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# "The Fuzzy Feeling Isn't There": Version One of the Cooperative Performance Indicator Tool Misses the Mark for Micro Coops

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**Abstract:** This study test-ran the newly developed Cooperative Performance Indicator (CPI) tool on three community bicycle shop cooperatives (Bike Coops) in order to examine its applicability to micro, non-profit coops. Three Bike Coop directors were individually interviewed in a semi-structured fashion while they were completing the CPI tool. The respondents are located in three different regions of Canada: the Prairies, Québec and Atlantic Canada.

The analysis suggests that the CPI tool is inadequate at measuring the performance of coops of all sizes. The tool misses the mark when it comes to Bike Coops which are micro, non-profit coops. First, the CPI pilot project participants (PPPs) facilitated by the Centre of Excellence in Accounting and Reporting for Cooperatives (CEARC) will need to rethink the questions in the CPI tool to make them more applicable to micro, non-profit coops like Bike Coops. Second, community Bike Coops need to start tracking more data based on cooperative principles. The CPI tool has not yet been made public; therefore, this research is the first to gather qualitative data from coop actors who are not part of the PPPs involved in the development of the CPI tool.

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## Introduction

"In this future, the [seven] principles will be used increasingly as a framework for evaluation, for determining the cooperative 'bottom line' and measuring coops' promise against their performance" (Birchall, 2005, pp. 61–62).

Even though Birchall (2005) wrote the prediction above more than a decade ago, it has taken that long for a group of experts to tackle its operationalization. In 2014, the Centre of Excellence in Accounting and Reporting for Cooperatives (CEARC) at Saint Mary's University embarked on a journey to develop a specific tool to measure the performance of cooperatives using participatory action research ("those with a stake in the outcomes of the research take on an active co-researcher role" and are actively engaged in a democratic, cooperative and empowering research process (Mackenzie, Tan, Hoverman, & Baldwin, 2012, pp. 12–13)). In May 2017, 12 pilot project participants (PPPs) representing coops across North America were brought together by CEARC and decided the measurement tool should be based on the seven cooperative principles set out by the International Cooperative Alliance (ICA, 1995). The PPPs went on to create the Cooperative Performance Indicator (CPI) tool, a tool designed *by* and *for* cooperatives.

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As Birchall (2005, pp. 61-62) states, the seven coop principles are a promise, and cooperators throughout the world, including the PPPs have had no way to know if their coop was fulfilling its *promise* (until now, with the CPI). In 1995, the International Cooperative Alliance revised the principles, which serve as voluntary guidelines for cooperatives:

1. Voluntary and Open Membership;
2. Democratic Member Control;
3. Member Economic Participation;
4. Autonomy and Independence;
5. Education, Training, and Information;
6. Cooperation among Cooperatives;
7. Concern for Community (ICA, 1995).

There are over 200 Bike Coops in the U.S.A. and Canada (*Community Bicycle Organizations*, n.d.). Most self-identify as "Bike Coops" and some are registered as cooperatives. The others are non-profit organizations, charitable organizations or have no official status. A Bike Coop is a space where people come together and use specialized bicycle tools to learn how to repair and maintain their bicycles. The Bike Coop mostly relies on volunteers to keep the enterprise running. Members and clients do more than learn bike repair skills; they take a "hands-on, do-it-yourself approach to bicycle repair" with the help of a (usually *volunteer*) bike mechanic (Arnold, 2013, p. 137). The Bike Coop also sells used bikes and parts sourced from the dump or from donations by community members and new bike parts. In this research, Bike Coops are considered "micro" coops. Fares, Raza, and Thomas define "small cooperatives" as having 10 or less full-time employees and a median turnover of 1.2 million Euros (2018, p. 369).

The three Bike Coops in this study are defined as "micro, non-profit coop" rather than "small, non-profit coop" because they all have operating budgets under $125,000 and, at most, one full-time employee. They have between 150 and 3,000 members. They count on a team of volunteers to help fulfill their mission. Some count on grants from the government and/or a special deal from their property owner to remain sustainable. A good portion of their inventory comes from in-kind donations. Although the three Bike Coops have a variety of membership categories, they are mainly considered "user" or "consumer" cooperatives.

The first version of the CPI tool was established in May 2018. It went through revisions until January 2019. The revised tool then became the catalyst for this research, which sought to answer the following research question: *Does the tool effectively measure the cooperative performance of micro, non-profit coops such as Bike Coops?* This is the general research question that inspired the three specific research questions below.

Rixon and Duguid (2018) performed quite a detailed exploration of existing cooperative performance measurement tools. They used the following criteria to assess "the potential benchmarking effectiveness of [*existent* cooperative] resources and tools" in their research, (Rixon & Duguid, 2018, pp. 9–10):

A. "Whether it provided benchmarks on social, environmental, and/or cooperative performance";
B. Whether the data was useful across multiple cooperative sectors or was it merely specific to one industry;
C. "Whether it comprised of a minimal number of key performance indicators (KPIs) – less than 15 in order to be accessible for small to medium-sized cooperatives";
D. "Whether it was developed by cooperatives in a participatory manner" (Rixon & Duguid, 2018, pp. 9–10)

This paper evaluates the CPI tool against similar criteria (except for the fourth criterion). Three bike coops participated in order to find out:

1. Does the CPI tool draw enough information from Bike Coops to provide benchmarks on social, environmental and cooperative performance?
2. Can the KPI questions in the tool be applied to Bike Coops as micro, non-profit coops? Do they allow for the "story" of the Bike Coop to be told?
3. Is the number of questions (32, plus profile questions) minimal enough to be accessible and are they easy enough to answer?

The goal of this paper was not to develop the "correct" KPIs for Bike Coops or KPIs that would apply to "all" types of coops. It sought to understand limitations of the current tool by drawing on experiential data.

## Literature Review

"What is measured is also pursued." (Novkovic, 2006, p. 9)

If cooperatives are to show their difference in pursuing the coop principles, they should be able to measure the impact of operationalizing them (Birchall, 2005, p. 49; Côté, 2000, p. 255). In general the literature shows that "(cooperative) differences are not operationalized and articulated through direct monitoring, measuring and reporting through KPIs" (Rixon, 2013, p. 87). What then, is the point of having principles if no one can prove that their coop is adhering to them? (Rixon, 2013, p. 87). Even quite recently, Webb was still asking this core question in the field of cooperative accounting: "How effectively and efficiently does the organization use its resources to achieve its purpose and goals while respecting cooperative values?" (20017, p.105). It was a rhetorical question, because the conclusion that keeps surfacing in the literature is that there are "very few coop specific tools" and "very few with measurable indicators" (Duguid, 2015).

Although there is very little literature on the measurement of cooperative specific performance, Rixon (2013) and Beaubien and Rixon (2012, 2014) bring cooperative principle KPIs (or lack thereof) to the forefront of the academic literature in a series of articles on insurance coops in North America and Europe. Their conclusion indicates that coops in this sector generally do not measure their performance against the coop principles (Beaubien & Rixon, 2014, p. 124). Their series on insurance coops inspired a study by Duguid and Balkan (2016) whereby they conducted a rigorous analysis of the use of sustainability language by 118 cooperatives and cooperative organizations (p. 12). The authors tie sustainability into the coop values and principles and write that "one would expect coops to use sustainability reporting and other non-financial indicators to demonstrate their value" (Duguid & Balkan, 2016, p. 6). Duguid and Balkan (2016) find that co-operatives that report on sustainability do so on the social dimension of sustainability by mainly measuring two things: community donations and activities (p. 20). The 118 organizations studied included the top 50 non-financial coops and the top 20 credit unions in Canada. The authors do not specify what they mean by "top," but by looking at data on credit unions, for example, the twentieth credit union on the "top 100" list has 30,997 members and over $2 billion in assets (Canadian Credit Union Association, 2016). These coops are considerably larger than Bike Coops. Generally, larger coops are researched and cited in journal articles much more often than smaller coops.

Most literature on the topic of cooperative KPIs describes accounting and reporting as a "robust body of research and analysis" that is necessary to prove the "existence of a co-operative difference" (Carini, El-Youssef, & Sparreboom, 2015, p. 22). Corrigan and Rixon (2016) take a different approach by theorizing that "the preparation and presentation of KPIs [are] a theatrical performance rather than [a] managerialist computation of effectiveness" (pp. 60–61). In their study of rural electric cooperatives, the authors employ a dramaturgical lens to reveal that "the performance indicators serve impression management goals and operational demands rather than reporting on fulfillment of the 'Seven Cooperative Principles'" (Corrigan & Rixon, 2016, p. 60).

Bike Coops and other micro, non-profit coops are a special case within the grand scheme of coops. In general, micro, non-profit coops such as Bike Coops will take the road most-travelled and report on financial data. This can "misrepresent the true performance of an organization" (Quarter, Mook, & Richmond, 2003, p. 111). Bike Coops use "volunteer labour as part of their resource base" and therefore, are especially prone to being misrepresented by strictly financial data (Quarter et al., 2003, p. 111). Quarter et al. suggest an "Expanded Value Added Statement" where "free" goods and services are quantified in order to tell the "whole performance story of the organization" (2003, p. 128).

When examining the cooperative literature holistically, it is clear that KPIs are used as a measure to improve performance, as a method to benchmark performance and as a way to convey information to stakeholders (Hicks, Maddocks, Robb, & Webb, 2007, p. 2; Rixon & Duguid, 2018, pp. 6–7; Webb, 2017, p. 104). Conversely, KPIs also use numbers to simplify a complex reality and in a sense, create a reality of their own (Michaud, 2014, p. 79).

The cooperative "difference" is put forth in much of the academic literature and it has become clear that cooperatives need and want to show this difference with "evidence" such as KPIs (Beaubien & Rixon, 2014; Duguid & Balkan, 2016; Hicks et al., 2007). It has also become clear that cooperatives need and want to tell their cooperative story following a template that is specific to cooperatives instead of giving into isomorphism and following the investor-owned firm script template (Côté, 2018; Quarter et al., 2003). Indeed, there must be some form of "reality claim of financial performance reporting in cooperative organizations" for the cooperative story to be credible in the eyes of the targeted audience even though this may well be a "hazardous endeavour" (Corrigan & Rixon, 2016, p. 60).

Rixon and Duguid were the first to set out a plan to develop multi-sectoral KPIs for cooperatives (2018, pp. 13–14). Through their research, they revealed the non-existence of a set of cooperative KPIs that could be easily accessible to small and medium sized coops (Rixon & Duguid, 2018, p. 14).

As a direct contribution to the movement towards measurement of cooperative performance, this research paper attempts to support the development of the CPI by drilling down and obtaining feedback from three coop actors not directly involved in the five-phase research plan. It also sheds light on the situation of micro cooperatives, a size and type of cooperative often ignored in the accounting and reporting literature.

The CPI tool and the way that it aims to measure and tell the coop story has been a long time coming:

**"The task of the international cooperative movement is to show how relevant cooperatives are to the tough problems that face the world."** (A.F. Laidlaw, 1980, as cited in Fairbairn & Russell, 2000, p. 267)

## Methodology

The methodology for this research is comprised of three semi-structured interviews with directors[1] in the Canadian Bike Coop sector to review the January 2019 version of the CPI tool. As many of the PPPs who developed the CPI tool come from professional backgrounds and work in medium or big coops, the question arose as to whether the CPI tool was applicable to micro coops.

Bike Coops were selected because they are micro, non-profit coops and because of the ease of access to directors in these coops by the author of this research who is an actor in the Bike Coop industry. Directors in micro, non-profit coops are often overloaded with tasks and will not easily agree to take an hour or more from their schedule to perform an interview that has no immediate impact on their day-to-day activities. It is believed that the respondents may not have agreed to be interviewed had the researcher not been previously known to them.

It was thought that by selecting three coops in the same sector, the qualitative data provided by the respondents would have more weight if found to be consistent in all three coops. Having three coops in the same sector also helped to develop a comprehensive analysis of the issues (Beaubien & Rixon, 2014).

One director was selected from a Bike Coop in each of three regions: the Prairies, Québec and Atlantic Canada. The CPI tool (Appendix A) was translated into French by the researcher. All interviews were conducted in French, which is the first language of all three respondents and the researcher. Face-to-face interviews were conducted with the respondents in the Prairies and Québec because they "offer more flexibility... [and] are more appropriate for long interviews with complex questions" (Singleton Jr. & Straits, 2002, p. 60). While still offering flexibility, a telephone

[1] The singular "they" is used throughout this paper to help maintain gender anonymity of the respondents (*Gendered Pronouns & Singular "They"*, n.d.)

interview was conducted with the respondent in Atlantic Canada because it was “cheaper [and] easier to administer” (Singleton Jr. & Straits, 2002, p. 60). The quotes used in this paper were translated to English by the researcher.

The respondents used their most recent financial year (2018) to input financial and non-financial data into the CPI tool. As respondents were entering the data, the researcher posed a series of questions (Appendix B). The researcher monitored the data in real-time in person (for the face-to-face interviews) or on a Google Sheet online (for the telephone interview). It was of primary importance for the researcher to interview the respondent while they were completing the CPI tool in order to ascertain with a fair amount of accuracy the root of the problem with any KPI that caused trouble for the respondent. Pauses, laughs, sighs and grunts of frustration were also noted as a signal of an area of trouble. Had the researcher interviewed the respondent about specific KPIs after they had completed the tool, the richness of the feedback would have been lost. After the respondent had completed the CPI tool, the researcher posed general questions about their overall impression of the tool.

The interview attempted to establish whether the indicators were useful to the coop and which indicators were helpful to track success and/or failure. Interviews were 60 to 90 minutes long and occurred during January and March 2019. They were audio recorded and transcribed for accuracy.

Because of the qualitative nature of this study, it is difficult to generalize to other coop sectors even though those coops may also be micro, non-profit coops. Also, the opinion of the respondents colours the analysis as to whether the CPI tool effectively measures the performance of their coop. However, one of the main goals of the CPI tool is for coops across sectors to adopt its measures; therefore, the user’s perspective is of primary importance.

## Findings: Discussion and Analysis

In this section, the data drawn by the CPI tool from the respondents as well as the content from the semi-structured interviews are used to answer the three questions presented in the introduction to this paper. The questions are addressed individually and then brought together to help answer the guiding research question.

***Question 1. Does the CPI tool draw enough information from Bike Coops to provide benchmarks on social, environmental and cooperative performance?***

Eight out of 32 KPI questions were answered in a consistent enough manner among the three respondents to provide data for benchmarks. The other 24 KPI questions either: lacked materiality, were impossible to answer consistently, were not applicable, were impossible to achieve, were not worth the cost of collecting, or simply did not make sense for Bike Coops. The following sections provide examples of reasons for lack of response.

***Lacked materiality***: Bike Coops have small operating budgets and rely heavily on members of the community coming together to volunteer at the shop. Very little money is spent on education, training and information. However, the main mission of these Bike Coops is educating members on how to repair and maintain their bicycles. It could be argued that their entire operating budget is dedicated to education, but the respondents, understandably, took the series of eight questions about money spent on education, training and information literally. They looked at whether real money was spent. The answer was “very little” in each case. As Respondent 2 noted:

> *We do everything [in the Education, training and information section] on a volunteer basis. We don’t spend money on that, as far as I know. It doesn’t look good [in this tool], but that’s the way it is. (R2)*

***Impossible to answer consistently across Bike Coops***: The twelfth question in the CPI tool was: “What is the percentage of capital contributed/owned by members?” Because of the double-barrelled nature of this question - the amount contributed by members is different than the amount owned by members – the responses lacked clarity. In all three coops, the amount contributed by members was supplemented by government or non-members, but members owned 100 % of the capital in each one of the coops. Due to the unclear question, the answers were 28 % (R1), 75 % (R2) and 100 % (R3). Had the question been: “What is the percentage of capital owned by members?” the response would have been 100 % across the board. Furthermore, the meaning of the term "capital" should not be assumed to be understood by actors in the Bike Coop sector. People working and volunteering in Bike Coops have expertise in environmental and social issues along with mechanical skills but are not necessarily well-versed in the language of finance.

***Not applicable***: There were questions such as, "What is patronage as a percentage of surplus?" that were not applicable to micro, non-profit coops such as Bike Coops. The fact that the question was not applicable was clearly indicated in the CPI tool and the respondent quickly skipped over this question. However, it should be noted that one respondent filled in "0", one left it blank and one filled in "N/A".

***Impossible to achieve***: In the section on *Cooperation amongst cooperatives*, respondents were asked "What is the percentage of business done with cooperatives as clients?" Bike Coops sell to individuals, people who ride bikes. The question gives the impression that Bike Coops should be trying to sell to coops as clients even though a Bike Coop is simply not that kind of enterprise. Conversely, for cooperation amongst cooperatives on the purchasing side, board members may well want to "pass resolutions to only use services and buy supplies from other coops," but reality shows that distributors of bike parts are transnational corporations (Gordon Nembhard, 2015, p. 167). There is currently no alternative for Bike Coops. Had the CPI tool opened the door to "affinity partnerships", as in non-profits, charitable organizations and public educational institutions, the Bike Coops in this study would have been better able to show the impact of their entrepreneurial relationships (Rixon, 2013, p. 83).

***Not worth the cost of collecting***: Bike Coops do not have employee training camps or professional development days. Trying to collect "the average annual number of hours of education, training and information per employee" is not worth the time of the Bike Coop director. Because they were being interviewed, two of the respondents slowly attempted to guess a response. One of the respondents did not even try.

***Do not make sense for Bike Coops***: There were two question areas that especially posed a problem for the respondents. The first revolved around the issue of donating money or goods to the community. Bike Coops do not donate money or goods *per se,* so the respondents were forced to respond "0" but felt cheated by the question since their Bike Coop provides so much to the community. For example, Respondent 2 said: "It's difficult to calculate our impact and what we actually contributed (to the community), but I think it should be counted. But I don't know *how* to count it" (R2). Bike Coops are about empowering people to repair and maintain their bicycle and upcycling used bikes and parts that have been donated to the coop or come from the dump. There is no surplus to donate because they are non-profit coops; all money and goods are reinvested into the community mission of the coop.

The second problem revolved around the issue of greenhouse gas (GHG) emission reduction. The first question in the tool about GHGs was: "Does your coop have targets for greenhouse gas emission reduction?" One of the respondents said: "As far as I know, we don't have clear objectives, but that's the whole point of our coop (reducing GHGs), pretty much" (R2). By fulfilling their mission of educating members to repair and maintain their bicycle, the Bike Coop keeps more bikes on the road and, in theory, more greenhouse gases (GHGs) out of the air. However, they are not able to represent their contributions using the CPI tool.

Moreover, the amount of GHGs produced by a Bike Coop is quite small and difficult to reduce. They produce an insignificant amount of GHGs by consuming paper products and lube/grease products. Their major contribution to GHGs would be heating their building. Even then, the energy consumption is not metered, and the cost is covered by the property owner in two out of the three Bike Coops. As well, each Bike Coop occupies a space that is less than 1,000 sq. ft. and as such it would be difficult to make changes in order to lower GHGs in any significant way. As R2 concluded melodramatically: "We can't say that we'll cut our emissions in half and just stop heating the place" (R2).
***Comparing results to benchmarks in an industry:*** One profile question in the CPI tool was quite challenging for the respondents. When attempting to choose their industry from the pre-established list (Appendix C), each respondent launched into an introspective discourse that lasted several minutes. The problem was that none of the Bike Coop directors could find their industry, suggesting that the tool was designed without considering them. Granted, Bike

Coops are a rather recent phenomenon. Nevertheless, if the CPI PPPs wish the CPI tool to be multi-sectoral, they will have to find ways to include modern and new coop types.

In answering this problematic question, one respondent wanted to choose four sectors and combine them (R1); another wanted to check an "other" box (R2); and the final respondent wanted to take bits of one sector and combine them with bits of another sector (R3). In the end, even though each Bike Coop has virtually the same organizational mission, each respondent ended up choosing a different sector: *wholesale and retail trade* (R1) because they sell new and used bike parts (like all Bike Coops); *utilities* (R2) because in French "utilities" is "*services publiques*" (public services) and R2 felt their coop served the public; and *health care and social assistance* (R3) because helping people keep their bicycle rolling is a form of social assistance when one considers that the bicycle equals one of life's pillars, transportation.

***Concluding comments on the first research question**,* as mentioned, there were eight out of 32 questions in the CPI tool that were benchmarkable for Bike Coops. The eight questions are presented below in order of appearance in the CPI tool:

- What is the number of new members added during the year?
- What is the percentage of leadership (management and board) that is comprised of women?
- What is the percentage of leadership (management and board) that is comprised of visible minorities?
- What is the percentage of members attending AGM?
- What is the # of democratic governance opportunities to engage outside of AGM? For example, surveys, referendum, resolutions, plebiscites, committees.
- What is the percentage of membership that participates in voting at AGM?
- What is the # of co-operatives your co-op works with; i.e. research, partnerships, joint projects, community projects, secondment, advice, new co-op development?
- What is the percentage of procurement from local businesses? (Use your best estimate)

For most of these questions, respondents simply calculated their numbers or percentages, filled them out and were curious to find out how other Bike Coops were performing. However, the last two of these questions caused ambivalent feelings. First, while the respondents realized that cooperating with other cooperatives was important, they felt limited in their capacity to do so. Bike Coops would greatly appreciate being involved in research or joint projects, but generally, this is quite difficult due to limited resources. A benchmark can be established nonetheless.

Second, because the respondents were still in a financial mindset, they determined the percentage of procurement from local businesses in terms of money. This is an issue because Bike Coops source bike inventory from in-kind donations and the local dump, which are "free" and, currently, they do not assign a monetary value to this local procurement.

***Question 2. Can the KPI questions in the tool be applied to Bike Coops as micro, non-profit coops? Do they allow for the "story" of the Bike Coop to be told?***

***Respondent 1***

After completing the CPI tool, each respondent was asked about their overall reaction. Respondent 1's reaction was blunt: "So, (the CPI tool) makes us look bad" (R1).

Had R1's coop been a sub-performing one, it would be understandable for the CPI tool to reveal a "bad" result, but that was not the case. In fact, this coop significantly contributes to and is well respected in its community. It has a solid core of coop "activists" (Davis, 2004, pp. 102–103). It keeps many bicycles on the road, educates a great number of cyclists and generates a surplus year after year. The CPI tool fails to recognize these positive attributes.

There are two possible ways for this failure to capture positive results. Cooperative principles five, Education, training and information, and seven, Concern for community, are both areas where Bike Coops could be seen to excel but the CPI tool did not tell the story. Starting with principle five, R1 explains:

> *The information was harder to find for that section. Even though it's part of our mission, honestly, we pull it off without spending much money. I think [the CPI tool] should look at the number of hours or the number of activities, not just the cost. (R1)*

For a coop to perform well in the principle five section of the CPI tool, it would have to spend money on education, training and information. Often in the case of Bike Coops, community volunteers are the educators and there are thousands of "education" hours that have no dollar value attached to them. If Bike Coop actors were reporting in an "Expanded Value Added Statement", they could possibly fill out this section more accurately (Quarter et al., 2003, p. 108). However, there would still be a problem of equivalencies. For example, one of the coops in this study assigns *bonus bucks* to bike mechanic volunteer hours. Volunteers can trade these *bucks,* currently worth $3/hour, for a rebate on new bike parts. If this coop used the *bonus bucks* value, another Bike Coop used a minimum wage value of, say, $12/hour and yet another Bike Coop assigned a professional bike mechanic rate of $22/hour, it would present a significant challenge for benchmarking.

The other area in the CPI tool where Bike Coops were unable to represent themselves accurately was principle seven. As previously mentioned, Bike Coops do not donate a portion of their surplus, but rather reinvest it into the community mission of the coop; and, while they reduce GHGs in their communities by promoting cycling, the tool only asks about the GHGs generated by the coop itself. The other question in the principle seven section of the CPI tool relates to buying local, which is difficult for Bike Coops because there is no monetary transaction in sourcing used bikes and parts from donors and dumps and the vast majority of new bike parts are made in Taiwan. Therefore, once again, the respondents were unable to make their coop shine in terms of acquiring and upcycling local "inventory".

Respondent 1 voluntarily identified an area where their coop was not doing very well: autonomy and independence. They also pointed out that the CPI tool did nothing to reveal this shortcoming:

> *[The tool] does not show our relationship with [the property owner]. Even though they don't have economic control, they still have control in the sense that, if we want to stay in our [location], it's give and take, I think. So, there is a power relationship or a dependence relationship vis-à-vis [the property owner]. (R1)*

In fact, two of the three Bike Coops in this study obtain free rent and utilities from their property owner, a major cost-saving that also reduces significantly the independence between the coop and the property owner. The CPI tool should have a way of identifying major constraints on principle four, autonomy and independence, that are outside the standard financial measurements such as percentage of external investors.

Respondent 1 indicated that they would not take the time to fill out the CPI Tool in the future: "It wouldn't be a priority with my volunteer time" (R1).

***Respondent 2***

Respondent 2 was more critical of the CPI tool than Respondent 1:

> *I didn't like [the experience of filling out the CPI tool] .... But I guess everything is about money and that's how we measure the success of enterprises .... And the fuzzy feeling, it wasn't there either. (R2)*

R2 felt that the CPI tool was too steeped in financial questions in spite of the fact that only a little over half the questions in the CPI tool relate to monetary transactions (17 out of 32). The respondent's dislike began in the middle of the tool with the Education, training and information section, in which eight out of nine questions relate to money.

The question: “What is the percentage of operating income donated to community?” also really bothered R2, who had this reaction: “It’s just that often my response to all of these questions is: ‘we did it, but it didn’t cost us anything!’ so, does it still count!?” (R2).

R2 felt as if the coop’s actions “did not count” because no money was spent on the social, environmental and cooperative contributions being measured. While “there is recognition by accounting bodies of the need for various forms of organization to report both financial and non-financial information, including the social and environmental aspects of their activities,” the CPI tool does not operationalize this need to the liking of Respondent 2 (Hicks et al., 2007, p. 5). In colloquial language, R2 laments not being able to show the coop’s strengths through non-financial information. The “fuzzy feeling” of social, environmental and cooperative indicators is absent from the tool. Fairbairn (2004) notes that it is difficult to express the cooperative difference or what R2 describes as the *fuzzy feeling* “because it is so abstract in its idealism” (p. 19).

One might assume that the section in the CPI tool on *member economic participation* would not be contested for having questions exclusively on monetary transactions, and yet Respondent 2 complains that: “It asks about the surplus, but it doesn’t ask about how members contribute to the vitality of the coop”(R2). R2 thinks of economic participation in the original sense of the word “economic” as Greek philosophy saw it: “household management” (‘Economics (Aristotle)’, n.d.). How are the members of the Bike Coop contributing to the “household management” with their time, their expertise, their questions, their connections, their in-kind donations and their money?

In the end, R2 was willing to fill out the CPI tool in the future only “if they fix the stuff I didn’t like” (R2).

***Respondent 3***

In a show of pointed humour, Respondent 3 reported on the CPI tool by referring to a ten-point scale: “No, this is not really the tool I would rely upon to test the performance of a coop.... I would give it a four (out of ten) – a little less than halfway” (R3).

This was not a vote of confidence. R3 goes on to say: “For a Bike Coop, I find there are a lot of things that are not really applicable. I’m confused all the way through, you know” (R3).

Seeing all three respondents felt that the CPI tool was more or less applicable to their coop (with an emphasis on less), the tool did not enable them to write a script for their coop story.

***3. Is the number of questions (32, plus profile questions) minimal enough to be accessible and are the questions easy enough to answer?***

All three respondents were able to complete the CPI tool questionnaire within 90 minutes. This time included the semi-structured interview questions. It could therefore be argued that the tool is accessible and does not consist of a drawn-out process. However, it should be noted that the researcher clarified some points in the tool and helped move the interviews along. It is possible that the respondents would have gotten “stuck” and tired or demoralized without the presence of the researcher.

Respondents had more trouble with questions that were written in more technical language. These Bike Coops do not have an accounting and reporting department. They have one full-time employee or less and are run by a volunteer board. Questions like: “What is the percentage of capital owned/contributed by external investors?” and “What is the percentage of surplus retained for reinvestment or establishment of reserves?” were intimidating and invariably brought up a discussion with the researcher and about halfway through the CPI tool provoked a reaction such as: “Up until now, your (CPI tool) – it’s too intense” (R2).

It is possible that embedded pop-up explanations and relatable examples would have helped respondents feel more comfortable as the process moved along. Some questions had examples that were presented from the perspective of a larger cooperative and were not relatable. The question: “What is the percentage of surplus used for purposes other than indivisible reserves, reinvestment, patronage? For example, giving back to community and supporting employees", caused a problem for some respondents. Respondent 3 asked: "'Supporting employees.' What does that mean: 'supporting employees'?" (R3).

Even though the CPI tool seems somewhat accessible, there remains a problem. As established in the first part of the *Findings: Discussion and Analysis* section, only eight of 32 questions provide data that can be used in benchmarks for Bike Coops. This means 25% of the questions are useful for Bike Coops, which is most likely unacceptable for the PPPs of the CPI tool. One way to increase this percentage would be to add questions and KPIs that apply to Bike Coops, but that would make it longer and therefore less accessible. When asked what KPIs they would add to the tool, Respondent 3 answered:

> *And, I understand how this tool could be useful for some other coops, but in our case, there are a bunch of questions which are sort of, more or less important. So, 'no' [I would not add a KPI] because the questions we would add wouldn't be applicable to other kinds of coops. (R3)*

R3's question raises the question of applicability of one set of KPIs across multiple coop sectors. R3 seems to think that there does not exist a set of universal KPIs that could measure the performance of a Bike Coop *and* a big Credit Union, for example. Rixon and Duguid's 2018 goal: "to identify... 15 social, environmental, and cooperative indicators that become the benchmarks for any cooperative performance" (p. 13) may be an impossible quest.

*Further discussion*

"Because, I don't even know what you're doing with this data" (R3).

Respondent 3 made this statement near the end of the interview when they were realizing that the KPIs had limited applicability to their coop, but perhaps the data could serve a greater purpose. The CPI tool was developed to provide benchmark data so that *any* stakeholder could evaluate the coop's performance. With that information, the Bike Coop could set realistic targets based on industry performance. Comparing the coop's performance to its peers would provide an opportunity to learn best practices. For example, if a coop's performance were significantly below the benchmark, the coop management might want to investigate and find out how others were attaining a higher performance level (D. Rixon, personal communication, May 3, 2019). Had Bike Coops been actively involved in the development of the CPI tool, some of the issues raised in this research would have been addressed ahead of time and they would likely have found it more useful.

There are two challenges with the CPI tool using the "messiness of accounting and reporting" measures to test whether the coop promise is being fulfilled (Corrigan & Rixon, 2016, p. 65). First, "the seven principles avoid the vernacular of profit maximization, and (...) they promote non-financial reporting" (Corrigan & Rixon, 2016, p. 65). The concept of non-financial reporting automatically implies a more qualitative analysis of the performance of coops. Qualitative analysis is more difficult to break down and to aggregate than quantitative analysis. Moreover, the gathering of qualitative data requires a wider array of tools. It garners a richer and more nuanced set of answers.

Second, the non-financial reporting style that is summoned by the seven coop principles does not lend itself well to a "neat little packaged" report. It would be beneficial if the CPI tool were capped at 15 KPIs measuring the performance of coops of all sectors and sizes (Rixon & Duguid, 2018, p. 14). The evidence in this paper suggests that this is not possible.

## Conclusion

The objective of this research paper was to test-run the CPI tool with three micro, non-profit coops, Bike Coops. The key findings suggest that only 25% of the CPI tool is applicable to Bike Coops. Only eight questions in the tool could be used as benchmarks. Bike Coops are micro, non-profit coops and they most likely share traits with other micro, non-profit coops. Therefore, the CPI tool may have limited applicability to a number of smaller coops in general. It could be said that actors within coops are responsible to tell the coop's story. In this case, the directors were dissatisfied with the way that the CPI tool helped (or hindered) the telling of their story. The findings show that the

CPI is somewhat accessible, but again, its accessibility is based on a short series (32) of questions which are not all applicable to Bike Coops. Hence, the accessibility does not matter much since applicability is more meaningful than access for Bike Coops. While there are only 32 questions, most questions, according to the participants, are not worth answering.

One option for Bike Coops, setting aside limited resources for an instant, would be to develop their own measures and KPIs. The "potential biases" that would affect the selection of the measures would most likely help present the coops in a more positive light (Rothenberg, Schenck, & Maxwell, 2005, p. 13). However, small coops have "limited analytical and financial resources" to put towards performance indicators (Rixon & Duguid, 2018, p. 6), one of the gaps that the development of the CPI tool is trying to close (Rixon & Duguid, 2018, p. 6).

*Further research*

Different versions of the CPI tool should be tested with various types and sizes of coops by obtaining feedback from the person using the tool either while they are filling it out or shortly afterward. Research is needed on the ways all kinds of cooperatives are operationalizing the seven principles. For example, it would be interesting to know how a worker coop micro-brewery operationalizes the seven principles. With such information, an expert group could then start formulating the questions that reveal the KPIs that demonstrate the effects of operationalizing the seven coop principles. This approach still fills the criterion set out by Rixon and Duguid (2018) that the CPI tool should be developed in a "participatory manner", it is just a different way of gaining participation of the coop actors (p. 10). Ultimately, the current CPI PPPs cannot be expected to adequately represent coops of all types and sizes without further research.

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# Appendix A

*The Co-operative Performance Indicators Tool*

Fiscal Year:
Asset Size:
Revenue Size:
Number of Employees:
Number of Members:

| VOLUNTARY AND OPEN MEMBERSHIP | | |
|---|---|---|
| **Indicators** | **Definitions** | **Measures** |
| Membership Growth | What is the number of new members added during the year? | Number |
| Membership decline | What is the number of members lost during the year? | Number |
| Leadership representation of women | What is the percentage of leadership (management and board) that is comprised of women | % |
| Leadership representative of visible minorities | What is the percentage of leadership (management and board) that is comprised of visible minorities | % |
| **DEMOCRATIC CONTROL** | | |
| **Indicators** | **Definitions** | **Measures** |
| Membership attendance at annual general meeting | What is the percentage of members attending AGM? | % |
| Governance opportunities for members to engage outside the AGM | What are the # of democratic governance opportunities to engage outside of AGM? For example, surveys, referendum, resolutions, plebiscites, committees. | # |
| Membership participating in voting | What is the percentage of membership that participate in voting at AGM? | % |
| **MEMBER ECONOMIC PARTICIPATION** | | |
| **Indicators** | **Definitions** | **Measures** |
| Proportion of surplus used for indivisible reserves | What is the percentage of surplus used for indivisible reserves? (Indivisible: portion of surplus retained by co-operative and not distributed to members in the current year). | % |
| What is the proportion of surplus used for patronage | What is patronage as a percentage of surplus. (Note, this would be not applicable for not-for-profit cooperatives) | % |
| Proportion of surplus used for other purposes | What is the percentage of surplus used for purposes other than indivisible reserves, reinvestment, patronage? For example, giving back to community and supporting employees. | % |
| Surplus targeted for patronage | What is the percentage of surplus targeted/allocated/budgeted to patronage. (Note: this would be not applicable for not-for-profit co-operatives) | % |
| **AUTONOMY AND INDEPENDENCE** | | |
| **Indicators** | **Definitions** | **Measures** |
| Degree of Ownership - Internal | What is the percentage of capital contributed/owned by members? | % |
| Degree of ownership - External | What is the percentage of capital contributed/owned by external investors? | % |
| **EDUCATION, TRAINING AND INFORMATION** | | |
| **Indicators** | **Definitions** | **Measures** |
| Employee training | What is the average annual number of hours of education, training and information per employee? | Number |
| Member training | What is the percentage of revenue spent on education, training and information on members? | % |

| | | |
|---|---|---|
| Board of Directors Training | What is the percentage of revenue spent on education, training and information on directors/board members? | % |
| General public training/ information | What is the percentage of revenue spent on education, training and information on the general public? For example, a credit union providing money management seminars for the general public. | % |
| Board of directors training | What is the amount of revenue spent on education, training and information on directors/board members? | $ |
| Employee Training | What is the amount of revenue spent on education, training and information for employees? | $ |
| General public training/education | What is the amount of revenue spent on education, training and information on the general public? For example, a credit union providing money management seminars for the general public. | $ |
| Member training | What is the amount of revenue spent on education, training and information on members? | $ |
| Co-operative specific education | What is the amount of revenue spent on providing co-operative specific education and training for the general public? | $ |
| **CO-OPERATION AMONG CO-OPERATIVES** | | |
| **Indicators** | **Definitions** | **Measures** |
| Collaboration with other co-operatives | What is the # of co-operatives your co-op works with; i.e. research, partnerships, joint projects, community projects, secondment, advice, new co-op development. | # |
| Business done with other co-operatives | Does your co-op have a policy to procure from co-operatives? | Yes/No |
| Business done with other co-operatives | What is the percentage of business done with co-operatives as clients? (Use your best estimate)? | % |
| Business done with other co-operatives | What is the percentage of business done with co-operatives as suppliers? (Use your best estimate). | % |
| **CONCERN FOR COMMUNITY** | | |
| **Indicators** | **Definitions** | **Measures** |
| Responding to community needs | What is the percentage of pretax profit donated to community (includes cash and goods)? (For NFP coops, percentage of operating income). | % |
| Business done with local businesses | What is the percentage of procurement from local businesses? (Use your best estimate) | % |
| Sustainable development | Does your co-op have targets for greenhouse gas emission reduction? | Yes/Non |
| Dollar amount donated to the community | What is the annual amount donated to the community (includes cash and goods)? | $ |
| Greenhouse Gas Emission Reduction | What is the targeted percentage reduction in greenhouse gas emissions? | % |
| Greenhouse Gas Emissions | What is the targeted year to achieve the reduction in greenhouse gas emissions? | Year |

## Appendix B

This is the guide for the semi-structured interviews with actors of the coops. The interviews are 1-on-1; so three interviews in total. For every indicator in the CPI tool I will ask some or all of the following questions:

1. Is the data for this indicator readily available? How difficult is it to dig it up? Is it impossible?
2. Do you currently track this indicator? To what degree, steadfastly or not? Does this CPI tool make you want to track it more aggressively?

3. Is this a "new" indicator for your coop? Are you going to start tracking it? Why or why not?
4. Is this indicator "useful" for your coop? In your view, is it relevant to the "performance" of your coop?
5. Would you like to compare this indicator to other coops in your "industry"?
6. Will volunteers/employees in the future be able to fill in this indicator in a manner consistent with your data entry?

General questions to be posed at the end:

1. What is your overall reaction to the CPI tool?
2. Would you take the time to fill it in on an annual basis? Why or why not?
3. What if the CPI tool generated a report (1 or 2 pages) with your individual coop performance? Would you present it to the board or the members? Would you publish it? Online, for example? How about if the report included industry comparisons?
4. Which coops would you include in your "industry"?
5. Is there an indicator you would add?

Profile questions:
1. Which industry would you choose from the list?
2. Which type of coop would you choose?

## Appendix C

*An excerpt of the CPI profile questions*

**Co-op Name**:

**Industry**: Please select
Accommodation and Food Services
Administrative and Support
Agriculture, Forestry, Fishing and Hunting
Arts, Entertainment and Recreation
Construction and Manufacturing
Finance and Insurance
Health Care and Social Assistance
Information and Cultural Industries
Other Services and Public Administration
Professional, Scientific and Technical Services and Educational Services
Real Estate and Rental and Leasing
Transportation and Warehousing
Utilities
Wholesale and Retail Trade

**Type**: Please select
Consumers (Including housing co-ops)
Multistakeholders
Not-for-profit co-operative
Producers
Shareholding workers cooperative (In Quebec)
Tier 2 or Tier 3 Co-op
Workers