process, as an advisory and representative organization of local co-ops. If GCAC become bigger and developed than now, GCAC could be a community center which provides necessary services for local people as well as co-ops. In the name of GCAC, member co-ops can participate in voluntary works or talent donation.

< Table 12. Ways of cooperation at the level of association – Community-based activities >

Specification	Activity
With local government	<ul style="list-style-type: none"> · Institutionalize preferential purchase of products manufactured by social economy entities · Secure decent jobs and improve social service by utilizing governmental budget · Participate in policy making for social economy and co-ops in Guro as an advisory organization
Role of Community center	<ul style="list-style-type: none"> · Provide education program and necessary services for local people
Voluntary work	<ul style="list-style-type: none"> · Contribute to local community by voluntary work or talent donation

Last, we checked some challenges for GCAC and make some suggestions. First, GCAC has to strengthen its own sustainability. GCAC is at the first stage of development, so it is necessary to consider more specific business model as a GCAC itself. Specifically, (1) GCAC needs to improve the quality of networking and exchange programs. During the interview with member co-ops, they don't know about other members enough despite having chances of networking and visiting. This means existing networking activities don't bring effective result. Thus, it is time to consider and attempt to find new ways for internal networking. As suggested above, offering more time and place to meet with member co-ops in similar business, and designing more attractive programs for networking would be necessary. (2) GCAC has to provide more direct and indirect benefits to their member co-ops. Until now, GCAC delivered information about education programs or events on co-operatives from outside, but didn't give medium to longer term education customized to member's needs. Thus it is good to make a plan for strengthening member's ability on the basis of member's needs. If it is possible, member co-ops can participate in this plan as a coach so that help other members. (3) It is necessary to set long term vision and plan for development of GCAC itself. At the interview, many of member co-ops wish to secure its own place to share, and the professional staffs are not enough. To be more developed, the association needs to be more organized to achieve some goals, including members. Above all, detail business plan for each stage and term, more staffs and proper funds are required. GCAC is a network organization, so shared duties between member co-ops, specific action plan, and leadership of the management are essential.

Second, as many member co-ops request, it is important to raise fund. It is hard to do for small co-ops, so it's one of the important roles of the association. Several different ways to raise fund, which the association can use, can be considered. Crowd funding inside the

association would be a primary way to raise fund. It is another way of funding to save certain amount of profit as a common development fund when there is a trade between co-ops.

Also, co-ops need to co-operate with credit union and/or the bank of agricultural co-ops which is called NH bank. They are not a member of the association, so it is the first step to make them join in GCAC. Then potential ways of making funds from financial institutions could be discussed. Although it is very beginning stage in Korea, utilizing social fund could be another way. The association can collect information related social fund, inform it to their member co-ops, and support them to use social fund.

Third, GCAC has to overcome the heterogeneity of business between co-ops. This heterogeneity hinders to facilitate mutual transaction, because of the different needs of each co-op. For this reason, in actual, it is hard to connect different co-ops with similar business model as fulfilling members' needs through cooperation with other co-ops in local area. In this case, the association can cooperate with other social economy entities in local and near area to make broader ecosystem. There are several community associations of co-ops in near area around Guro. If the agreement can be made between those associations for mutual cooperation, it is possible to explore feasible cooperation model among co-ops. To make a MOU with other community association, or to establish bigger range of apex organization are practicable ways for more cooperation. Moreover, cooperation with other social economy organization could be meaningful. Social enterprises, community businesses and self-support businesses already have their own secondary organizations in local area. Thus, the association of co-ops can cooperate with these secondary organizations in social economy to bring out stronger synergy effect. These attempts defined as 'expansion of cooperation' result in forming new market for social economy. Given the difficulties for social economy organizations to compete with corporations in the existing market, new market for social

economy created by relate organizations can contribute to their survival and sustainability, and in the long term, to ecosystem of social economy.

3. Limitation of the study

These are limitation of the study. First, we could not investigate all co-ops established in Guro. Second, we tried to interview with non-member co-ops as many as possible, but they didn't co-operate in the interview. Third, we didn't include NH bank(the bank of agricultural co-ops), credit unions and Community credit co-ops in this study. The reason is that they are initiated by central government, not by civil society, and show passive attitudes towards cooperation with other co-operatives and social issues in local area. However, it would be meaningful research including them in the future for many aspects.

Now, in Korea, co-ops and their secondary organizations are spreading out rapidly but it's just beginning stage. The most important thing is to make a basis for trust building by communication. As a lot of previous researches concluded, trust is the key element for improving network capability and community sustainability. Therefore, making trustworthy with open mind and considerate attitude is the most important goal to achieve for member co-ops. It is significant for us to focus more on their development in local area, and continuous follow-up researches are required in the future.

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