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# On the causes of co-operative failure

Ricardo Gerardi

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For information:
Intercoop Editora Cooperativa Ltda.
Tucumán 1621 PB (C1050AAG)
Ciudad Autónoma de Buenos Aires
Tel.: (+54) 11 4371-7572
Email: editorial@intercoop.coop
https://intercoop.coop

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## Introduction

> '…as regards those co-operatives that disappeared at birth or after a few years of struggle, no one has ever spoken of them. […] History records only victories and never defeats.'
>
> Charles Gide[1]

Success and failure in organisational life do not arise from a single cause, nor do they admit of a linear explanation. Both are bound up with the interaction between the actors who make up the organisation, the contexts in which it operates, and the structures that shape its functioning. In the case of co-operatives, this issue requires a specific approach, since their trajectory must be analysed in light of the dual dimension that defines them: their condition as non-profit enterprises and, at the same time, as democratic associations.

From this perspective, co-operative failure cannot be reduced either to an unfavourable economic outcome or to an isolated institutional crisis. It must be understood as a complex experience in which managerial weaknesses, environmental constraints, and mismatches between the entity's economic viability, organisational continuity, and the preservation of the democratic and associative principles that give it meaning may converge. Within this framework, failure does not constitute only a negative ending or an irreversible deterioration; it may also become an instance of review, learning, and rectification.

Since the institutionalised experiences associated with the Rochdale Pioneers, the history of the co-operative movement has displayed trajectories of continuity, expansion, and consolidation that endure to the present and that, in most cases, preserve their founding principles. This historical projection is also reflected in the movement's current global significance: according to the International Cooperative Alliance (ICA), there are around three million co-operatives worldwide, at least 12 per cent of the world's population is linked to them as members, and these organisations provide work or work opportunities for close to 10 per cent of the world's employed population.

That historical and institutional relevance does not exclude the existence of failed experiences, nor does it remove the need to examine them critically. When the performance of co-operatives

across different sectors of the economy is considered, whether in terms of survival or development, evidence of failure also emerges. Its identification, however, presents analytical difficulties, since evaluative criteria may vary depending on whether priority is given to economic outcomes, the fulfilment of social objectives, the quality of internal democratic life, or the articulation between these dimensions. For that reason, it is not easy to establish a single criterion by which to define co-operative failure or to attribute precise causes to it.

The history of co-operativism itself further confirms that the possibility of failure was present from the outset. The first co-operative experiments between 1817 and 1840 were marked by difficulties, reversals, and experiences that failed to consolidate. Far from invalidating co-operativism, that trajectory shows that its development was built through trials, corrections, and successive processes of learning. Likewise, although various studies show that co-operatives may display significant levels of resilience and durability in certain contexts, this does not mean overlooking their vulnerability. The International Labour Organization (ILO) has emphasised that the co-operative model may display the capacity to withstand crises and sustain livelihoods in the communities in which it operates, while United Nations and OECD documents underline its contribution to decent work, poverty reduction, territorial action, and adaptation to economic, social, and environmental transformations (Birchall, 2009; United Nations, 2023; OECD, 2025).

Such continuity depends not only on factors common to any organisation—such as access to finance, the quality of management, or market conditions—but also on specifically co-operative elements, including the effective participation of members, the renewal of leadership, the distribution of power, the generation of concrete benefits for members, and the capacity to adapt to changes in the environment.

Analysing co-operative failure therefore requires moving beyond simplified interpretations. It is not merely a matter of observing unfavourable outcomes or assigning individual

responsibility, but of understanding broader processes involving internal and external factors, historical trajectories, strategic decisions, and concrete modes of organisation. Reflecting on these experiences makes it possible both to interpret their causes and to identify conditions that may strengthen continuity, adaptive capacity, and fidelity to the principles on which co-operatives are founded.

## 1. Logics of action in co-operative organisations

The starting point for characterising the nature of co-operatives lies in recognising that their principal difference from other associative forms resides in the fact that they pursue their objectives through an organised economic activity carried out by means of an enterprise.[2]

For this reason, Georges Fauquet considered it essential to distinguish two closely interrelated elements within the co-operative institution: on the one hand, an association of persons who have recognised, and continue to recognise, the similarity of certain needs and the possibility of satisfying them more effectively through a common enterprise rather than by individual means; on the other, a common enterprise whose specific purpose is precisely to meet those needs. From this starting point derive the organisational rules that define both the social relations among members and the economic relations of each of them with the enterprise. In this sense, 'the co-operative association is not simply an impersonal accumulation of capital; in its deepest sense, it is an association of individuals' (Fauquet, 1941, p. 349).

The principle of 'one person, one vote' constitutes a central feature of co-operatives, inasmuch as it expresses their democratic and participatory character. Various authors emphasise that management rules and relations between the co-operative and its members derive from the notion of service. This entails attending to the quality and cost of the services provided, as well as to the distribution of surpluses in proportion to the transactions carried out by each member.

Genuine co-operatives generally arise in response to needs that neither the market nor the State adequately satisfies, or that they

address only under conditions unfavourable to users. Their process of formation comprises three fundamental moments: awareness, self-help, and mutual aid (Masón, 2022). In his characterisation of the co-operative as a 'different kind of enterprise', Masón underlines the importance of the patronage refund principle as one of the pillars of the co-operative economy. [3]

That principle, which entails redistributing the surplus generated by management among members in proportion to their transactions, is attributed to Charles Howarth and was adopted in the emblematic Rochdale experience. There lies one of the distinctive nuclei of the co-operative economy: there is no profit in the strict sense because the surplus returns to the members.

In its origins, co-operative governance expresses a 'monist structure', in which members participate directly in decision-making, or at least in its general orientation, on the basis of a shared adherence to co-operative values and principles (Bleger, 2005). This unity is reflected in the coordinated work of the different levels of the organisation.

However, as the co-operative consolidates and grows, expanding in scale and complexity, a 'dualist structure' tends to develop, in which the associative structure becomes differentiated from the managerial and operational structure. The latter is usually represented by a general management and other executive posts acting under the guidance established by the board of directors. Management's principal function is to provide strategic direction for the production and marketing of goods or services, responding to the dynamics of the economic and social environment and operating in different kinds of market, from competitive contexts to situations of natural monopoly, always within the existing regulatory framework. Even when the structure splits into these two dimensions, it remains desirable that both preserve an appropriate balance in the functioning of the co-operative organisation.

To understand these dimensions more fully, it is useful to relate them to the business and associative logics commonly represented in management schools through a triangle composed of three

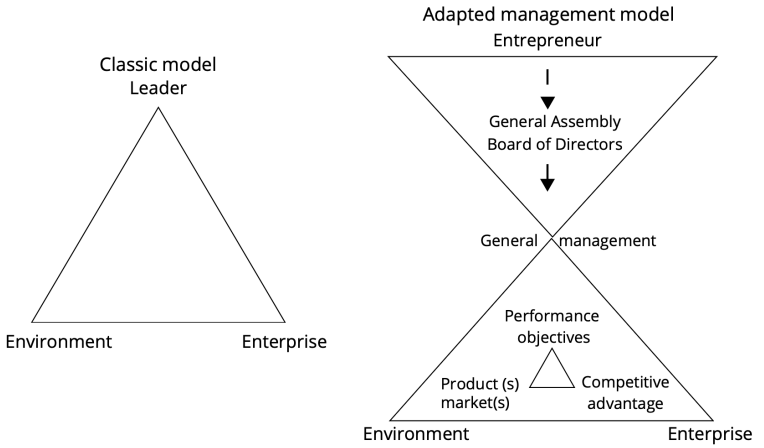
elements: environment, enterprise, and leadership. When this perspective is transposed to the co-operative field, Marie-Claire Malo reformulates the classic triangle of the strategic process and proposes instead the image of an hourglass (Figure 1). In explaining this configuration, Malo notes that, in the classic representation, the upper vertex is occupied by the leader. In the co-operative and in associations within the social economy, however, the figure of the leader has its own specificity. Strictly speaking, leaders are members elected by other members to sit on the board of directors. It is therefore necessary to distinguish between the board and management, that is, between elected leaders and appointed administration.

Accordingly, a distinction must be drawn between the structure of the enterprise, under the responsibility of management, and the structure of the association, composed of the assembly of members and the board of directors, which is governed by the principle of formal democracy, encapsulated in the rule of 'one member, one vote'.

This does not, however, mean excluding management from the strategic process. On the contrary, general management, in articulation with the presidency, plays a mediating role at the interface between the associative structure and the enterprise structure. In the hourglass image, general management is located precisely at the central narrowing, that is, at the meeting point between the upper part of the hourglass—governance exercised by a collective of persons—and the lower part—the relation between the enterprise and its sectoral environment. More precisely, complex co-operative governance is characterised by a group of persons who maintain a double relation with the enterprise: one of association and one of activity (Vienney, 1980). Depending on the type of co-operative concerned, members and elected leaders may be suppliers, workers, or users.

This text proceeds from that integrated scheme in order to consider both the lower part of Figure 1, linked to the business logic of co-operatives, and the upper part, specific to their associative and democratic logic.

Figure 1. Management models




Source: Malo, 2008.

Although analytically distinguishable, these two logics cannot be radically separated. On the contrary, they must be articulated in order to ensure the organisation's dual grounding: economic, in its character as an enterprise; and associative, as the effective expression of the principles and values of co-operativism. If one of these dimensions prevails over the other, or if the two cease to be effectively articulated, the co-operative experience tends to weaken and may ultimately give rise to different forms of failure or loss of co-operative character.

## 2. The business logic and its context

The high failure rate of business ventures, regardless of their legal form, has given rise to the development of tools aimed at evaluating the conditions for the sustainability and growth of new initiatives. Among them, the Index of Systemic Conditions for Dynamic Entrepreneurship (ICSEd-Prodem) stands out as a useful instrument for assessing the conditions for a venture's sustainability and development. In the conceptualisation of this

index, various factors are highlighted that make it possible to identify the principal strengths and weaknesses of countries in relation to the emergence and development of entrepreneurs and new dynamic firms.

From this perspective, the index adopts a systemic approach structured around ten dimensions grouped into three broad axes.

The first concerns entrepreneurial human capital, that is, the conditions that make possible the existence of a critical mass of people with the capacities, dispositions, and vocation to undertake entrepreneurial activity. At this level, emphasis is placed on the influence of values and beliefs shaping a society's culture, the family environment and the social conditions in which individuals are born and develop, as well as the role of the education system, not only in the acquisition of technical knowledge but also in the formation of entrepreneurial vocations and competences. To this is later added the trajectory of continuing formation that may consolidate in the workplace.

The second axis considers the factors affecting the opportunity space, including demand conditions, the size and dynamism of the market, and the profile of the firms that make up the productive structure, whose demands may generate high-potential business opportunities. At this level, scientific and technological activities and outputs are also emphasised, as is their articulation with the business system, which makes it possible to transform knowledge into innovation.

The third axis includes the factors affecting the conversion of projects into firms and their subsequent development. Here the emphasis falls on access to an adequate supply of finance, the existence of social capital—understood as networks of trust and links with relevant actors—and the policy and regulatory environment, which, by action or omission, affects entrepreneurs and their firms.

Within this framework, the index places the emphasis on dynamic entrepreneurship, understood not as any form of self-employment or subsistence activity, but as projects and new firms with the potential to become competitive small and medium-sized enterprises capable of sustaining growth beyond the first years of

life, which are precisely the years of greatest vulnerability. These are generally ventures based on differentiated and innovative value propositions, oriented towards seizing dynamic economic opportunities and offering possibilities for expansion.

## 3. On the causes of failure in co-operatives

### 3.1. Background to co-operative failure in Argentina

In examining the reasons for the limited development of co-operation in Argentina up to 1880, Domingo Bórea argued that 'the two essential principles on which the legitimate existence of co-operative institutions rests have been disregarded: effective capital and severe, competent, and enthusiastic leadership. These principles have not been practised in the least' (Bórea, 1927, p. 282). As a result, he maintained that many of the dissolved co-operatives, and even some of those still existing, ought to be regarded as artificial co-operative joint-stock companies. Alongside this diagnosis, Bórea identified other factors that he described as 'enemies of our co-operativism': speculators in co-operation; commerce, which he characterised, 'save for honourable exceptions', as synonymous with the exploitation of production, labour, credit, consumption, and welfare; the scarcity of technically capable personnel able to assume managerial functions with a genuine co-operative spirit; the insufficient—and in many cases non-existent—co-operative consciousness among producers and consumers, resulting from the lack of instruction and education in the field; and, finally, the high costs of establishing and running societies, such as luxurious premises or excess staffing.

Despite these difficulties, Bórea remained firmly convinced of the future of co-operativism. In his words, 'the economic regime of future society, based on the co-operative regime, will establish a system free of speculation and profit-seeking, founded upon the values of honesty, sincerity, and loyal and voluntary work'. On the basis of this diagnosis, he proposed a series of measures to reverse such difficulties. Among them, he highlighted the effective application of Cooperative Law No. 11,388 as a means of

eradicating pseudo-co-operative entities; the exclusion of speculators from the co-operative sphere; the creation of specialised programmes in co-operativism and mutualism to train leaders and technical cadres; the promotion of co-operative awareness among producers and consumers through permanent educational and dissemination initiatives; and, in addition, a set of specific guidelines to strengthen co-operation in rural areas. (Bórea, 1927, p. 288).

Although the historical context has changed and co-operativism now benefits from a more developed normative framework, several of Bórea's concerns remain pertinent. In particular, it remains essential that the competent bodies effectively and promptly discharge their public supervisory functions in order to promote transparency, safeguard the rights and interests of members, and strengthen the contribution of co-operatives to economic and social development.

Within this framework, the co-operative leadership that forms part of governing bodies shares decisive responsibility, as do Confederations and Federations. Added to this is the importance of internal supervision as a safeguard of the integrity of primary co-operatives, a necessary condition for strengthening good governance and preventing fraud or malpractice that may harm performance and reputation.

Nicolás Repetto also addressed this issue in a 1919 letter in which he criticised the imposition of compulsory links with entities external to the co-operative and denounced the withholding of surpluses under the guise of intermediation as an abusive practice. The letter ends with a firm defence of co-operative autonomy, arguing that co-operation cannot be delegated to outside agents or subordinated to external interests without becoming denatured and turning into a new form of intermediation. In recent years, different forms of evidence have pointed to the persistence of entities that preserve the co-operative form but not its substantive institutional content (Gerardi, 2024).

## 3.2. Theoretical perspectives on co-operative failure

Experiences of failure in co-operatives have received sustained attention in the specialised literature. Among the most relevant contributions are the observations of Couchman and Fulton (2016), who warn that the international co-operative movement has undergone, in recent decades, a series of large-scale collapses —including those of the Saskatchewan Wheat Pool, retail co-operatives in Germany, France and Atlantic Canada, banking entities in Austria— without a sufficiently systematic reflection having developed, within co-operative culture itself, on the common factors present in these processes. In their view, understanding these factors would make it possible to prevent similar collapses in the future.

More specifically, these authors identify five common factors, presented in reverse order of their causal sequence. At the most superficial level they place a logic which they describe metaphorically as "rolling the dice" or gambling, referring to large-scale co-operatives which, when faced with mounting difficulties, resort to acquisitions, mergers and restructurings without thereby resolving the underlying problems. The warning, in this respect, is that these organisations must not rest on their laurels, since strategies that in other contexts may lead to success, when built upon fragile internal foundations, may also precipitate failure.

A deeper level is represented by leadership overconfidence, whereby those in charge overestimate their capacity to reverse critical situations, exaggerate the potential of acquisitions, and underestimate the complexity of the tasks involved. In this way, a culture is consolidated in which those responsible for leadership regard their own judgement as superior to that of their peers and even to that of the co-operative's own members. To this is added the lack of effective supervision by the Board of Directors. In failed co-operatives, these bodies do not succeed in establishing with management a relationship grounded in clear organisational values, in a strategic orientation linked to members' needs, and in

adequate mechanisms for evaluating high-impact decisions such as mergers, acquisitions or major investments.

Another factor noted by the authors is the inadequate selection of persons for key functions. This situation arises when those serving on the board do not fully understand their role within a co-operative organisation and, as a result, appoint managers who disregard, relativise or ignore the values specific to co-operation. At the root of all these factors, the authors place the principal problem: conceiving co-operation as an obstacle rather than as a solution. In their view, the root of failure lies in the loss of conviction and understanding regarding the nature of the co-operative.

The first sign of deterioration appears precisely when the organisation begins to perceive its co-operative condition not as a particular strength but as a limitation. From this perspective, they emphasise the need to act at the first signs of failure in order to prevent the loss of co-operative value among members and to increase the entity's chances of survival. On a more operational plane, Agbonrofo (2020) identifies a set of recurrent reasons in many co-operative experiences that fail to sustain their development, both in business and in associative terms. Among these, first, is inadequate capital. Undercapitalisation makes it difficult to meet members' needs and compromises the organisation's viability. This problem often results from insufficient investment by members themselves and is aggravated when the entity resorts to borrowing under unfavourable conditions, particularly because of high interest rates.

This is compounded by the weakness of the sense of belonging and ownership. Many members relate to the co-operative solely in terms of the immediate benefits they may obtain—loans, interest, or dividends—without developing an effective commitment to its functioning. This situation is aggravated when power is concentrated in a few hands, generating exclusion, disenchantment, and a decline in support from the membership base.

Also problematic are the lack of managerial experience and deficient co-operative governance. Like any other economic

organisation, co-operatives require leadership with business vision and administrative capabilities; at the same time, they require good governance practices grounded in co-operative principles, in the existing legal framework, and in clear operational rules.

Other relevant factors include poor record-keeping and database management, the absence of leadership succession planning, and insufficient education, training, and continuous learning. Any co-operative engaged in economic activities must have adequate information regarding the use of its resources, the generation of surpluses, its tax obligations, and its relations with financial institutions or support agencies.

Likewise, as in any organisation, the preparation of replacements is essential in order to prevent institutional life from becoming conditioned by personalist leaderships or by the apathy of part of the membership. In line with the fifth co-operative principle, the continuous education of leaders, members, managers, and employees strengthens the co-operative and helps protect it against deterioration.

In the same direction, the absence of feasibility studies, activity plans, and review mechanisms is also noteworthy, as are the concentration on a single source of income and the inability to respond to members' changing needs. Before launching any project or service, it is essential to assess strengths, weaknesses, opportunities, and threats, as well as the real existence of a market for the goods or services to be offered. This should be accompanied by a business plan and periodic reviews enabling corrections to be introduced. Moreover, when a co-operative depends exclusively on one principal activity, it is exposed to a high level of vulnerability in the face of adverse economic change, which makes income diversification and innovation in products and services especially important.

Finally, unresolved conflicts must also be considered. Although conflict forms part of every human organisation and is not, in itself, necessarily negative, it may become a factor of deterioration when it is not properly channelled. In such cases it generates persistent tensions, disrupts internal co-operation, weakens

teamwork, and ultimately seriously affects the life of the co-operative, to the point of contributing to its disappearance.

To these factors may be added other contributions emphasising the significance of structural and contextual conditions in trajectories of co-operative failure. Among them are social differentiation among producers, insufficient trust between members, the capture of the organisation by private interests, the pressure of adverse markets, and the inadequate design of promotional public policies. From this perspective, co-operative failure is not expressed solely in the bankruptcy or dissolution of the entity, but also in processes of institutional hollowing-out in which the co-operative retains its legal form while progressively losing its democratic, associative, and solidarity-based content (Hu, Zhang and Donaldson, 2017).

Likewise, from a critical perspective on approaches that attribute co-operative failure primarily to governance problems, Davis (2023) argues that the crisis of many co-operatives reflects not only a failure of institutional design, but also the displacement of co-operative management by bureaucratic or managerial forms detached from the transformative purpose of co-operativism.

Taken together, these contributions reinforce one central idea in recent literature: co-operative failure does not respond to a single cause, but to the interaction between internal organisational weaknesses and external contextual constraints.

At this point, it is relevant to introduce an important qualification drawn from comparative empirical evidence. Various studies have shown that, despite the difficulties mentioned, co-operatives display, on average, higher survival rates than conventional firms during their first years of life. In the case of the United Kingdom, for example, approximately 80 per cent of co-operatives continue operating after five years, compared with around 44 per cent of conventional firms, a pattern that is reproduced—with variations—in other countries (Parkin-Kelly, 2019).

This evidence does not invalidate the factors of failure analysed above, but it introduces an additional issue: the need to understand why, even when facing similar internal weaknesses and

external constraints, co-operatives are, in many cases, able to sustain themselves over time to a greater extent than other business forms. In this sense, the problem of co-operative failure cannot be approached in isolation, but only in relation to the conditions that also help explain its relative stability.

### 3.3. Factors associated with the sustainability of co-operatives

*Scientific and technological transformations*

Scientific and technological change, steadily accelerated since modernity, is now intensifying in various fields, including those related to artificial intelligence and its multiple applications. The specialised literature agrees that, in a context of uncertainty (Bilinkis, 2026), this trend will continue to displace repetitive tasks, both in low-skilled activities and in certain segments of skilled work, while generating new occupations linked to the knowledge economy.

Co-operatives in different sectors will need to pay particular attention to these transformations in order to assess how to adapt to them and what measures to adopt in the field of human resource management. This may include, depending on the case, the reduction of certain functions, the training and redeployment of workers, the incorporation of specialists in artificial intelligence, and the definition of investments associated with these changes.

By way of illustration, one may mention the expansion of the electronic provision of goods and services, transformations in customer service through increasingly automated systems, the use of 3D printers to produce various goods—including food—and their applications in construction, among other examples.

In the face of these transformations, information and training, together with a gradual and clearly defined policy for the incorporation of new technologies—based on careful cost–benefit analysis—will be essential.

*Climate change*

Beyond the denialist positions still present in some sectors, climate change constitutes a reality widely documented by the international scientific community. Although the Paris Agreement of 2015 represented a milestone in the formulation of global commitments, the scale of the problem requires sustained progress in policies and concrete actions for mitigation and adaptation. In this context, it is essential to have periodically updated assessments of its evolution and impacts.

In line with the seventh co-operative principle—concern for the community—co-operatives are called upon to play an active role in promoting the sustainable development of their territories. This commitment should be translated into concrete, transparent, and assessable initiatives. From this perspective, awareness-raising, education, and the implementation of measures both at organisational and community levels acquire particular importance, in coordination with public policies promoting renewable energy, the circular economy, and cleaner production.

In the case of public utility co-operatives, and particularly electricity co-operatives, the challenge arises of participating in the installation and management of wind farms, as well as in providing assistance for the installation, maintenance, and self-generation of solar energy, including the possibility of commercialising surplus energy. This represents a transformation already under way and of increasing importance for the future development of the sector.

Awareness among members is also particularly relevant in consumer co-operatives, insofar as it may encourage habits oriented towards goods produced with a low carbon footprint and lower environmental impact (Basañes, 2021). Similarly, agricultural co-operatives directly face the effects of global warming on crops, livestock production, and marketing conditions in markets that are increasingly demanding in environmental terms.

Added to this is the issue of water, which requires consideration of new sources of supply and strategies for more

efficient and sustainable use. Possible alternatives include the exploitation of deeper aquifers, canalisation and irrigation from large basins, and, in the medium or long term, seawater desalination, if technological advances make it economically viable. In more adverse scenarios, investments may also be required to protect coastlines, safeguard productive establishments and transport infrastructure, and preserve facilities related to the provision of water, energy, and grain storage.

Consequently, consideration of these challenges requires time, planning, and scenario simulation. It also implies incorporating more severe hypotheses as a precaution, not in order to assume them as inevitable, but to improve preparedness for large-scale risks, strengthen the adaptive capacity of co-operatives, and reduce the likelihood of irreversible consequences.

*Pandemics and other large-scale crises*

The COVID-19 pandemic left a profound mark not only in the field of health but also in the organisation of economic and social life. Beyond its immediate effects, this experience compels us to consider the possibility of future pandemics and other large-scale health crises. Added to this are armed conflicts, such as the Gulf War and the war between Russia and Ukraine, the dispute for global hegemony between the United States and China, and a series of recent transformations in forms of social interaction and work organisation, including the expansion of teleworking, the reconfiguration of urban spaces, movements towards peri-urban and rural areas, and the growing centrality of logistics operations associated with home delivery of goods and services.

This type of disruptive event significantly affects communities, alters the modalities of production, distribution, and consumption, and poses particularly important challenges for various types of co-operatives, especially those linked to production, consumption, and the provision of local services.

In this context, co-operatives may play a relevant role in building more effective responses to health, social, and environmental crises. Their territorial embeddedness (Slitine &

Vuotto, 2024), their capacity for collective organisation, and their orientation towards serving the needs of their members and the community place them in a favourable position to mitigate impacts, strengthen support networks, and contribute to more equitable and sustainable forms of development.

### 3.4. Crises and response strategies in Argentine co-operativism

Over recent decades, the Argentine economy has displayed serious difficulties in sustaining a stable and equitable development trajectory. The country has repeatedly undergone crises that have affected both the population—especially the most vulnerable sectors—and economic organisations, including co-operatives.

In this context, macroeconomic instability, abrupt changes in the rules of the game, financial constraints, and fluctuations in the level of economic activity have created a particularly demanding environment for the continuity and development of associative ventures.

These conditions do not affect all sectors uniformly, but they do generate a scenario of uncertainty that tests organisations' capacity for adaptation, planning, and management. In the case of co-operatives, this situation is particularly significant, since in addition to the challenges common to any enterprise, there are also the demands arising from their associative and democratic character.

The various economic crises have directly affected Argentine co-operativism, which has had to develop different responses to adverse contexts. If one considers, for example, the period between the late 1980s and the crisis of 2001, one may mention the cases of El Hogar Obrero, the Asociación de Cooperativas Argentinas, and the Cooperativa Obrera of Bahía Blanca.4 The consideration of these experiences may provide valuable insights into crisis management in co-operative organisations.

The case of El Hogar Obrero (EHO) is particularly illustrative for analysing how a combination of internal weaknesses and adverse external factors may trigger a crisis of considerable magnitude. The reconstruction of this process, based on various

documentary and testimonial sources, makes it possible to observe that the crisis of 1989 was the result of a convergence between internal management problems, tensions within the leadership, and an extraordinarily adverse macroeconomic context.

Among the internal factors were significant managerial shortcomings: a highly centralised leadership, limited receptiveness to dissenting opinions, and an inadequate financial strategy based on the mobilisation of short-term deposits without sufficient provision for critical scenarios. These were compounded by weaknesses in the circulation of information to the Board of Directors and the existence of internal disagreements regarding the decisions taken and possible alternatives for addressing financial deterioration, which were never formally considered. These conditions left the organisation particularly exposed.

The Bonex Plan, implemented at the end of 1989, acted as the immediate trigger of the crisis. The confiscation of deposits led to massive withdrawals and severe decapitalisation, seriously affecting the co-operative's capacity for recovery. The situation worsened when EHO decided to repay deposits before having access to the funds affected by the state measure. The combination of this decision with high interest rates, labour costs, and maintenance expenses ultimately led to the suspension of payments and the initiation of insolvency proceedings.[5] This was compounded by the lack of external support at a decisive moment, evidenced by the inability to obtain the bridge loan of 20 million dollars that its directors sought from national banking and financial institutions, using significant corporate assets as collateral.

At the same time, the case raises a complex issue: although the decision to honour commitments and return the deposits may be interpreted as a gesture consistent with members' trust, it also raises the question of whether a renegotiation of deadlines and conditions might have offered a more favourable alternative for institutional preservation. [6]

The crisis thus affected an entity of considerable commercial, industrial, and financial significance, whose magnitude in some way anticipated problems that would reappear during the banking crisis of 2001.

A different trajectory was followed by the Asociación de Cooperativas Argentinas (ACA), composed of primary co-operatives, which also faced difficulties in the late 1980s and early 1990s. In this case, the crisis originated in the losses incurred by several of its productive units. However, unlike EHO, ACA opted for a restructuring strategy based on the sale of assets rather than on increasing its liabilities. This decision, based on a more prudent assessment of the situation, enabled it to overcome the crisis and lay the foundations for a new stage of growth (Bertone, 2020).

It should also be recalled that ACA had already gone through a critical situation in the 1930s, when the revocation of a state guarantee for the construction of grain elevators seriously compromised its financial position (Carello, 2021, pp. 257–261). This early experience demonstrated the importance of prudent financial management and the capacity to adapt in adverse circumstances.

Along a different line, the experience of the Cooperativa Obrera of Bahía Blanca illustrates how an adverse public policy could be addressed without undermining the bond of trust with members. After the end of the convertibility regime, and particularly as a result of asymmetric pesification, the entity faced a critical situation regarding its personal loan accounts. The co-operative considered the possibility of converting members' debts into pesos, but recognised that this alternative could seriously undermine the bond of trust placed in the institution.[7]

Faced with this dilemma, the co-operative chose to absorb the burden within its own financial structure and to offer more favourable treatment than that provided by the banking system. This decision was presented as a way of safeguarding the interests of members and preserving a form of conduct considered essential for the continuity of the personal loan system. Along the same lines, the co-operative designed various alternatives for

dollar-denominated savers, including options for conversion into inflation-adjusted pesos or for maintaining deposits in the original currency, with scheduled repayment schemes and exceptions for emergency situations. The second of these alternatives achieved a high level of acceptance and helped sustain the future stability of the system.

Raccanello (2011) also emphasises that the repayment of loans in dollars reflected a policy different from that adopted by the banking sector. Respecting the currency denomination of dollar accounts, in the midst of a major economic crisis, involved an extraordinary effort for the Cooperativa Obrera, which convened its savers in order to explain both the available alternatives and the institutional cost of that decision.

Taken together, these three cases show divergent responses to crisis scenarios. While EHO became trapped in a combination of internal fragility and external shock that led to collapse, ACA and the Cooperativa Obrera were able to overcome critical situations through more prudent decisions, adaptive capacity, and the preservation of members' trust. In this sense, the three experiences offer relevant lessons regarding the importance of financial strategy, the quality of leadership, the circulation of information, and the centrality of institutional trust for the continuity of co-operatives.

It is difficult to anticipate possible ways out of crises as severe as those faced by El Hogar Obrero and the Cooperativa Obrera of Bahía Blanca, as well as to determine which alternatives may prove most effective under circumstances of such magnitude. Nevertheless, the examination of these experiences makes it possible to draw some lessons and highlights the importance of intervening at the first signs of deterioration rather than considering the outcome inevitable. In this framework, co-operative commitments, membership loyalty, and the building of strategic alliances acquire particular importance.

When facing a shock or an abrupt change in circumstances not generated by the institution itself—as occurred in the cases of EHO and the Cooperativa Obrera—one alternative to consider is to make the situation explicit to members and attempt to

renegotiate debt or deposit repayment terms. In the case of El Hogar Obrero, the "word of honour" had a specific date, and the decision of the Board of Directors to honour it may be interpreted as consistent with the trust placed by members; however, it is also legitimate to ask whether a renegotiation of deadlines and conditions might have offered better possibilities for preserving institutional continuity.

Similarly, in contexts of extreme uncertainty, it may be more prudent to avoid expansionary strategies and instead opt for the disposal of assets rather than increasing debt when such debt threatens to lead to insolvency. Although this is a costly and difficult alternative, it may help prevent the experience from failing or becoming severely weakened.

Finally, given Argentina's cyclical instability and, among other factors, the depreciation of its currency, it is worth considering the relevance of exploring counter-cyclical asset protection mechanisms, possibly with external anchoring, in order to protect resources in the face of local crises and to resort to them when the situation makes it necessary. This is a hypothesis that could be evaluated not only for Argentina but also for other countries exposed to similar instability problems.

### 3.5. More complex and versatile organisations

The preceding analysis shows that co-operatives operate in an increasingly complex and demanding environment, in the face of which various lines of action may be considered.

Among these are the construction of strategic alliances with research centres, universities, and specialised foundations aimed at promoting diversification and innovation in products and services; the strengthening of collaboration networks and integration at territorial, sectoral, and associative levels; the formulation of comprehensive strategic plans that consider alternative scenarios and crisis-response protocols; and the possible adoption of quality management and risk prevention systems, ranging from process control in certain industries to cybersecurity, where this contributes to improving the performance and anticipatory capacity of co-operatives.

At the same time, co-operative doctrine and the historical experience accumulated by the movement itself offer relevant tools for addressing issues related to co-operative identity (ICA, 2015). In this context, training and support aimed at strengthening co-operatives throughout their trajectory are fundamental. Although it is not common to apply formal tests of co-operative potential, such as those mentioned by Heinrik Infield (2021, pp. 78–79), all resources that may be used in theoretical and practical training—including exercises and participatory dynamics—are valuable for keeping the co-operative spirit alive in these organisations.

From this perspective, it is essential, above all, to identify precisely the need that gives rise to co-operation, that is, what justifies the union and the reciprocal willingness to give and receive mutual aid in concrete projects. It is also advisable not to confuse ideals with idealisation. In this sense, totalising expressions such as those referring to "integral co-operatives", in which "everything is held in common", have responded to very specific historical circumstances, as occurred with the kibbutzim in Israel, linked to the foundation of the State, the occupied territories, and the Zionist ideal, among other factors. Although little remains today of that integral co-operativism, this does not prevent it from reappearing as a possible and even desirable option in extreme situations—for example, in the face of major natural disasters.

Similarly, it is necessary to avoid both the reduction of the co-operative experience to a formal ritual centred on passive adherence and low participation, and its drift towards unproductive "assemblyism", dominated by permanent deliberation, ideological debate, and internal factional conflict. At both extremes, the co-operative tends to deteriorate in its functioning as an enterprise and to weaken its capacity for action. Added to this is the importance of not underestimating professionalism in planning and management, nor the role of capital in a broad sense, which includes not only accessible financing but also knowledge, experience, and the capacities accumulated by its members.

It is also necessary to recognise the risk that economic success itself may entail when prosperity encourages forms of individualism, economism, or even mercantilism that ultimately erode, in practice, the solidarity-based values of co-operativism. It is worth remembering that successes, like failures, are often temporary.

In this context, it is appropriate to consider the possibility of allocating part of the surpluses to the generation of sustainable local employment, particularly in contexts of employment contraction, as well as to the promotion of initiatives that contribute to mitigating—and, where possible, reversing—the effects of climate change and the accelerated advance of artificial intelligence. To this end, mechanisms of assembly participation and, where appropriate, technological tools may be envisaged to allow members' preferences regarding the allocation of these surpluses to be channelled in a differentiated manner.

Finally, it is important that the co-operative movement strengthen its capacity to influence public policies which, particularly in Argentina, could encourage co-operation among different sectors of the population in the search for more sustainable and equitable development. At this level, it appears a priority to promote democratic associativity, ensure adequate financing—including financing from public banking—and review those excessive regulations that not only affect the competitiveness of co-operatives but also the inclusion and permanence within the legal framework of experiences emerging in more fragile sectors, such as worker-recuperated enterprises, the care economy, the circular economy, and the popular economy.

## 4. Final considerations

Although the greater relative stability of co-operative production as compared with capitalist production has been noted (Olivera, 2006), it must be recognised that co-operatives today also operate in an environment characterised by volatility, uncertainty, complexity, and ambiguity. Added to this are profound transformations in the international context, linked to geopolitical

disputes, armed conflicts, climate change, and rapid scientific and technological change.

The foregoing analysis suggests that the performance of co-operatives cannot be understood in simple or one-dimensional terms. While the specialised literature identifies a set of factors influencing processes of co-operative failure, the available empirical evidence shows that, in numerous contexts, these organisations record higher survival rates, at least in the short term, than those of conventional firms. This apparent paradox indicates that the issue lies not only in explaining why co-operatives fail, but also in understanding the conditions under which they are able to sustain themselves and develop over time.

The reflections presented here seek to contribute to that broader understanding by highlighting the interaction between internal factors—linked to governance, management, and co-operative identity—and external constraints related to the economic, institutional, and social environment. Rather than offering definitive answers, the aim is to contribute to a line of reflection capable of strengthening the adaptive capacity, effective co-operation, and public influence of the co-operative movement. Ultimately, co-operativism is defined not by the absence of failure, but by its capacity to learn from it and to project itself in changing contexts.

In this context, the words of Charles Gide remain fully relevant: "Even the co-operative societies that perished did not die in vain. They served the co-operative cause effectively through the lessons they left us […]. Therefore […] do not forget to salute the co-operatives that disappeared: they are entitled to our recognition and even to our homage" (Gide, 1974, pp. 106–107).

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## Notes

[1] Address by Charles Gide delivered at the Congress of Cooperative Societies, held in Grenoble on 15 October 1893, under the chairmanship of Deputy Paul Doumer (Gide, 1929, pp. 103–104).

[2] In its 1995 Statement on the Cooperative Identity, the ICA incorporated the notion of an "enterprise owned by its members", aimed at meeting the needs of its members without pursuing profit. This feature expresses the co-operative's distinctive nature, while in no way detracting from its status as a genuine enterprise (Masón, 2018, p. 7).

[3] For a discussion of patronage refund as the core of the co-operative economy, as well as of the economic, legal, social, and cultural differences that distinguish co-operatives, see Masón (2018). As regards their educational and solidarity-based dimension, Fauquet (1920, p. 33) argues that the purpose of every co-operative is not exhausted by improving the economic situation of its members; rather, through the means it employs and the qualities it requires and develops in them, it seeks to form responsible persons committed to solidarity, capable of attaining a fuller personal and social life.

[4] With the exception of the early references by Bórea (1917, pp. 135–136 and 190–191), the literature on co-operative failure in Argentina remains relatively limited. This article addresses neither the crisis of the Argentine Federation of Agricultural Cooperatives, which unfolded towards the end of the 1990s, nor that of SanCor Cooperativas Unidas Litda, which has continued up to the present.

[5] The co-operative employed a workforce of 14,000 workers and faced monthly expenditure of nearly USD 5 million in wages and employer social security contributions.

[6] For a discussion of the internal disagreements and the failure to give formal consideration to alternatives for reducing financial liabilities, see Dellepiane (2013, pp. 53–60). Carello (2021, pp. 322–323) further highlights the insufficient flow of information to the Board of Directors.

[7] The Annual Report for Financial Year No. 91, dated July 2002, acknowledges that this decision was indispensable in order to provide an adequate response to members who, over the years, had entrusted their money to the co-operative, duly safeguarding their interests and reaffirming the serious and transparent conduct that had earned it prestige, as the basis for the operation of its system of personal loan accounts for members. The stance adopted was regarded by the CO as "more than sufficient to ensure the future operation of the system, which for many years has constituted a pillar of the entity's financing and is today more necessary than ever in the face of the crisis in the financial system".

This text explores the causes of co-operative failure without reducing them to a single factor. By examining organisational weaknesses, contextual pressures, and the tensions between economic viability and co-operative principles, it offers a broader reflection on the conditions that sustain co-operatives over time.

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