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**Integration of the Cooperative Movement: The Case of Puerto Rico**

by

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## **Abstract**

### Integration of the Cooperative Movement: The Case of Puerto Rico

Urayoán Jordán Salivia

Integration among cooperatives is one of the principles promoted by these social-economic organizations. A well-integrated cooperative movement is a system that has the potential to contribute to the common good of society in many different ways, including the democratization of the economy. This research explored the current integration status of cooperatives in Puerto Rico and the factors that affect it, adapting work from the strategic alliance theory as a framework. The findings demonstrate a low level of integration and the factors identified in the strategic alliance literature are also present in cooperatives' integration efforts. Also found was a lack of understanding about integration among participants and a capitalist behavior that struggles with cooperative principles and purposes.

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## CHAPTER 1: INTRODUCTION

### Statement of the Problem

Integration among cooperatives in Puerto Rico has the potential to create positive social change by promoting an equilibrium in the economy. Its advantages have been espoused by several actors. However, frequent claims state that integration has been limited and still needs improvement.

The government of Puerto Rico has constantly proclaimed the importance of cooperative organizations to provide tools to their citizens to achieve their social and economic goals and in this way contribute to the common good. It has recognized the cooperative movement as an integral piece and pillar of the economic and social development of the country. For almost 70 years the government has promoted the social, cultural, and economic benefits that cooperatives provide to society and has declared its intention to foster the integration of the cooperative movement in order to facilitate such positive outcomes (Commonwealth of Puerto Rico, 1946, 1994, 2004). After all, it is recognized that the government is currently considered as a field with multiple different actors. As stated by Wachhaus “Government is not just about government anymore. As governmental walls become more porous, actors from a range of sectors are becoming involved in the process of governing.” (2014: 574, quoted by Frederickson et. al. 2018),

A cooperative “is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned

and democratically-controlled enterprise” (International Cooperative Alliance 2015a). Cooperatives, in the modern sense and structure, originated as a movement toward the solution of social and economic problems, capable of creating societal change and aimed to restructure the capitalist economy and all society (Parrilla Bonilla 1971).

Integration among cooperatives is defined as the “tendency of cooperative organizations toward the active cooperation with other cooperatives at local, national, and international level to serve better the interests of their members and community” (Mendoza Antosanti 1984 144). Thus, integration can be understood as two or more cooperative organizations conducting a variety of activities to enhance the services for their members and communities.

The cooperative movement in Puerto Rico has declared the importance of integration among cooperatives and has established it as one of their main goals to contribute to the solution of social and economic problems (Commonwealth of Puerto Rico 2004; Cooperative League of Puerto Rico 2015).

Nonetheless, the scarce literature on cooperativism in Puerto Rico states that the cooperative movement has not achieved a significant level of integration. The International Cooperative Alliance recognizes that integration is a pending issue on a national and international level (Mariño 2010; Pineda Suárez et al. 1994). In Puerto Rico, the League of Cooperatives’ Strategic Plan recognizes the need for a higher level of integration (League of Cooperatives 2010; Martínez 2009). It is possible that the government and the

cooperative movement itself ignore the opportunities integration could produce (Jordán García 1994). The cooperative movement in Puerto Rico has also been criticized in the past for its fragmentation, allegedly caused by government policies and the behavior of both its leaders and participants (Parrilla Bonilla 1971; Jordán García 1994).

Integration among cooperatives in Puerto Rico has been a longstanding issue. However, the specific achieved level of integration of the cooperative movement has not been thoroughly and carefully identified. Thus, it is necessary to answer what level and type of integration exists among cooperatives in Puerto Rico and what factors are contributing to them.

### **Purpose of the Study**

The purpose of this dissertation is to determine the level and type of integration activities performed by cooperatives in Puerto Rico and identify the factors that influence their development.

Being able to understand the current practices of integration among cooperatives and the factors that prompt them will help the endeavors of the government of Puerto Rico—specifically the legislature, when designing its policies regarding the movement, and the executive branch, through the public agencies in charge of implementing them. It will also provide sound explanations and guidance to the entire cooperative movement, including the League of Cooperatives, all the second-degree and first-degree cooperatives as well as the federations, associations, commissions, and committees working toward

integration. Furthermore, this study contributes to the field of research on cooperatives, which is utilized by the Institute of Cooperativism of the University of Puerto Rico, the scholars interested in the potential of cooperatives, and any person concerned with the many social and economic problems in Puerto Rico, which may be solved through cooperative action.

The results of this study will contribute to many areas in the field of public administration in Puerto Rico. Currently, cooperatives in Puerto Rico are recognized as promoters of employment, civic participation, social harmony, self-sufficiency, education, and alliances with the community. They also have the ability to defend people's rights and contribute to the common good (Parrilla Bonilla 1975). All these positive outcomes coincide with those that are currently sought by the government to maintain governance, promote the common good, and improve the quality of life of its citizens. Such outcomes have the potential of reaching higher levels of achievement with a strong and integrated cooperative movement. The findings of this investigation will refine the understanding of the current circumstances of the integration in the cooperative movement. Although integration must be initiated and driven by the cooperative movement, this investigation will guide the government in the design of its policies regarding the cooperative sector to avoid unnecessary obstacles and to facilitate its development of cooperatives.

Furthermore, this investigation will allow the cooperative movement to clarify the current level and type of integration and to obtain explanations that will help the design of its plans and goals. Finally, there is a dearth of research on issues that affect the cooperative

movement in Puerto Rico—even less on its efforts towards integration. Specifically, there is an absence of studies that address the level and/or type of integration among cooperatives in Puerto Rico. This study will fill this gap and provide the movement with an in-depth study to consider as plans for further integration are designed.

### **Research Questions**

The main question this study proposes to answer is:

What is the current level and type of integration among cooperatives in Puerto Rico?

Secondary questions are:

1. What is the current understanding of integration among cooperatives for integrated groups?
2. What is the perceived current status of integration among cooperatives?
3. What led to the current status of integration?
4. What factors have contributed to or impeded integration among cooperatives?
5. How does each group foster integration among cooperatives?
6. How can integration among cooperatives be advanced?
7. For those who are not participating, why are they not actively involved?

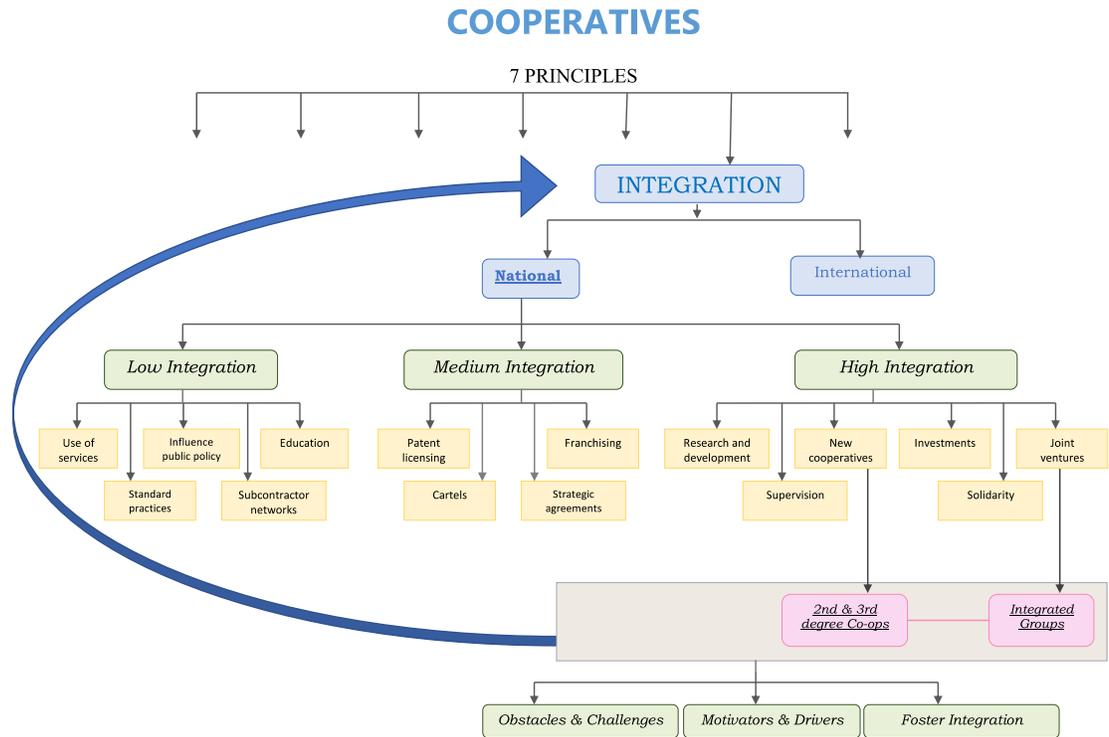
### **Theoretical Framework**

The theoretical framework specifically constructed for this study derives from the strategic alliance theory, in which organizations form alliances to strategically achieve goals which provide benefits for all participants. Particularly, this study used the strategic

alliance activities identified by Todeva and Knoke (2005) to classify the spectrum of integration practices. The framework was adapted to cooperative practices by adding four activities: the use of services and education (under low-level integration activities), and supervision and solidarity (under high-level integration activities). These added activities occur when cooperatives practice integration but are excluded or not considered by the strategic alliance theory. Also, by making use of the three level categories described by Desrochers and Fischer (2005) (low, medium, high), it was possible to classify the integration activities reported, even if they did match exactly with the activities presented in the Strategic Alliance literature or this framework. Each one of the three levels gather strategic alliance activities under one common description going from low to high interdependence.

The following conceptual map, developed for this study, presents the principle this study investigates: a focus on national level integration. It details the three different levels of integration, (low, medium, high) and their possible activities, and how the integrated groups must reproduce integration efforts.

Conceptual Map 1.1 – Theoretical Framework.



Cooperatives have seven established international principles which are supposed to guide their actions. Principle number six is integration, which states that cooperatives must work together and join efforts to provide better services to their members. Integration may occur at a national and international level. This study focuses on the national level and uses the work of Todeva & Knoke (2005) from the strategic alliance theory to identify specific activities of integration. Also, in this study, Desrochers and Fischer's (2005) definitions of atomized systems, consensual networks, and strategic networks were adapted to classify activities as low, medium, and high levels.

Low-level integration consists of activities that require no formal ties, no general coordination, or minimum pooling of resources. Influencing public policy, education, adoption of standard or common practices, and subcontractor networks are among the most basic activities resulting from integration. These activities demand some coordination among participant cooperatives, but do not require a strong commitment from them.

Although the strategic alliance literature describes market relations as an extreme out of the alliance field of action, it may be practiced among cooperatives, demonstrating some degree of integration. Any purchase or use of another cooperative's service, even when it is not the intention, contributes to integration, since it supports other cooperative activities. This activity is named "use of services."

Education is an activity that can be performed in alliances for several reasons. First, Contractor and Lorange (2004) mention technical training as an activity for alliances. Desrochers and Fischer (2005) agree and include cooperative education, which is broader. Parrilla Bonilla (1971) points out that education in the cooperative movement means not only education regarding the economic process but also the democratic and human process, which comprehends social and cultural aspects and includes values and solidarity. Therefore, providing education in the cooperative context must be understood in a broad sense. Thus, "education" is included in this construction under low-level activities to consider alliances performed with educational purposes.

Medium-level integration gather activities focused primarily on the economic rationale, like pursuing economies of scale. There might be some rules and responsibilities for each member, development of a unique image, and some planning in charge of the central entity. However, there is no independence in this new entity since it requires all members to constantly approve the course to follow, keeping control and management aligned. Categories like patent licensing, franchising, cartels, and strategic agreement groups are activities that require some higher degree of integration, possibly in the form of contracts, but do not compromise the cooperatives beyond the limited activity proposed.

High-level integration consists of activities that involve a body that independently manages the resources contributed by members and requires high involvement and compromise from participants. Under this level, activities like research and development, formation of new second and third-degree cooperatives, investments and joint ventures will be found.

Two categories used by Desrochers and Fischer (2005) were included in this construction of high-level activities. The first one is supervision, which is the oversight from an integrated body to the organization that originated it—a kind of self-regulation. The second is contractual solidarity, which occurs when the created network has formal mechanisms to help each other's members. Although these two activities are not considered in the strategic alliance literature, they are possible actions performed by cooperatives in their interest to grow and provide better services. Also, these activities do not necessarily

require an independent body to conduct them; in any case, they demand high involvement and compromise from participating cooperatives.

This research highlighted two types of activities, both under high-integration level, where integration is a primary purpose: second and third-degree cooperatives (under new cooperatives activities) and integration projects (under joint venture activities). Second-degree cooperatives are those formed by other cooperatives, while a third-degree is formed by second-degree cooperatives. These activities do not mark the end of the map; instead, they return to local integration activities forming a cycle and promoting additional integration activities.

Representatives from these two groups (second and third-degree cooperatives and integration projects) were interviewed to collect their understanding of integration, a list of their integration activities, and observations. The reported activities were classified according to this framework to determine what level and type of integration exists among cooperatives in Puerto Rico. Their understanding and observations were used to explain the current situation of integration, influencing factors, and possibilities.

## **CHAPTER 2: LITERATURE REVIEW**

This section reviews the literature about cooperativism, integration among cooperatives, and strategic alliances. The first section on cooperativism addresses the foundations of modern cooperatives, types and sectors of cooperatives, principles and identity of cooperatives, its coexistence with capitalism, international networks and recognition of the movement, a general background of Puerto Rico's history, and history of cooperativism in Puerto Rico. The second section presents the literature regarding integration among cooperatives. Here, the review covers its definition, the multiple forms of integration, what integration looks like, how integration can be distinguished from the capitalist and solidarity economic systems, how integration has been applied by cases outside and inside of Puerto Rico and analyzing its patterns, and studies addressing integration among cooperatives. For the strategic alliances, the review covers its definition, purposes and advantages, types of strategic alliances, motivators and drivers to form alliances, factors that influence the formation of alliances, ways of forming strategic alliances, implementation and management of alliances, obstacles and challenges, factors that influence the level of success of alliances, and an explanation about how the strategic alliances literature fits the topic of cooperatives and their integration.

### **Background on Cooperatives – Cooperativism and Cooperatives**

Cooperative enterprises (also known as co-ops) are very well known and have been established around the world for many years now. Their history and development come

from an array of different countries. There have been many successful and unsuccessful experiences to learn from.

#### *Foundations - Rochdale Pioneers*

The most well-known example is the first successful modern cooperative organization in the town of Rochdale, England. A group of twenty-eight unemployed weavers decided to save a small amount of money per week that showed to be significant when they gathered 28 sterling pounds (£3,580.99 in 2020 after adjusted for inflation). After a year, on December 21, 1844, they opened their own store named Rochdale Society of Equitable Pioneers. This store began offering basic grocery items like sugar, butter, flour, oats, and candles. A year later, it had 74 members and 180 pounds. It continued to grow and a century later it had 75 stores and a three million dollars business annual income. This is recognized as the first successful cooperative organization in modern times (Parrilla Bonilla 1971; Pineda Suárez et al. 1994).

As the Rochdale Society of Equitable Pioneers grew, it began to offer additional services such as libraries, insurance, recreational activities, and banking services. It expanded to the production process, beginning to own lands and eliminating intermediaries between the production and the consumer. The Society was able to avoid offering low quality products, excessive high prices, and fraud practices in business transactions, which were common behaviors of business at that time (Parrilla Bonilla 1971).

The Society began without any kind of government aid, only by the joint effort of the twenty-eight pioneers. From the very beginning, these achievements prompted, , self-confidence and faith in their principles, demonstrating the benefits of acting together. This experience served as an example of the possibilities of cooperative action and motivated other efforts around the world (Parrilla Bonilla 1971).

### *Types and Sectors of Cooperatives*

There are three different types of cooperatives: consumer, producer, and worker. Consumer cooperatives are those where the members buy the services or goods they provide. In the case of producer cooperatives, the members are gathered to produce and market goods. Worker cooperatives are those where the members are the workers. Webb and Novkovic (2014) also include a category labeled *exceptions*, because there are many cooperatives that do not fit under one simple category, since they may have, for example, workers and consumers as members. These types of cooperatives may also be called hybrids.

In addition, there are different sectors or spheres of business used to describe the field each cooperative operates in. Among these can be found supermarkets, housing, gas stations, transportation, pharmacies, insurance, financial services, and many more. Some sectors may fall under two or more types of cooperatives. For example, a supermarket might be a consumer cooperative (consumers as owners), workers' cooperative (workers as owners), or a hybrid form (consumers and workers as owners).

### *Cooperative Principles*

Inspired by the practices they wanted to see in a business, the Rochdale Pioneers studied and articulated a series of principles that guided their efforts and later evolved into guiding all cooperatives. These principles were democracy, open membership, surplus return, and limited profit for capital. They also implemented practices like no credit for purchases and sales, high quality of products, education for members, and religious neutrality (Parrilla Bonilla 1971). Most of these principles already existed, but the Rochdale Pioneers implemented them as formal guidelines for their endeavor (Pineda Suárez et al. 1994).

These principles evolved and were put into practice and adapted depending on location. The International Cooperative Alliance updated them in 1937, 1966, and 1995 (International Cooperative Alliance 2015b).

Currently, the seven principles adopted by the International Cooperative Alliance are:

1. Voluntary and open membership – Members may enter or exit voluntarily.
2. Democratic member control – Each member has one vote and the right to be elected as a representative.
3. Member economic participation – Members contribute the capital.
4. Autonomy and independence – Agreement with other entities must not affect the democratic control of the members.
5. Education, training, and information – Members are educated, trained and informed by the cooperative.

6. Cooperation among cooperatives – Integration among cooperatives better serves all members and strengthens the movement.
7. Concern for community – Contribution to the sustainable development of its community.

### *Cooperatives' Identity*

A good way to understand the identity, structure and purpose of cooperative enterprises is to compare them with other forms of organizations.

The traditional private business model concentrates decision-making powers in its investors. Furthermore, the amount of the investment will most likely guarantee a proportionate level of power or votes. For example, one person with more than 50% of the shares will have the opportunity to decide against most members, because the number of shares give him or her such power.

On the other hand, a cooperative enterprise model spreads power among all its members and, according to the principles discussed before, each person will have one vote, no matter how many shares are owned. Thus, a majority of the members—not a majority of shares—is what establishes democracy.

Boeger (2018) identifies cooperatives as a different type of business organization than traditional corporations. While the traditional corporation is focused on its shareholders and its efficiency is measured through its profits, cooperatives govern

themselves differently, emphasizing the value of a social purpose and providing benefits to multiple and diverse stakeholders, some of which might be the owners. In other words, a cooperative enterprise is distinguished by a combination of economic activity and democratic management (Battilani and Schroter 2012).

Webb and Novkovic (2014) compare both models and add that the purpose of private business is to maximize the benefits and wealth of the shareholders, while the purpose of the cooperative is to fulfill the needs of its members and community. They summarize four pillars that distinguish cooperative enterprises from all other business models: purpose, values, principles and social justice. However, they also recognize that there are some cases where education and sense of identity have failed, which results in members ignoring the meaning of cooperation.

Aponte (2014) expands this last issue and describes an identity problem for saving and credit cooperatives. One of the main characteristics of cooperatives is their focus on social issues, which traditionally differentiates them from for-profit organizations. This focus guides cooperatives toward social investments that contribute to society. However, recently for-profit organizations are shifting toward more responsible behaviors—which include making social investments—to reduce the negative perceptions from their operations. The result is a reduction in the gap that traditionally differentiated these two sectors, which raises the issue that the social investment of cooperatives may be perceived as modest or even smaller than the for-profit sector. In the coming years, this identity issue

might affect the understanding of cooperatives regarding their own purpose and therefore the necessary integration to achieve them.

### *Cooperatives and Capitalism*

Globalization and capitalism are not inherently negative—it is a matter of how they are practiced. Current trends in capitalism display a great deal of inequalities, unfair distribution of resources, and disproportionate influence of some corporations over governments (Bretos and Marcuello, 2017). Due to the increased concern about capitalism's inability to maintain a stable economy, other forms of organizations have emerged—cooperatives among these (Boeger 2018). Sadowski (2017) highlights how consumer cooperatives are alternatives for market failures by traditional corporations. Cooperatives offer a different governance since member-owners supply the capital and vote to decide future actions, including how the benefits are distributed. This model has a structure that focuses on member needs rather than capital invested.

Cooperatives, through their principles and values, may effectively overcome the negative impacts of capitalism, according to Bretos and Marcuello (2017). They explored how cooperatives can face challenges of globalization and counteract negative effects of capitalism, providing economic stability, positive work environments, and democracy in local communities. Cooperatives' values and principles allow them to deal with issues that are common in traditional corporate organizations. For example, cooperative executives that receive training and education in cooperative practices have less propensity to leave their positions than those of capitalist corporations (Bretos and Marcuello 2017).

Cooperatives have the potential to address issues and areas that have no value from a capitalist perspective, because there are no significant profits from it. Also, the inclusive structure of governance in cooperatives reports higher social cohesion, which results in more consciousness and solidarity towards their communities. Such inclusive governance also has a positive effect of citizens involving themselves in democratic practices in other spheres, including political participation. The important preamble to create these positive outcomes is to internalize and practice cooperatives' principles and values (Bretos and Marcuello 2017). Bretos and Marcuello (2017) even say any misstep towards capitalist practices could be easily corrected due to the democratic and inclusive nature of cooperatives.

However, cooperatives could be negatively affected in their coexisting with capitalism. The influence of capitalism was pointed out by Rothschild (2009) as one of the reasons cooperatives do not flourish in the economy of United States. Because of the prevalence of capitalistic ideology, cooperativism is considered a demotivator of wealth accumulation and people there believe that there is no other or better way to manage the economy than capitalism.

In Puerto Rico, capitalist language and vocabulary are used in cooperatives, especially in the financial sector. Terms like profits are instead substituted with surplus or benefits. Another example lies in the competition undertaken to obtain profits. Currently, many cooperatives have almost the same practices as capitalist organizations (de la Rosa

1994). This could be affecting cooperatives' performance, making them look like another capitalist enterprise. Such behavior adds to the identity problem identified by Aponte (2014), making it difficult to distinguish a cooperative from other types of organizations.

### *International Cooperative Alliance*

Cooperatives have an international integration structure called International Cooperative Alliance (ICA). It was founded as a result of the First Alliance Cooperative Congress, conducted in London in 1895, with cooperatives from around the world participating. ICA is a global association of cooperatives and its purpose is to unite and serve cooperative organizations by distributing information, defending cooperative principles, and promoting international trade (International Cooperative Alliance 2015b).

### *United Nations' Recognition of the Cooperative Movement*

The United Nations has frequently recognized the contributions of cooperative organizations to society (Pineda Suárez et al. 1994). It designated the year 2012 as the International Year of Cooperatives and summarized its achievements with the slogan "Cooperatives help to construct a better world" (Integración Cooperativa 2010).

### *General Background History of Puerto Rico*

As this study focuses on cooperative integration in Puerto Rico, it is pertinent to establish the historical context of the country where these cooperatives operate.

Puerto Rico is an archipelago of Islands located in the Caribbean. Colonized first by Spain in 1493 and then occupied by the United States in 1898, Puerto Rico has been constantly subjected to the control and policies established by a dominant foreign country.

Under the United States a military government was established between 1898 and 1900. In 1900 the Foraker Law—named after its proponent, Senator Joseph Foraker—established a civil government in which the upper house, the governor, and the Supreme Court were appointed by the U.S. President, while the lower house was elected by the citizens of Puerto Rico. This law displaced the autonomy reached under Spain, which allowed political representation, participation in international treaties, and its own tax implementation system (Brandon 2012; Trías Monge, 1999).

After some demands from local leaders and population, the Jones law—named after its proponent, Congressman William A. Jones—was established in 1917. This law extended U.S. citizenship to all Puerto Ricans and allowed them to elect their local Senate (Brandon 2012). Opinions from the Supreme Court of the United States, known as *Insular Cases*, established that Puerto Rico, as an unincorporated territory, belongs to but is not part of the United States (Collado Shwarz 2018).

Despite strong opposition by the citizens of Puerto Rico, the political structure remained that way until 1952 when the Law 600 authorized the draft of the Constitution and the election of the governor. Basically, this law provided autonomy for local affairs while it maintained that external affairs were under the jurisdiction of the U.S. Congress. Since that moment, several other attempts to obtain more autonomy have been rejected by the U.S. Congress (Brandon 2012).

In 2011, a report by the President's Task Force on Puerto Rico's Status recognized that relations between Puerto Rico and the United States are defined by U.S. laws; specifically, the U.S. Constitution and the Puerto Rican Federal Relations Act (White House 2011). This shows how the current political situation in Puerto Rico has been managed without any self-governance or sovereignty from its citizens.

Trías Monge (1999) concludes that Puerto Rico is a colony for several reasons. Among these, U.S. laws apply to Puerto Rican citizens without their consent; the U.S. president and appointees negotiate treaties that affect Puerto Rico without any consultation; and the U.S. Congress can unilaterally make decisions about the Island. An example of this power over Puerto Rico was seen recently in 2016 when the United States created the Financial Oversight and Management Board for Puerto Rico. This Board, whose members are not elected by Puerto Ricans, has the power to make decisions on many budgetary issues and has been forcing austerity measures that affect citizens.

Trías Monge (1999) identifies a fragmentation in Puerto Rico's society as a result of this history. Frantz Fanon (1961) explains that colonization causes confusion and confrontation among colonized people, its effect being a fragmentation of all aspects of society. Jean-Paul Sartre (1961) presents in the preface of Fanon's book that in any colonial relationship there is violence, caused by repression and limitations, conducted by the colonizer. Such violence is felt by the colonized, but its origins are not necessarily identified. This causes a reaction, also violent, but since it cannot be aimed at the colonizer, it is instead aimed against the other colonized. The colonizer also exploits rivalries between the colonized.

Another recent event in the history of Puerto Rico, not related to politics but important for the purpose of this research, was Hurricane Maria. This category 4 hurricane entered the Island on September 20, 2017 and caused thousands of deaths and destruction not seen by any recent generation of Puerto Ricans.

### *Cooperativism in Puerto Rico*

Parrilla Bonilla (1971) divides the history of cooperativism in Puerto Rico in two periods. The first includes all activities between 1873 and 1920, which he describes as origins and early efforts that lacked theory development. The second spans from 1920 to the present, (that is, 1971, the date of his publication). During this second period, the government tried to support cooperative enterprises by creating laws. The cooperative movement reached a certain level of maturity, but still had far to go.

Catalá Oliveras (2004) on the other hand suggests four distinct periods. The first, like Parrilla Bonilla's interpretation, runs from 1873 to 1919, and serves as a gestation period. The second, from 1920 to 1945, contains the efforts from the government to organize the cooperative movement. The third, from 1946 to 1991, is when the movement established the institutional bases of modern cooperativism. Finally, the last period, from 1992 to the present (2004 according to its publication), is characterized as a period of integration efforts to occupy a larger socio-economic space in Puerto Rico.

In this work, Catalá Oliveras' division of periods is utilized because it provides a more recent perspective, but some observations from Parrilla Bonilla from 1971 are applicable and included at some points.

#### *First Period: 1873-1919 – First Organized Efforts*

Although some cooperative efforts existed before 1873, it is in that year when an association, Los Amigos del Bien Público, utilized the principles defined in Rochdale. This organization was a health service provider with other benefits included: disability insurance, funeral services, and benefits to heirs. It was a successful experiment and 10 years later it had grown and was providing credit services (Catalá Oliveras 2004).

Parrilla Bonilla (1971) mentions that this was the first cooperative enterprise in Latin America. After, several other cooperative efforts took place in Puerto Rico as a wave of social reform demands and influenced by this first experience. Among these was El

Ahorro Colectivo, founded in 1894, which provided several different services like a grocery store, a bakery, and financial services (Catalá Oliveras 2004).

These and other early efforts—including the foundation of a political party that presented cooperativism as a main part of its platform—successfully provided immediate necessary services to its members. However, they ended up failing and disappearing. Catalá Oliveras (2004) summarizes the reasons for failing as lack of education, administrative problems, government opposition, and the political problems caused by the United States' invading in 1898.

#### *Second Period: 1920-1945 – Laws and Governmental Support*

Before this period, an attempt to create a law favoring the organization of cooperatives emerged from the legislative body, but without success. However, the interest in cooperative organizations did not disappear. On May 6, 1920, a law establishing an incorporation process and other regulations was created to try to organize the cooperative movement. However, there was little mention of the cooperative principles nor much consideration of the large array of types of cooperatives. In addition, it established that whatever was not covered would be supplemented with the corporative law (Catalá Oliveras 2004). This illustrates the poor understanding of how cooperatives worked and of the cooperative movement itself.

With time, other laws and initiatives tried to fill the gaps left by the 1920 law. Law 70 in 1925 espoused the Rochdale Society's principles and considered other types of

cooperatives. In 1926, a resolution provided tax exemption to cooperatives. During the 1930s, some federal agencies supported the development of several cooperative organizations. In 1941, the legislative body approved funds to provide cooperative education. At the end of this second period, most operating cooperatives were consumer and agricultural cooperatives (Catalá Oliveras 2004). Although these laws and initiatives may be considered positive, Parrilla Bonilla (1971) criticized their efficiency and results.

### *Third Period: 1946-1990 – Institutionalization*

In 1945 and 1946, at the urgings of a University of Puerto Rico professor named Ana María O’Neill, Father Joseph A. McDonald, one of the Antigonish movement’s founders (which is presented later in this work), visited Puerto Rico to teach some courses and host conferences. Thereafter, McDonald moved permanently to Puerto Rico and assisted the cooperative movement until his death (Catalá Oliveras 2004).

McDonald’s conferences motivated the government to send a commission composed of government officials and experts in different academic fields to explore the success of the Antigonish movement and study the cooperative movement in Puerto Rico. The commission eventually concluded that in Puerto Rico there was a lack of a defined social purpose, the need of educational programs, administrative problems, and lack of cooperative development legislation. Their recommendations in regard to cooperatives included the creation of a general law, the creation of a law for savings and credit cooperatives (also called financial cooperatives), audits and supervision from the

government, cooperativism education in schools and universities, a promotion organism, and a credit-lending entity for cooperative enterprises (Catalá Oliveras 2004).

There is no doubt that the government and the movement followed these recommendations. A general law for cooperatives that explicitly mentioned the Rochdale principles was approved in 1946, which allowed all types of cooperatives, and delegated supervision responsibilities to the Inspector of Cooperatives Office, a government agency in charge of the oversight of cooperatives (Catalá Oliveras 2004). Additionally, a law for the savings and credit cooperatives passed in 1947; the League of Cooperatives (Liga de Cooperativas) was created in 1949 to represent all cooperatives and integrate the movement; the Cooperative Bank was established in 1951 to provide credit to cooperative enterprises; the Institute of Cooperativism was organized under the University of Puerto Rico's Social Sciences Faculty in 1953 for education and investigation purposes; the Cooperative Development Administration in 1957 was organized as a government agency to prompt the development of cooperatives; and the Life Insurance Cooperative and Multiple Insurance Cooperative were created in 1959 and 1963 respectively (Catalá Oliveras 2004).

After all these actions by the government and the cooperative movement, many cooperatives of different types were organized, among them: financial cooperatives (which became the largest sector), housing cooperatives, and consumer cooperatives, which for a while claimed the largest supermarket chain in the country. A new law for the credit and savings sector emerged in 1973 and then again in 1990. Also, a Share and Deposit

Insurance Program was established in 1980 that provided insurance for shares and deposits in cooperatives (Catalá Oliveras 2004).

This period, however, is not free of criticism. Some distinguished leaders of the cooperative movement have analyzed the path followed during those years, pointed out several dangers and failures, and recommended steps and strategies to achieve a more comprehensive success.

Parrilla Bonilla mentioned the laws were designed to keep the movement divided through the excessive requirements, paternalistic tone, and limited space for creativity and entrepreneurship. He believes the laws were impeding the integration of cooperatives and claimed their urgent revision (Parrilla Bonilla 1971, 328-341). Although there have been some revisions, there still are different laws for each type of cooperative.

Ramón Colón Torres, a recognized and respected figure in the cooperative movement, points out the need for further integration among cooperatives and the lack of social purpose for emerging cooperatives (Catalá Oliveras 2004; Colón Torres 1985).

In summary, Catalá Oliveras (2004) argues that although the recommendations of the legislative commission were followed, there is still more to do to reach the potential of cooperativism in Puerto Rico.

#### *Fourth Period: 1992-Present – Reformulation*

According to Catalá Oliveras (2004), 1992 marked the beginning of the current period due to the commencement of a new coordinated effort. It was in this year when cooperatives in Puerto Rico conducted the First National Congress to guide the movement toward integration. The mission of this Congress was stated as: “To improve the quality of life of Puerto Rican people through the practice of cooperativism as a socioeconomic model for the development and democratic organization of our society” (Catalá Oliveras 2004, 92).

Through this effort, the cooperative movement reflected on their situation, achievements, failures, and future. After the Second Congress in 1997, this analysis resulted in the development of a strategic plan for the years 2000-2004. The strategic plan presented goals, objectives, and activities for eleven strategic issues, which included plans for the different sectors, community integration, and the reevaluation of the government’s role to support rather than control cooperatives (Catalá Oliveras 2004).

A new general law for cooperatives was approved in 1994, but in the opinion of Catalá Oliveras (2004), it did not change the structure that affected the development of cooperative enterprises. Something different happened with the new law for savings and credit cooperatives in 2002, because it increased their possible financial activities.

Other governmental initiatives took place: a new public corporation was established to oversee cooperatives and to provide insurance to the deposits in the savings and credit

sector; a separate law for juvenile cooperatives; and an entity to invest in cooperative enterprises by matching funds between the movement and the government (Catalá Oliveras 2004).

According to Catalá Oliveras (2004), by the end of this period the cooperative movement still had, a small part in the economy of Puerto Rico. It obviously has the potential of a more prominent role, but it will depend on the integration efforts launched by the movement.

*Basic Data from Cooperatives*

The following tables present basic data from different cooperative sectors. Table 2.1 shows the number of cooperatives and their members as well as the total numbers of assets, shares, and deposits on financial cooperatives, regulated by Law 255.

<b>Table 2.1. Basic Data - Financial Cooperatives (Law 255)</b>		
	<b>2018</b>	<b>2020</b>
Total Cooperatives	115	113
Total Members	988,983	1,049,482
Assets	\$ 8,853,000,000.00	\$ 8,916,000,000.00
Members' Shares & Deposits	\$ 8,271,000,000.00	\$ 8,332,000,000.00

Table 2.2 contains the total numbers of diverse types of cooperatives, regulated by Law 239, broken down into types and sectors. Economic data for these were not available.

Type		Sector	
Consumers	65	Production	24
Workers	76	Housing	14
Mixed	9	Commercial	42
		Services	70
<b>Total</b>	<b>150</b>		<b>150</b>
Economic Data	Not Available		Not Available

Table 2.3 shows data from youth cooperatives, regulated by Law 220, including their area of operation, total of members, assets, and shares.

Communities	8
Schools	545
Universities	9
<b>Total</b>	<b>562</b>
Economic data from 377 Youth Cooperatives	
Total Members	25,066
Assets	\$ 274,566.62
Members' Shares	\$ 1,913,325.77

Clearly, the available data is limited. There is no economic data from diverse types of cooperatives. The researcher was informed that the main problem with these cooperatives is failure to submit the required forms. Also, the economic data of youth cooperatives is incomplete. No reason was provided for this. The only complete data obtained was for financial cooperatives.

#### *Education and Cooperatives*

Education is another of the cooperative principles. It espouses the need to educate, train and inform members of the cooperative. Education allows for cooperative members

to learn about their organization, democratic principles, and respect and dignity of the human being (de la Rosa 1994). Education in cooperatives must go beyond technical training and enhance consciousness through dialogue and critical thinking. Cooperative education must address issues like individualism, selfishness and blind obedience to authorities (Parrilla Bonilla 1971). Thus, cooperative education is revolutionary.

To educate a collective group, as should occur in cooperatives, is a long process that requires patience and purposive effort. At the same time, education is indispensable for cooperatives, because without it they are doomed to failure. Even if they survive in their operations, without education cooperatives will not be distinguishable from other organizations (Parrilla Bonilla 1971).

How to address education is a recognized challenge for cooperatives in Puerto Rico. Educational committees are part of the structure in any cooperative. These committees are mandatory by law and are supposed to guide the educational process of the cooperative. However, in reality these committees carry out more marketing than educational functions (Aranda 2015). In addition, current approaches of educational activities are deficient and unsatisfactory for members. Such approaches are individualist and focused on memorization, as exposed by Frances Figarella García (2019). She suggests an educational approach that encourages active participation from subjects, inclusion of the human being and their previous context and knowledge, interaction among participants, and enhancement of the interest to be an informed critic of current conditions. These points contrast with the common method of education where students are passive receivers of

information that has no relevant application for them. Applying these approaches would better align with cooperative principles and values.

Another problem is how to effectively deliver the message. Yuval Noah Harari (2015), in his explanation of how humanity has reached its current state of existence, discusses how myths are used to bond a large group of people and allow them to act in coordination toward a common purpose. These myths are social beliefs and should be distinguished from natural laws. For example, gravity is not a myth, since it is a natural law that will exist whether people believe in it or not. In contrast, capitalism, socialism, cooperativism, religions, and political borders are socially constructed “myths” that are real only if people believe in them. He explains that such beliefs are what have made humanity’s progress possible throughout human history, because the belief in such myth made them act somewhat coordinated. Considering this exposition of myths, cooperatives also have their well-organized myths that allow them to function: seven principles, values, social purposes, and human beings over capital.

Education is inherently related to integration. Any educational effort in cooperatives must include the explanation, significance, application, and value of integration among cooperatives.

### **Integration Among Cooperatives**

Integration or cooperation among cooperatives is the focus of this research. The following section explains what it means to be a cooperative, including goal identification

and implementation practices. Also, domestic and foreign examples of integration are analyzed.

### *Definition, Purpose, and Advantages*

Cooperation among cooperatives is one of the seven international cooperative principles. It suggests that cooperative enterprises must work together at multiple levels (national, regional, and international) to better serve its members (International Cooperative Alliance 2015c). This principle emphasizes that it is not enough to create cooperative organizations independent of one another (Parrilla Bonilla 1971). There should be a movement and a system that acts to return the control of the economy to the citizens. Frequent and long-term alliances among cooperatives are necessary to establish a real change in society. Therefore, this principle implies integration.

Meliá Martí and Juliá Igual (2008) use several business definitions of inter-cooperation to describe integration. They define integration as a coordinated joint action among organizations that seek a common interest without any one organization dominating the other. They also consider structured and unstructured forms of integration: the former, which includes capital investment and a new organization, and the latter, which is an agreement for a certain type of action without the creation of a new entity.

Jordán García (1994) offers a similar definition and explains that integration is a method that allows cooperatives to provide additional services and reduction of costs.

Integration must not be confused with merger concentration (which may include some degree of integration) or consolidation between organizations. Rephrasing Meliá Martí and Juliá Igual (2008), integration is cooperation among cooperatives through joint action that seeks a united purpose without losing each cooperative's independence and autonomy.

Dopico and Rogers (2015) provide some examples of integration activities. These include each cooperative promoting each other's membership, shared use of structures and facilities, offering specific services from another cooperative, joint marketing, and utilizing other cooperatives' services.

Integration allows cooperative enterprises to reduce their dependence on external organizations—including the government—and makes them more apt for market purposes through joint resources and increased negotiation power (Iturrioz del Campo 1996; Piñero Harnecker 2008). Other purposes of integration are providing financial, educational, technical, and representative services (Pineda Suárez et al. 1994). Throughout the integration process each cooperative typically improves while at the same time the overall group also improves (Iturrioz del Campo 1996).

Puentes et al. (2010) notices that in addition to economic reasons (competition, access to new technology, scale economies, market power), social reasons (cooperative movement support, other cooperatives, and social causes) are also a driving force when putting into practice integration activities.

The importance of giving citizens control of the economy in terms of integration is discussed by Rothschild (2009). She explains that democracy discussed in politics but not in the economy is an incomplete practice of democracy leading to favorable results for those who control the capital. Also, participation in one sphere increases interest to participate in the other, improving skills in democratic behaviors.

### *Multiple Forms of Integration*

There are many forms of integration. One form may occur through the creation of structures, allowing national and international integration. Another form of integration may also be informal or without formal structures, where which joint actions are taken to create service projects or to contribute capital to new cooperative organizations (Parrilla Bonilla 1971) and other types of entities (Puentes et al. 2010). Integration may also lead to learning processes through shared experiences or common strategies aligned with cooperative principles and values.

One way where structured national integration occurs is with the creation of second and third-degree cooperative organizations (Parrilla Bonilla 1971). Each cooperative in which members are natural persons is considered a first-degree cooperative. Second-degree cooperatives are formed by first-degree cooperatives and have the purpose of integrating some aspect of their economic activity (Aguilar Rubio 2017). In Puerto Rico, examples of second-degree cooperatives are Grupo Cooperativo Seguros Múltiples, Cooperativa de Seguros de Vida, and Banco Cooperativo. The members and owners of these cooperatives

are other cooperatives. Third-degree cooperatives are formed by second-degree cooperatives. The League of Cooperatives (also known as the League) is considered the highest forum for cooperatives in Puerto Rico. Although its members are a combination of first and second-degree cooperatives, it performs the tasks of a third-degree cooperative and is considered the only cooperative in Puerto Rico performing at that level.

Another way to achieve structured integration is through the creation of other formal organizations for such purpose. Any association or formal organization, even if it is not a cooperative, could be organized to pursue integration. These cases should be considered as structured and formal integration.

Aguilar Rubio (2017) states that second and third-degree cooperatives are the most common form of integration. Their organizational structure, as they are also cooperatives, is guided by the same principles as their founding partners, which makes second and third-degree cooperatives ideal as a formula to practice integration.

Regional and international integration is an additional aspect of structured integration. It works on a larger scale: regional, continental or global (Parrilla Bonilla 1971). An example of this kind of integration is the International Cooperative Alliance, whose members are cooperative organizations around the world from all sectors. In the case of Puerto Rico's island geography, the regional integration will overlap with international. Therefore, for the purpose of this work the level of integration will be limited to national and international.

Clearly, an effect of structured integration is that each cooperative will relinquish some of its individual powers, which will transfer to the new entity where they will be guided by democratic principles and participation. The amount of power relinquished will depend on the conditions and formula used for each integration project. Nonetheless, it is probable that the aims of the new entity would not be achievable through individual efforts (Iturrioz del Campo 1996).

Informal or unstructured integration will not result in the creation of new cooperatives or entities. Instead, these types of integration will occur through specific agreements between two or more cooperatives. Several activities might take place with the joint effort of cooperatives seeking a common goal.

Another definition for structured and unstructured integration is provided by Meliá Martí and Juliá Igual (2008). They differentiate the two by the contribution of capital from the participant cooperatives; those integration efforts that include contribution of capital are considered structured, while those without capital are considered unstructured. Another alternative to classify integration is representation (integration to represent participant cooperatives and promote their interests) and economic (integration to obtain economic results) (Alonso 2003, quoted by Meliá Martí and Juliá Igual 2008). In this work, the definition provided by Parrilla Bonilla (1971) is used because he conceived his work based on the Puerto Rican culture and context, while the other two are from Spain. In addition,

the strategic alliance theoretical framework that was used for this research provides a more complete spectrum of integrated activities for classification purposes.

The level that cooperatives integrate among themselves varies. Not all integration efforts require the same amount of compromise, resources, and activities. It will depend on the kind and purpose of integration. For example, Iturrioz del Campo (1996) distinguishes between three degrees of economic integration: total, a financial integration whose results affect each cooperative; reduced, where the new entity has no control on the participant cooperatives; and middle, somewhere between the previous two where each cooperative still has autonomy but benefits from some common coordinated activities. This classification is based on the degree of control of the integrative entity, not necessarily on the scope of the integration efforts.

Parrilla Bonilla (1971) has a holistic view of cooperativism and its practice. He points out that integration should be a voluntary act, the same way members voluntarily join a cooperative. In the same manner, any integration effort would be incomplete if it is an isolated effort between a few cooperatives that excludes others. It should have the potential to include other cooperatives and interact with other initiatives to establish a network that promotes cooperation among cooperatives.

Integration is considered the final step toward a solidarity process, which is supposed to begin within each cooperative. Therefore, cooperation among cooperatives extends the solidarity process from the inside to the outside (Martínez Charterina 2012).

When analyzing integration among cooperatives, it is imperative to observe signs about the internal solidarity process of each cooperative involved.

The cooperative movement in Puerto Rico has multiple entities that suggest a well-defined structured integration. However, this does not mean integration has occurred, the same way as good quality roads and excellent traffic signals do not mean people drive carefully, respect all traffic laws, and help other drivers when their cars break down.

Literature on integration among cooperatives in Puerto Rico is scarce. Although the topic has been mentioned in several writings, only some of them go beyond basic description and provide a critical view of its development and situation. No study about the level or type of integration among cooperatives in Puerto Rico was found. The literature that actually addresses integration in Puerto Rico might be considered incomplete or unorganized. This results in a vague description of integration with possibilities of fragmented understanding from leaders and participants. This work addresses that gap, providing a full understanding of integration among cooperatives in Puerto Rico and informing people of what it looks like and how it benefits our society.

### *Integration: What it Looks Like*

Based on the definition provided by Parrilla Bonilla and supported in several aspects by multiple references, an understanding of integration will be composed of the following characteristics or factors:

1. Cooperation – Cooperatives working together through alliances, agreements, or any other coordinated joint action.
2. Levels – Integration activities must occur at local, national, and international level.
3. Structure – An integrated activity could take place through formal (new entity) or informal (without new entity) structures.
4. Services – Any integration activity has the purpose to improve a current service or provide additional services to members.
5. Change – Integration among cooperatives has the ultimate objective of changing society by returning control of the economy to citizens, contributing to a solidarity economy.

Integration should be understood as a complex system, which has multiple interconnections and many different purposes. An integrated cooperative movement in Puerto Rico will have most existing cooperatives forming alliances and agreements, structured and unstructured, at the local, regional and national level. These alliances and agreements will improve current services or create new ones for the benefit of their members with the ultimate goal to create a positive change in society by establishing a solidarity economy controlled by citizens. Results from integration will be greater than just the sum of its parts. Together, cooperatives will achieve goals that would not have been possible acting individually.

It is difficult to establish a specific measure for successful integration standards. First, there is no one thing or one combination that serves all cooperative movements. In

other words, no one size fits all. It depends on the circumstances of each movement, country or region. Most likely, specific standards will depend on external forces that make the decision to protect and develop the cooperative movement instead of each business individually, with all its services and functions. This embodies a view of all the movement as a whole. That would allow, as an extreme example, a decision to sacrifice just one cooperative to be able to save the model. That kind of decision could only be made in a very well-integrated movement with a level of education so high that thinks of the movement as one and puts the movement over the individual organization.

#### *Capitalist vs. Social and Solidarity Systems*

An integrated economic system is one where all its components work together as one by complementing each other. Integration occurs at two different levels. One level is composed of entities participating in several sectors of the economy: production and services, distribution, consumption, and savings and investments. Another level happens among entities participating in the same sector (Aponte 2011).

Aponte (2011) differentiates the capitalist economic system from the social and solidarity economic system, which is the one attached to the cooperative movement. Both systems operate in the four economic phases: production and services, distribution, consumption, and savings and investments. However, the social and solidarity economic system prioritizes the work of the people, recognizing the capital as a means and not an end. Both systems operate parallel to each other, although capitalism is the more hegemonic system by far. Considering what Parrilla Bonilla (1971) said, the social

economic system of the cooperative movement should occupy the space of the capitalist economic system to elicit a fairer system. However, the social and solidarity systems consume products and services and facilitates consumption in the capitalist economic system to a degree that goes against its integration and evolution (Aponte 2011).

This lack of evolution occurs when local savings are deposited in cooperatives, but a financial cooperative lends money to a person to buy a car from a capitalist company. Thus, a loan is given for the consumption of a good that is produced outside of the social and solidarity economy. Another example is when a financial cooperative invests in banks (through money market certificates, bonds, and others) instead of investing that money in other cooperatives.

When analyzing the distribution of the activity in the cooperative movement in Puerto Rico, Aponte (2011) points out the high disproportion among cooperative sectors. While the financial sector represents 42.46% of the cooperatives, it has 81.84% of the capital and 78.54% of the assets. Meanwhile, diverse type cooperatives represent 36.31%, yet have 1.35% of the capital and 1.8% of the assets. This scenario, according to Aponte, should not happen in an integrated system. Nonetheless, the current data does not show the actual level of integration of the cooperative movement.

In summary, integration allows the building of a network that enhances services for each cooperative's members by conducting a series of activities that expand businesses and areas of involvement. The acting network supports the solidarity economy and strengthens

the cooperative movement as a system. A larger movement has the tools to empower more people by addressing and solving their socio-economic issues through cooperativism.

### *Integration in Action*

#### Successful Integration Among Cooperatives around the World

The following provides some examples to illustrate how integration may operate. There is no single form of integration. As explained before, there may be structured or unstructured efforts, as well as short or long-term actions. This section examines integration efforts outside and inside of Puerto Rico.

#### Mondragon Cooperatives – Basque Country

Mondragon Cooperatives, in the Basque Country in the town of Mondragon, is one of the most cited examples that illustrates successful integration among cooperatives. Here, all cooperatives are represented in a Cooperative Congress, where workers are represented by councils and important decisions are made in assemblies.

Mondragon's story began when the Priest José María Arizmendiarieta organized and helped youth through a series of social and cultural activities, including the educational institute the Professional School, that provided technical training and social values to young people. Arizmendiarieta and a group of these young people created a workers' cooperative in 1955, ULGOR, to produce household appliances. The business was successful and other workers' cooperatives were created. In 1959, they established a cooperative bank, Caja Laboral Popular, which became the cornerstone of the cooperative

development in the area. The Business Division of Caja Laboral Popular provided financial and strategic support to all the cooperatives formed from that moment on (Altuna and Urteaga 2014; Cancelo Alonso 1999).

In 1964, several cooperatives founded Grupo ULARCO, a second-degree cooperative, to serve the workers' community by organizing and coordinating plans and activities in a common development process. Under Grupo ULARCO, new members were accepted, a percentage of workers from each first-degree cooperative was made available to transfer or relocate in order to address any need, each cooperative made investments in other cooperatives, and 20% of the surplus from each cooperative was transferred to a common fund (Altuna and Urteaga 2014).

Then, Caja Laboral Popular guided other cooperatives to create more groups like ULARCO. As a result, many second-degree cooperatives were formed to organize and coordinate efforts among the participant cooperatives (Altuna and Urteaga 2014). This conglomerate is known today as Mondragon Cooperatives.

During the following decades, cooperatives at Mondragon suffered several fluctuations in the economy and their revenues, which resulted in reorganization and restructuring. The home appliances division adopted the name Grupo FAGOR as part of reorganization that was aimed towards international commerce. However, Mondragon Cooperatives have always found a group strategy and worked together to deal with the problems (Altuna and Urteaga 2014).

But there were some setbacks. Recently, in the year 2013, FAGOR declared bankruptcy. As a consequence of the housing market crisis in 2008, FAGOR was negatively impacted since its house appliance business was also affected (Kasmir 2016). Nonetheless, Mondragon Cooperatives has continued its development and currently employs 74,000 workers (Kasmir 2016).

Integration in Mondragon Cooperatives is observed in its development as a community and its governance structure. An important element that explains the success of Mondragon is that they have their own cooperative bank, which provides them direct and preferential support (Piñero Harnecker 2008). Also, education was part of its foundation and the cooperatives were already integrated in the system when founded. The integration of these cooperatives is so deep that they have adopted policies like the highest salary cannot be nine times more than the lowest salary and workers from cooperatives with financial problems are moved to other cooperatives, so they do not lose their jobs (Kasmir 2016). This kind of solidarity among cooperatives is possible through integration.

#### The Antigonish Movement - Canada

Another important historical example is the social movement of Antigonish, in Canada. This has been a community development movement that utilizes adult basic education and economic cooperation as a means. Although cooperativism is not the only tool utilized, it remains the preferred and most used, which specifically follows and is based on Rochdale Society's cooperative principles (Parrilla Bonilla 1971).

After seeing that the lack of formal education during peoples' youth was marginalizing adults and affecting their quality of life, in 1934 the movement developed an Extension Department at St. Francis Xavier University. Here, formal education was provided to those who could not or did not want a traditional university education. Among the goals of the founders' group of the Antigonish Movement were to raise the level of social and economic life for as many people as possible; to develop a cooperative structure that democratically controls a significant amount of economic activity; and to allow adults to develop their economic, political, cultural and spiritual skills by providing them formal education (Parrilla Bonilla 1971).

Many other interconnected enterprises were created among them, helping to achieve the founders' purposes. The success of the movement has been recognized worldwide and studied by many scholars. It is currently spreading the practice of cooperativism and emphasizing the role of education in community development (Coady International Institute 2015; Parrilla Bonilla 1971).

#### UNIMED – Brazil

UNIMED (the name comes from a combination of “union” and “physicians” in Portuguese) is a union of medical-worker cooperatives in Brazil. It is the largest network of medical cooperatives in the world with 354, along with more than 110,000 physicians, 113 hospitals, and services offered like health insurance, emergency care, laboratories, and ambulances. It provides healthcare to more than 20 million people in Brazil. Since

UNIMED is a not-for-profit organization and follows cooperative principles, its revenues resulting from the operations are constantly reinvested in extensions and more services (Voinea 2015).

UNIMED's first medical cooperatives were created in 1967 because of the need for better healthcare services, quality of resources, and work conditions for doctors. Such circumstances led a union of doctors in Sao Paulo to consider the socialization of healthcare in the form of cooperatives. In time more medical cooperatives were created. To coordinate regional and national activities, several federations (second-degree cooperatives) were formed during the 1970s and a confederation (third-degree cooperative) in 1972. Competition with the Brazilian Medical Association (who also ended up establishing one) motivated the creation of this confederation (Rabelais Duarte 2001).

The successful integration of the cooperatives that participated in UNIMED led to further development. In 1989, financial cooperatives (Unicred) were formed to keep their assets in their own institutions, and in 1993, consumer cooperatives (Usimed) were formed to provide cheaper access to medical equipment and resources. These cooperative organizations from different sectors are part of a multi-cooperative system that expanded operations through their integration (Rabelais Duarte 2001).

As expected, UNIMED was not free of problems. Legal obstacles have forced the cooperative to create other non-cooperative organizations to perform activities prohibited by law to them. These organizations are also part of the multi-cooperative system. Other

obstacles have involved the political affinities of leaders, which sometimes favor or reject activities according to the political inclination of other leaders. Challenges also have arisen from the cooperative model itself. For example, the democratic control from members created the risk of having a member without management experience on a board of directors. UNIMED tried to overcome this by creating an organization to provide education and training to their members. Nonetheless, the cooperative model also has brought advantages to UNIMED, since the participant cooperatives maintained their autonomy and the system was decentralized, leaving the first-degree cooperatives wide margin for actions (Rabelais Duarte 2001).

UNIMED's history shows how a necessity in the health field led to the formation of diverse cooperatives from multiple sectors, as a continuous act of integration among cooperatives, to improve conditions and overcome obstacles.

#### Cruz Azul Cooperative - Mexico

Cruz Azul in Mexico is a group of cooperatives developed by a cement producer cooperative. It is one of the most important cement companies in Latin America and formed cooperative cities that offer housing, schools, healthcare services, and diverse cultural activities for its population.

The company Compañía Manufacturera de Cemento Portland La Cruz Azul, SA, a producer of cement in Hidalgo, Mexico, was bought in 1931 by another cement corporation with the intention to close it and keep the market for itself. The workers of Cruz Azul,

however, organized themselves to try to save their jobs. Consequentially, the government of Hidalgo expropriated Cruz Azul and gave it to the workers, who converted it to a cooperative in 1934. Immediately, the cooperative organized a primary school for the community. Between 1940 and 1942, the cooperative expanded operations by building a second factory, an education center, and coordinating health services with several clinics. In 1953, Guillermo Álvarez Macías, who believed the main value of cooperatives was in its social and human purpose, took leadership and steered the social and economic transformation of the cooperative that modernized the cooperative. In the following years, the cement production increased by 600% and the cooperative began the construction of cooperative cities in Hidalgo and Oaxaca. These included cooperative housing for the workers, cooperative transportation services, a soccer stadium, a shopping mall, and research centers. The cooperative even founded a soccer team, which to this day has won six national championships. Cruz Azul continued its development by diversifying its products, selling cement internationally, and opening new factories. It also constructed and operated hospitals, hotels, cloth manufacturers, more schools, bakeries and other market products. In addition, Cruz Azul offers services like healthcare and education through their own educational system (Real Estate Market & Lifestyle 2017; Eloísa Zúñiga 2013; Cemento Cruz Azul 2017; Cooperativa La Cruz Azul 2009).

Education in this cooperative's case was again a crucial factor for its development, creating a school being among its first actions and subsequent educational activities later. Beyond the basic services, Cruz Azul considered the importance of culture and entertainment, which provided social cohesion and incorporated a successful soccer team.

Like Mondragon Cooperatives' experience, Cruz Azul had a champion that guided the cooperative and influenced it with their social philosophy.

#### Cooperativa Médica del Valle (COOMEVA) – Colombia

COOMEVA gathered a group of cooperatives together that provides financial services, health and dental insurance, housing, and tourism agency services for its members. It also integrated cooperatives that provide services to its other cooperatives, like administrative services and a foundation. Currently, COOMEVA is the largest cooperative group in Colombia, employs more than 15,000 people, and provides services to more than 275,000 members and their families in 24 Departments (Colombia has a Capital District and 32 Departments, equivalent to States in the United States), and (Grupo COOMEVA 2017).

During the 1960s, a medical doctor named Uriel Estrada Calderón was deeply affected when a colleague died and his family found themselves in a difficult financial situation. Estrada Calderón gathered other doctors with the idea of creating a social protection so that situations wouldn't happen like that of the family of colleagues. Together they incorporated a cooperative that provided financial and insurance services. It was a success and in time, the cooperative opened its doors to members from different professional fields and started an expansion by offering health and dental services, housing, and recreational services through new cooperatives (Grupo COOMEVA 2017).

The group had significant problems during a general financial crisis in the 1990s. While the government bailed out banks, saving them from bankruptcy, cooperatives received no aid, and many people lost their savings. This affected the reputation of cooperatives. Nevertheless, they managed to overcome the crisis by helping each other and recovered the trust of the people, increasing its quantity of members (El Tiempo 2004).

One of the founders pointed out the role of education, saving habits, integration with the community, and the cooperative model in the success of COOMEVA (El Tiempo 2004).

#### Canadian Cooperative Association (CCA) – Canada

The Canadian Cooperative Association (CCA) is a national cooperative association that represents over 2,000 cooperatives from multiple sectors in Canada. It works internationally with other organizations to reduce poverty in other countries through cooperative enterprises (Balkan 2011).

In 1909, leaders of six consumer cooperatives from different places in Canada gathered to consider the creation of a national association that would integrate them together and coordinate representation and defense of their cooperative movement. From this meeting emerged the Canadian Union of Cooperatives, renamed in 1987 as Canadian Cooperative Association (Balkan 2011). It was in 1945 when this second-degree cooperative began its excursion in international efforts to fight poverty. In 2014, the

association decided to dedicate the full resources of the cooperative to helping develop other cooperatives (Canadian Cooperative Association 2017).

#### National Rural Electric Cooperative Association (NRECA) – United States of America

The National Rural Electric Cooperative Association (NRECA) gathered more than 900 members in the United States composed of consumer-owned electric cooperatives, public power districts, and public utility districts. Its origins date back to the 1930s when many rural areas had no electricity and were not served by existing electric companies. The government approved the Electric Cooperative Corporation Act to allow for the formation of electric cooperatives and to serve rural areas. The success was notable and by 1953 electric cooperatives were providing electricity to 90% of farms around the country. During World War II, false claims arose that these cooperatives were hoarding copper. Leaders from electric cooperatives around the country joined to defend themselves and as a result the NRECA was formed. Currently, the NRECA provides multiple services to its cooperative members like healthcare insurance, representation, training and education, legal and technical advice on diverse matters, and research (NRECA 2017; Olivier et al. 2010).

The cooperative model has demonstrated advantages for the electric business. For example, 2008 was a year of deteriorated economic conditions, including the electric industry, however, the electric cooperative sector increased sales by 1.9%, while the industry witnessed declining sales. When considering the 10 years before that, the numbers show a 3.4% annual sales growth for the cooperatives compared to 1.3% for the industry.

In addition, they have kept distribution costs low and their rates have increased minimally (with no increase during many years) (Olivier et al. 2009). One of the reasons for such achievements is the economies of scale that the cooperative model provided (Olivier et al. 2010).

Currently, they are exporting their integration experience of working with other cooperatives internationally. A joint effort involving the NRECA, two other U.S. electric cooperatives (Oklahoma Association of Electric Cooperatives and Association of Missouri Electric Cooperatives), and a Bolivian electric cooperative (Cooperativa Eléctrica Riberalta) conducted a project to provide electricity for the first time to a community in Bolivia. Specifically, they provided one lightbulb in each room and two electrical outlets to each home of the community. The joint effort completed the project in a timeframe that would have been impossible to achieve by the local cooperative alone (Hurst 2017).

#### Other Integration Examples

Several other integration initiatives are being developed by cooperatives around the world. A group of financial cooperatives in France are starting a project where members may open and maintain an online account with multiple services for just two euros monthly (Voinea 2017). Two dairy producer cooperatives, one from the Netherlands and the other from England, established an alliance to increase their line of products and expand operations internationally (Hadfield 2017a). Also, electric cooperatives in the United States are developing alliances to reduce electricity costs for their members (Hadfield 2017b).

### *Comparison of Successful Integration Cases in the Literature*

There are repeated patterns and important differences from these experiences that are useful to this study.

The development process of Mondragon, Antigonish, Cruz Azul, and COOMEVA implemented integration from the beginning, since the original group created new cooperatives to fulfill the necessities of the community. In the case of UNIMED, CCA, and NRECA, existing cooperatives later joined in a new association, demonstrating that integration can be done both ways.

Education is another important aspect common to all of these examples. Most of the examples put an emphasis on education from the very beginning. Their focus on education is technical as well as social and cultural. This suggests that integration is better achieved when education is a priority. It is important to highlight that education goes beyond technical training; it also refers to a broader sense of education where culture and social conscience serve a complementary purpose and facilitate social cohesion among members.

Most of the cases created second and third-degree cooperatives to manage integration efforts and coordinate their development. While some of them encountered challenges like periods of financial uncertainty, crisis or legal obstacles, their integration helped them overcome the situation.

Also, important to mention is that in several cases it took little time to make significant developments through integration: three years in the case of UNIMED and four or eight years in others. In addition, several of the cases had a champion (either a person, a small group or institution) that promoted integration as part of the whole cooperative business.

In terms of the years of foundation, all of these cases originated many years ago, between 1909 and 1955. However, many of them achieved their most important advances in integration after those years.

All of these cooperatives had an important reason for forming: a need. Among the needs were unemployment, lack of education, work conditions, social protection, representation, a unified front to defend interests, or other specific services. That is a basic principle for any business: there must be a need.

As soon as the original business had success, the groups continued their development. Some created more cooperatives and entities to attend to needs of the community. Many of them created financial cooperatives to address their capital needs, which is an important aspect for any development. Some even grew internationally, providing aid to other groups and countries. This development included social and recreational activities, like the soccer team from Cruz Azul, supporting the social cohesion that was mentioned before.

Table 2.4 below compares all these aspects found in the integration cases.

<b>Table 2.4 - Comparison of Successful Integration Cases Around the World</b>								
<b>Cooperative Name</b>	<b>Foundation Year</b>	<b>Motive to create it</b>	<b>Educational Instrument</b>	<b>Educational Focus</b>	<b>Integration</b>	<b>Champion</b>	<b>Development</b>	<b>Problems</b>
Mondragon (Spain)	1955	Unemployment	Institute	Technical, social values	Beginning	Priest José María Arizmendiarieta	Financial co-op, 2nd degree, invest in one another, mutual fund	Financial fluctuations - integration as strategy
Antigonish (Canada)	1934	Lack of Education	Extension Department	Economic, political, cultural	Beginning	University Saint Francis Xavier	Education, organizations, co-ops	Not specified
UNIMED (Brazil)	1967	Improve services, work conditions	Education, training	Not specified	Later	Group of doctors	Financial co-op, consumer co-op	Legal obstacles to provide new services - integration as strategy
Cruz Azul (Mexico)	1934	Unemployment	School, research centers	Technical, social, cultural	Beginning	Guillermo Álvarez Macias (from 1953)	Housing, stadium, shopping mall, research centers, healthcare system	Not specified
COOMEVA (Colombia)	1960s	Social protection	Not specified	Saving habits, social	Beginning	Uriel Estrada Calderón	Financial, insurance, health, housing tourism, recreational	1990s financial crisis - integration as strategy
CCA (Canada)	1909	Representation	Not specified	Not specified	Later	Not specified	Alliance to fight poverty	Not specified
NRECA (USA)	1930s	No electricity in rural areas	Not specified	Not specified	Later	Not specified	Provide international aid	Not specified

### *Cases of Integration Among Cooperatives in Puerto Rico*

Puerto Rico also has witnessed multiple efforts toward integration. Some were successful, some were not. In this work, a division is made between higher degree cooperatives and integration groups.

#### *Third-Degree Cooperatives*

##### League of Cooperatives

Cooperative leaders and government officials agreed that an organism independent from government was necessary to consolidate efforts from cooperatives. The League of Cooperatives, created in 1949 by the first Cooperative Congress in Puerto Rico, acts as the major representative of cooperatives and its highest integrative body. It is funded by the contribution of cooperatives. However, insufficient funds limited its actions at the beginning (Rowan 1957). The government then passed Law 87 in 1966, which mandated cooperatives to contribute one tenth of the 1% of their funds specifically to educational purposes (Parrilla Bonilla 1971).

#### *Second-Degree Cooperatives*

##### Banco Cooperativo de Puerto Rico (BANCOOP)

A Cooperative Bank was created in 1951, but after a while it ceased operations (de la Rosa 1994). Then, the government set as a goal that the cooperative movement generate 25% of the economic activity in the country. Recognizing that a financial instrument was necessary to facilitate resources for such activities, in 1966 Law 88 allowed cooperatives to incorporate Banco Cooperativo de Puerto Rico (BANCOOP) (Commonwealth of Puerto

Rico 1966). In 1971, after some legal issues, BANCOOP was finally incorporated. Parrilla Bonilla (1971) argues that personal problems between cooperative leaders and flawed laws regulating cooperatives were cause for this delay. It was not until 1974 that it began operations (BANCOOP 2017). Its purpose is to contribute to the common good of the community through the administration of funds from cooperatives, citizens, and other sources (Administración De Fomento Cooperativo 1981).

BANCOOP is a bank with a cooperative structure, aimed to serve cooperative purposes, and controlled by cooperatives. Therefore, it is considered as a second-degree cooperative. It is worth highlighting that the government approved a law to allow cooperatives to create it.

#### Cooperativa de Servicios Fúnebres

Cooperativa de Servicios Fúnebres (Funeraria Co-op) offers funeral services to cooperative members and non-members. It was incorporated in 1974 with the purpose of providing lower costs for these services. It currently has almost 100 members between first and second-degree cooperatives.

#### Cooperativa de Seguros de Vida de Puerto Rico (COSVI)

In 1959, the insurance law was amended to allow for the creation of insurance cooperatives in Puerto Rico. That same year, Cooperativa de Seguros de Vida de Puerto Rico (COSVI) was incorporated with the purpose of providing life insurance to

cooperativist members. Its success has led to offering its services to other non-cooperativist sectors (COSVI 2017).

### Cooperativa de Seguros Múltiples

Cooperativa de Seguros Múltiples was incorporated in 1963 (Administración De Fomento Cooperativo 1981). Its success obligated other companies to reduce the costs of diverse insurance plans (Parrilla Bonilla 1971). COSVI and Cooperativa de Seguros Múltiples are the principal insurance companies in Puerto Rico and both are recognized as very successful.

### *Other Integrated Groups*

Although the following entities are not cooperatives, they are groups that have integration as an objective and their existence is a result of integration. Their activities will be classified in the integration scale and they will also be able to inform about the current situation of cooperation among cooperatives.

### Regional Councils and Sectorial Commissions

Under the structure of the League of Cooperatives, sectorial commissions and regional councils coordinate and work toward integration. The sectorial commissions group cooperatives according to their sector: The Savings and Credit Commission (financial cooperatives), the Housing Commission (housing cooperatives), and the Diverse Types Commission (all other cooperatives under Law 239). The regional councils gather

cooperatives according to their geographic location: North, South, East, West, Central, Metro (Metropolitan area) and North Metro (Liga de Cooperativas de PR 2017).

Although these groups emerge from the structure of the League of Cooperatives—a third-degree cooperative—their views could be different, since they should be closer to their field. Therefore, this research considers them independent groups that gives rise to integration among cooperatives.

#### Asociación de Ejecutivos de Cooperativas de Puerto Rico

This association is formed by executive presidents from financial cooperatives. Its main purpose is to represent and educate executives of financial cooperatives. However, another objective is to promote integration among cooperatives. The association was founded in 1972 and currently it has representation from more than 100 financial cooperatives in Puerto Rico. The structure of the association is divided among North, South, East, West, and Central to group cooperatives by their geographical region (Asociación de Ejecutivos de Cooperativas de Puerto Rico 2018).

#### Circuito Cooperativo

This is a corporation created by financial cooperatives to provide a shared branch service, which allow members to make transactions in any of the affiliated cooperatives. It began operations in October 2009 and currently has 55 affiliated cooperatives.

## Alianza Cooperativa del Este

This alliance groups twelve financial cooperatives from the East area of Puerto Rico. Founded in 2007, it is the most outstanding group among the existing alliances. It promotes integration and coordinates activities like common marketing, housing construction, sporting events, service advertising, and the weekly radio program “Cooperativismo: Mostrando el Camino” [Cooperativism: Showing the Way] (Alianza Cooperativa del Este 2018).

## Other Alliances

Other alliances include Alianza Cooperativa Metro, Enlace Cooperativo del Norte, Alianza Cooperativa Oeste, and Enlace Cooperativo Sur Central. These four alliances also group financial cooperatives according to their geographical location and they conduct activities like marketing and publicity. However, there is not much information written on them.

## *Unsuccessful Attempts*

The most noticeable failed integration effort was UNICOOP (United Consumers Cooperative Association), a cooperative group that gathered 52 consumption cooperatives in 1968. They had multiple supermarkets around the country. Its success was such that these cooperatives influenced the price of many products in Puerto Rico (de la Rosa 1994). Administrative issues, size problems, and confusion between integration and merger caused its liquidation in 1984 (Pérez Riestra & Varela Mont 2003).

There were other unsuccessful attempts, but there is not much information published about them. The financial sector founded a Federation in 1950 that worked as an integrated body for about 20 years. Later, in 2002, another Federation of the same sector was created after some resistance from the sector itself (Pérez Riestra & Varela Mont 2003). A Health Insurance Cooperative operated from 1960 to 1974, and a Management Services Cooperative was initiated in 1975 (Administración De Fomento Cooperativo 1981). It is unfortunate that no additional information is available about these failures, as it could pass on many lessons regarding integration efforts in Puerto Rico.

### *Government Controlled Bodies*

The government of Puerto Rico has been involved (some would say too much) in efforts to influence cooperatives and their integration. Although the government is not responsible for integrating the movement, these institutions are included in this review because to some extent they have influence over it.

### *COSSEC – Oversight and Insurance*

In 1980, the government created the Cooperatives Inspector Office and the Stocks and Deposits Insurance Fund Program (PROSAD in Spanish). The former oversaw cooperatives; the latter provided insurance to all deposits in financial cooperatives up to \$40,000 dollars (de la Rosa 1994). Currently, both are under Corporación Pública para la Supervisión y Seguro de Cooperativas de Puerto Rico (COOSEC), which is a government entity in charge of the supervision and insurance of cooperatives. Its board is composed of

eleven members: five government representatives, five cooperatives representatives and one representative of the public interest (COSSEC 2018).

## FIDECOOP

In 2002, the government passed a law that created a new entity: Fondo de Inversión y Desarrollo Cooperativo de Puerto Rico [Puerto Rico Cooperative Development and Investment Fund] (FIDECOOP). The purpose of FIDECOOP is to promote the socio-economic development of the country through capitalization of cooperatives. The law established that the government would match the financial contributions of cooperatives to FIDECOOP of up to 25 million dollars. Its board of directors is composed of nine members: four government representatives, four cooperatives representatives, and one representative of the public interest elected by the other eight members (Commonwealth of Puerto Rico 2002).

## Comisión de Desarrollo Cooperativo

In 2008, the government passed a law that created a public agency to reorganize and coordinate the governmental efforts toward a unified vision of the cooperative movement in Puerto Rico. This is Comisión de Desarrollo Cooperativo (Cooperative Development Commission – from now on Commission). Among its purposes, it implements strategies for the development of cooperatives, provides interconnection among the different sectors, and procures a common understanding between all cooperatives that drives them toward the same goal: growth of the movement. The agency has a board of directors composed of ten members and two ex-officio members (who can

voice opinions but can't vote). Five of the ten members represent government agencies or dependencies (including the President of the board). The other five represent the cooperative movement. The two ex-officio members are the Executive President of the Commission and the Executive Director of FIDECOOP (Commonwealth of Puerto Rico 2008).

### Instituto de Cooperativismo

Instituto de Cooperativismo was created by the legislature through resolution in 1953. This Institute is part of the Social Sciences Faculty of the University of Puerto Rico. It currently offers a minor's degree in cooperativism, a research program, a cooperative development program, and a master's degree in *Gestión y Desarrollo de Cooperativas y Organizaciones Solidarias* (Management and Development of Cooperatives and Solidarity Organizations) (Instituto de Cooperativismo 2018). Before the master's degree began, it offered a bachelor's degree in Cooperativism.

### *Summary of Integration Cases in Puerto Rico*

In general terms, the structure of the cooperative movement in Puerto Rico is specifically devoted to integration. The existence of third and second-degree cooperatives are factors that suggest high integration among cooperatives. However, four second-degree cooperatives could be considered a low number for a country with hundreds of cooperatives. In addition, the 12-year period in which these cooperatives were incorporated (1959-1971) indicate this kind of integration has not been continued since then. In other

words, there have been no new second-degree cooperatives since 1971. Nonetheless, there are more recently formed groups created by cooperatives to promote integration.

Compared with other countries, cooperatives in Puerto Rico were formed without a long-term plan involving integration in mind. Instead, integration became a goal after some time. Thus, its case is similar to what happened in UNIMED, CCA, and NRECA; integration wasn't addressed at the beginning, but after a while. As mentioned before, successful integration is possible this way too.

However, the status of integration among cooperatives in Puerto Rico is unclear. On one hand, many financial cooperatives participate in "Shared Branch" services, in which a member can place transactions of one cooperative in the office of another cooperative—a good example of integration. On the other hand, some financial cooperatives place new branches very close to other financial cooperatives, becoming their direct competitor.

Another trend observed in the case of Puerto Rico is the involvement of the government. Government is mentioned frequently in many cases. Whether it was an initiative made by law or a law was needed to create integration, the composition of some groups, the government has had a great involvement in the cooperative movement in Puerto Rico. The only contrary example is the creation of the League of Cooperatives, which was an act to gain more independence from government. However, the League later needed the government's assistance in the creation of a law to assure funds from

cooperatives. This follows the pattern described by several authors that say the government of Puerto Rico has too much control and influence over the cooperative movement, it possesses a paternalistic behavior, and cooperatives are too dependent on it.

From the literature, not very many integrated activities were found. Some entities are conducting obvious integrated actions like the radio program of Alianza Cooperativa del Este, which could serve an educational purpose among other things but little or no information about their activities is provided. Therefore, it becomes necessary to delve deeper to determine the type of integration that currently exists among cooperatives in Puerto Rico.

Table 2.5 presents the comparison of integration cases in Puerto Rico.

<b>Table 2.5 - Comparison of Integration Cooperative Groups in Puerto Rico</b>					
<b>Cooperative Name</b>	<b>Foundation Year</b>	<b>Motive to create it</b>	<b>Educational Instrument</b>	<b>Integration</b>	<b>Problems during creation</b>
<b>3rd degree cooperatives</b>					
League of Cooperatives	1949	Independence from government	-	Not from the beginning	Funds - government had to pass a law
<b>2nd degree cooperatives</b>					
BANCOOP	1971	Specific service	-	Among purposes	1st attempt failed - 2nd created by law
Funeraria Coop	1974	Specific service	-	-	-
COSVI	1959	Specific service	-	-	-
Múltiples	1963	Specific service	-	-	-
<b>Other Integrated Groups</b>					
<i>Sectorial Commissions</i>	-	-	-	-	-
<i>Regional Commissions</i>	-	-	-	-	-
Asoc. Ejecutivos	1972	Representation		Among purposes	-
Circuito Cooperativo	2009	Specific Service	-	Among purposes	-
Alianza Este	2007	Market	Radio program	Among purposes	-
Alianza Metro	-	Market	-	Among purposes	-
Enlace Norte	-	Market	-	Among purposes	-
Alianza Oeste	-	Market	-	Among purposes	-
Enlace Sur Central	-	Market	-	Among purposes	-

Table 2.6 summarizes the facts provided by the literature about government-controlled bodies related to cooperative integration.

<b>Table 2.6 – Government-Controlled Bodies Related to Cooperative Integration</b>			
<b>Institution Name</b>	<b>Foundation Year</b>	<b>Motive to create it</b>	<b>Government Involvement</b>
Instituto de Cooperativismo	1953	Education	Public Educational Institution
COSSEC	1980	Oversight and insurance	Board Composition
FIDECOOP	2002	Capitalize co-ops	Board Composition
Comisión de Desarrollo	2008	Promote and guide public policy	Board Composition

### *Studies About Integration Among Cooperatives*

There have been some efforts to study integration among cooperatives using the transaction cost economics theory. This theory argues that organizations make decisions above all based on cost efficiency (Kang 2014).

Desrochers and Fischer (2005) conducted a study to determine the level of integration of financial cooperatives. They used a transaction cost economics framework based on the idea that the type of alliance formed depends on costs and contractual hazards. They identified three levels of integration: atomized systems (low level), consensual networks (medium level), and strategic networks (high levels).

Each of these levels is characterized by some specific functions usually present. Functions found in low-level integration are: (1) representation - the integrated body represents members with shared issues like taxes, regulations, etc.; (2) education - the integrated body advocates/supplies education for the members of each financial cooperative; (3) advisory and prudential services - the integrated body provides

management services to its members. Functions found in medium level integration are as follow: (4) voluntary pooling of resources and standardization - the integrated body assumes management of common resources and standardizes procedures; (5) market sharing - rules are established prohibiting competition among members; (6) unique image - the integrated body adopts an image or trademark; (7) delegation of strategic planning - the integrated body adopts strategic planning for the network. Finally, functions in high-level integration are:(8) separation of strategic and operational decision management - the integrated body has separate operational decision management; (9) prudential supervision role - the integrated body supervises its founding organizations; and (10) contractual solidarity - the created network has formal mechanisms to help the members.

Low-level integrated systems are those that have any of the first three characteristics, which consist of activities that require no formal ties, no coordination, or minimum pooling of resources. Those that possess any of the characteristics from four to seven are classified as medium-level integrated systems. These activities seek economies of scale. Finally, those that have any of the characteristics from eight to ten are considered high-level integrated systems. These activities have in common a body that manages the resources contributed by members (Desrochers and Fisher 2005).

Although Desrochers and Fischer (2005) address levels of integration in their paper, it is limited to financial cooperatives. From the point of view of this research, integration means a system where a network links cooperatives from all sectors, not only financial.

From these functions described by Desrochers and Fisher (2005), two activities are included in the theoretical framework: supervision and solidarity. These activities are not considered by literature on strategic alliances, but they are part of the integration process of cooperatives. Supervision implies that a new entity will have an oversight role for the cooperatives that originated it. Solidarity occurs when mechanisms and plans are adopted through formal agreements to provide help to other cooperatives under specific circumstances. Although solidarity might occur in different forms, this study uses this definition to describe it.

Other studies have also used the transaction cost economic theory to analyze some aspects of joint ventures in which cooperatives have participated (Medeiros 2002). However, these do not measure the level of integration among cooperatives.

Sumner and Wever (2015) conducted a study to determine ways of cultivating alliances for agricultural cooperatives in Canada. They found that alliances occur four ways. The first one is among cooperatives. Prompted by the principle “cooperation among cooperatives,” these organizations tend to collaborate on common issues. The second way is through the creation of a network. This is a more formal way than the first one, since resources are allocated in an integrated body that will be managed independently. These two ways, respectively, resemble the informal and formal structure of integration as mentioned above. The third way is with other organizations and the fourth is with other social movements. Those are self-explanatory and are beyond the concern of this study.

Transaction cost economic theory is not an adequate theory for this research because although cost efficiency must be considered when cooperative enterprises intend to integrate their efforts, it is limited because it ignores an existing bond among these organizations. The strategic alliances theory better resembles the dynamics observed among cooperatives.

### **Strategic Alliance Theory**

#### *Definition, Purpose, and Advantages*

The strategic alliance theory proposes that organizations should pool their resources together in an alliance so that each involved partner benefits. Organizations have an increasing interest in these alliances that, similar to competition, lead them to achieve specific goals (Contractor & Lorange 2004).

To define strategic alliances, scholars have identified characteristics that help identify them. Some of these are shared risk of resources, shared responsibility, shared decision-making power, and specific level of cooperation or interdependency among participant organizations (Contractor and Lorange 1988; Lorange & Roos 1993; Root 1987).

Todeva and Knoke (2005) are more straightforward in providing a definition. They define strategic alliances as formal relationships between organizations that seek to achieve objectives through collaboration instead of competition. Gulati (2004) defines them as “voluntary arrangements between firms involving exchange, sharing, or co-development

of products, technologies, or services” (p. 378). Kale and Singh (2009) adopt Gulati’s definition and rephrase strategic alliance as a “purposive relationship between two or more independent firms that involves the exchange, sharing, or co-development of resources or capabilities to achieve mutually relevant benefits” (p. 46).

A strategic decision is identified not only by the sum of its cost, but by its projected benefits, though some are intangible like legitimation. It is guided by the expectation of results. The investment may involve not only resources, but also changes in the way the organization operates, its activities, and its policies (Todeva & Knoke 2005). Some authors argue that a strategic alliance is a tool and a means to an end, not the ultimate purpose (Lorange & Roos 1993).

In the case of cooperatives, one of their principles is integration. In the cooperatives’ field, it is also a common statement that such collaboration is a means and not an end (Parrilla 1971). Cooperatives organizations create alliances between them, guided by integration efforts. Therefore, the theory of strategic alliances will be used as a framework to study and analyze cooperative organizations in terms of integration. Specifically, this work determines, using the strategic alliances theory, the level and type of integration in the Cooperative Movement in Puerto Rico.

Literature presents multiple advantages for strategic alliances—such as higher profits and success-pursuing objectives—compared to mergers and company acquisitions (Todeva & Knoke 2005). Collaboration is an effort to improve the conditions of each

organization that participates (Todeva & Knoke 2005). Similar advantages are possible for cooperatives too since they are a business like any other.

A great part of the strategic alliance literature is centered on international alliances. However, it is beyond the scope of this study, which focuses on national alliances.

### *Types of Strategic Alliances*

There are multiple forms of strategic alliances. Lorange and Roos (1993) explain that these forms can be found between the extremes of transactions on a free market and mergers of acquisitions. It will depend on how many resources the participating partners are willing to risk, whether it be short-term to provide enough for operations or long-term to provide enough capability to adapt to changes. Another factor is how much they want to get back from the outcome, which could be all or nothing, i.e., letting it stay in the alliance or new organization created by the alliance.

Contractor and Lorange (2004) identified eight types of alliances: (1) technical training; (2) production agreements; (3) patent licensing; (4) franchising; (5) know-how licensing; (6) management, marketing, and service agreements; (7) nonequity joint agreements in exploration, research, and development; and (8) equity joint venture. These eight types range from an extreme where there is little interaction (technical training) to another extreme where there is a high interorganizational dependence (joint venture).

Todeva and Knoke (2005) considered these and other authors to classify the multiple types of collaboration they found. They identify eleven types and organize them from the least integration required to the most. Actions Sets (1) are coordinated lobbying actions to influence public policy. Industry Standard Groups (2) are agreements for adoption of standards in production. Subcontractor Networks (3) is when a subcontractor negotiates several aspects of their production and trade. Licensing (4) is the action allowing the use of a patented good in exchange of fees. Franchising (5) is permitting the use of a brand but keeping in control of markets aspects under standard rules. Cartel (6) is the control of production or prices by several organizations to impede the entrance of a new competitor. Strategic Cooperative Agreements (7) are organizations collaborating on common objectives and with shared responsibilities. Research and Development Consortia (8) is collaboration for research and development purposes. Cooperatives (9) are small organizations that combine and administer their resources. Equity Investments (10) occurs when an organization buys stocks from another organization. Finally, Joint Ventures (11) are organizations created by other organizations for a specific purpose (Todeva & Knoke 2005).

The spectrum of activities presented by Todeva and Knoke (2005) is the most complete list of activities found in the strategic alliance literature. This was the basis for the framework this study used to classify the integration activities performed by cooperatives. However, some other activities were included to consider other important and inherent aspects of cooperatives. One of these additions was education, an activity that includes technical training (Contractor and Lorange 2004), as well as social and cultural

formation (Desrochers and Fischer 2005; Parrilla Bonilla 1971). Cooperatives need to educate diverse actors. Since this activity does not require formal ties and a minimum pooling of resources, “Education” will be part of the low-level integration activities in the theoretical framework.

Other additions to the framework are activities located in the extremes of the identified alliance spectrum. At the lower level of the spectrum exists “Market Relations,” which relates organizations only through economic transactions. At the top of the spectrum is “Hierarchical Relations,” which occurs when one organization takes full control of the other through merger or purchase (Todeva & Knoke 2005). Authors agree that such extremes are not considered alliances (Gulati 2004; Lorange & Roos 1993; Reuer 2004). Although the exclusion of hierarchical relations also applies when considering cooperatives, the case is different regarding market relations. Anytime a cooperative uses the services of another cooperative, even solely for the purpose of market relations, it supports other cooperatives and is considered cooperation among cooperatives. Thus, market relations in the cooperative and solidarity economy field are considered integration. However, such support might be sporadic or discontinued at any time unless there is a formal agreement or policy that forces a cooperative to continue it. That is why “use of services” (referring to market relations) was included as a low-level integration activity in the framework of this research. Again, this activity does not involve a long-term commitment or formal ties.

On the higher end of the scale, supervision and solidarity were included. These two activities require high involvement and compromise from participants.

Table number 2.7 presents the constructed framework that will be used to classify the integration activities reported by cooperatives.

<b>Table 2.7 - Scale of Integration Activities</b>	
<i>Low-level Activities</i> - require no formal ties, no general coordination, or minimum pooling of resources.	
1. Use of Services	market relations with other cooperatives without formal agreements
2. Influence Public Policy	coordinated efforts among cooperatives for lobbying actions to influence public policy
3. Education	the integration group provides technical training as well as social and cultural education to participant cooperatives
4. Standard Groups	agreements for adoption of common standards in production and services
<i>Medium-level Activities</i> – focused only on the economic rationale, like pursuing economies of scale.	
5. Subcontractor Networks	a subcontractor for linked cooperatives negotiates several aspects of their purchases with suppliers, like prices, quantities, and delivery schedules
6. Licensing	allowing the use of a patented good in exchange for fees
7. Franchising	permitting the use of a brand, but keeping in control aspects of markets under standard rules
8. Cartel	control of production or prices by several organizations to impede new competitors
9. Strategic Cooperative Agreements	cooperatives collaborating on activities with common objectives and shared responsibilities

<i>High-level Activities</i> – involve a body that independently manages the resources contributed by members and/or require a high involvement and compromise from participants.	
10. Research and Development	collaboration for research and development purposes
11. Cooperatives	cooperatives that combine and administer their resources through a second or third-degree cooperative organization
12. Equity Investments	capitalize other cooperatives
13. Joint Ventures	organizations created by cooperatives for a specific purpose
14. Supervision	oversight from a new entity over those cooperatives that created it
15. Solidarity	formal mechanisms and compromises to help other cooperatives

### *Motivators and Drivers to Form Alliances*

Lorange and Roos (1993) established generic motivators related to strategic positions of the participants in an alliance. The strategic position refers to the organization's position within the alliance (core vs. peripheral) and its business (leader vs. follower). The first point distinguishes whether the alliance is part of the core business of a partner or its peripheral. The second point tells if the organization is a leader or a follower in its own field, depending on its share of the market, quality of its products, superior technology, etc. Thus, a leader in an alliance that acts as its core business will be in a defensive position, securing raw materials or prices of products, while a follower will seek to advance. On the other side, a leader in a peripheral role will look to remain and capitalize

its position, while a follower in the same role might be placed in a restructuring position to gain strength.

Authors have identified several motivators to form alliances. Among them are: risk reduction, which seeks a redistribution of the risk among partners; economies of scale, that obtain lower costs through larger purchases or using specific advantages from partners; access and exchange of technologies, where contributions from each partner obtain a beneficial result; reduction or limiting of the competition, where an alliance is formed to overcome competitors or make it difficult for competitors to enter the market; expansion and growth, at national or international level; overcoming legal and regulatory dispositions from the government; and quasi-integration, where each partner brings a complementary contribution through joint ventures, coproduction activities, management agreements or research agreements (Contractor & Lorange 2004; Gulati 2004; Zajac 1990, as stated by Lorange & Roos 1993).

Todeva and Knoke (2005) summarize several motives to form a strategic alliance and gather them in four different levels: organizational, economic, strategic and political.

The organizational level consists of learning activities that deal with internal organizational issues. At this level, motivators like learning new skills, restructuring, performance improvement, and management of environment changes are found. The economic level is related to costs and benefits. Motivators like the search for new markets, shared risks, joint resources, and economies of scale are found here. The strategic level is

about obtaining an advantage position in the market. The motivators under this level might be competitive advantage, entry to new business, access to new technology, avoidance of new competitors, and research and development. The political level contains activities that manage government or competitors' issues. Under this level, the motivators are overcoming regulations and standardization of techniques (Todeva & Knoke 2005).

When considering cooperatives, it must be added that besides any benefit for the partners involved, one objective should be the strengthening of the cooperative movement. This means that the objectives of the alliance should be aligned with the social objectives of the movement.

#### *Factors that Influence the Formation of Alliances*

Several factors may have an effect on the decision to form an alliance. Among them are government, behavior of other organizations, the organization's characteristics, compatibility of objectives, and globalization drivers.

Government has a major role in terms of alliance formation, whether its participation is direct or not. Its policies, laws, controls, protections, subsidies, and economic situation might promote the creation of alliances or make it difficult. Thus, the environment perceived by organizations influences alliance formation (Todeva & Knoke 2005).

Another consideration is the way organizations behave in a market. The level of competition, the scope some organizations have, and technological advances might lead some organizations to establish alliances to get a strategic position, enter new markets, or obtain knowledge (Todeva & Knoke 2005).

The characteristics of each organization also influence their possibilities and disposition to form an alliance. Among these characteristics are size, assets, market field position, hierarchical structure and previous experience with alliances (Todeva & Knoke 2005).

Different objectives might cause damage to an alliance or the intention to form one. In the case of alliances between foreign and domestic organizations, each one possesses a different purpose: the former, access to the local market; the latter, expansion and export opportunities (Todeva & Knoke 2005).

Another factor to consider is the globalization driver, which is the possibility for a better position and access to markets in a different geographic area (Todeva & Knoke 2005).

Cost and revenue also play a role. It is possible that costs of an alliance are higher than an organization doing it alone, because of the coordination and structure created. Revenues could also be affected, since prices established in an alliance could be lower than an organization expected or because there is no liberty to make these decisions by

themselves (Contractor & Lorange 2004). To overcome this, it is important that the expected results are greater than just the sum of the parts.

### *Forming Strategic Alliances*

Lorange and Roos (1993) divide the formation process into two phases: initial and intensive. The initial phase is a first filter to consider the alliance. It starts with an evaluation step named strategic match, where parties analyze if they are complementary to each other for the proposed alliance, their specific roles and positions in it, and what they will get from it. The result of this analysis must be a scenario where all parties win in order to increase the possibilities of success. The next step in the initial phase, named stakeholders' blessing, is a preliminary consideration of the disposition of key actors to form the alliance. The idea of an alliance must be presented to internal and external key stakeholders, so they can understand the benefits and avoid possible opposition due to lack of knowledge. This is an exercise for stakeholders to adopt the idea and get on board with the alliance. With the stakeholders' blessing, the alliance has a better chance of success.

The intensive phase covers the preliminary coordination and agreement before any strategic alliance is official. It begins with the design of the strategic plan that will formally define the business plan as well as each parties' role, tasks, decision-making power, and any other important detail regarding the proposed alliance. Then, a step named internal support follows, where commitment mainly from managers is sought. Managers will have a key role in the implementation of the strategic alliance, and they need to understand it well and be motivated to guide it (Lorange & Roos 1993).

Once these phases have been completely analyzed and considered to the satisfaction of both parties, the contract or agreement proceeds which makes the strategic alliance official.

Kale and Singh (2009) identify three phases for the development of strategic alliances: formation, design, and post-formation. During the formation, an organization takes the decision of forming an alliance and seeks an adequate partner. Then, in the design, partners agree and decide about alliance management. Finally, the post-formation phase consists of the alliance's operationalization and ongoing management.

#### *Implementation and Management of Alliances*

Once it is decided to make an alliance, other issues need to be considered for its implementation and management.

The decision-making authority is one of these factors. Organizations that have had other alliances tend to require a specific form of hierarchical structure, whether it be authority of one organization over the partner or specific procedures. Alliances need trust, communication, and understanding to work. Establishing the structure of authority helps to develop these (Todeva & Knoke 2005).

However, participants need to perceive a fair process to develop such things as trust. One way of doing this is to start with low-risk activities, so the organizations get an opportunity to know each other and develop trust (Larson 1992; Todeva & Knoke 2005).

Alliances may take the form of formal agreements, but experience shows that organizations with previous participation in alliances tend to require fewer formal agreements due to past relations (Gulati 1995; Todeva & Knoke 2005). Thus, previous experience will affect the behavior of an organization when entering in an alliance.

Strategic alliances have a natural process of development and tend to go through three different phases. During the first one, all partner organizations have a very active role. Then, during the second phase, one of the partners tend to dominate while others assume a more passive role. This might happen because the contribution of the more passive organizations was to share, for example, their technology, which is more limited to the beginning process. The last phase is one where the alliance is mature enough to manage itself, and all the parent organizations assume a passive role. Of course, an alliance may be ended during any of these phases if things do not work out. Strategic alliances, when they are successful and their partners consider them worth the effort, might evolve and grow. They can either increase the activities of the alliance or go to the next level of complexity. For example, an alliance that started with limited resources and all the outcomes were returned to the parent organizations might evolve and get more funds and keep the outcomes so it can be more prepared to adapt to changes (Lorange & Roos 1993).

To effectively manage the alliance, a strategic plan is recommended (Lorange & Roos 1993). A strategic plan will have components like a stakeholders' agreement, a definition of objectives, tactics and strategies to pursue the objectives, and follow up and evaluation of the activities (Bryson 2004; Lorange & Roos 1993).

### *Obstacles and Challenges that Influence Level of Success*

Some obstacles could make the formation and management of strategic alliances difficult. Furthermore, many alliances end up in failure (Kale & Singh 2009; Wittmann 2007).

The potential loss of autonomy is one of these obstacles. Once the partners have contributed resources and knowledge to the alliance, none of them has total control over it. Any of the partners might have concerns about the external influence, produced by the shared control, and that the shared knowledge could be used against them in the future. A way to deal with this threat is to maintain interest in continued cooperation among organizations (Lorange & Roos 1993).

Another obstacle is to become operationally inactive. It is important to transfer the energy and enthusiasm from the planning process into a real and active operation, avoiding lack of action (Lorange & Roos 1993).

Ambiguity or varying expectations is another threat (Chang et al 2015). This challenge occurs when several interpretations of a situation arise among partners, usually originating because of a lack of information (Kumar 2014).

Internal arguments over differences in management styles for the alliance could also affect the interest from partners. To avoid this, it is important to keep in mind the external environment and the possibilities it presents to the alliance (Lorange & Roos 1993).

General management and control over the new alliance might also present a problem. Sometimes it leads to political considerations to correct a possible imbalance among partners. Specific roles, tasks, and expectations must be clarified during the planning process to avoid this obstacle (Lorange & Roos 1993).

To establish a durable alliance, it is necessary to maintain motivation among partners to deal with the everyday issues, challenges and problems, as well as being capable to adapt to new situations and evolve when needed or when there is an opportunity. A suggestion to avoid this obstacle is to collect small successes instead of focusing on one large goal that could affect a healthy dynamic in the alliance (Lorange & Roos 1993).

It is also recommended to be willing to learn from the other party. For this, it is necessary to be explicit about the intent to learn and what specifically will be learned. This

challenge is an essential component of the development of an alliance (Lorange & Roos 1993).

Another issue to avoid is depending too much on certain people, specifically those who can delay or interrupt the activities of the alliance if they are not present. This can happen when someone has become somewhat irreplaceable and suddenly is absent for any reason. Considerations in the human resource management, which could train several people and distribute power, will help to deal with this (Lorange & Roos 1993).

Creating a balance between what is shared in the alliance and what is kept from it is another recommendation. Either side of the extremity, of having a full black box (knowledge not shared) or sharing everything, could be damaging. The former may provide some security to the partner that has a black box because it has some bargaining power, but it could cause a sense of exclusion that diminishes the interest of its partner and threatens the evolution of the alliance. On the other hand, sharing everything could cause the other partner to believe there is not much more to bring to the table. A good balance—a product of communication and compromise—is a tool to avoid this problem (Contractor & Lorange 2004; Lorange & Roos 1993).

Since strategic alliances require cooperation between two or more organizations, authors agree it is necessary for them to trust each other and maintain good understanding (Lorange & Roos 1993; Kang 2014; Todeva & Knoke 2005). Schoorman et al. (2007) define trust as the disposition to take some risk under the expectation that a partner will

perform satisfactorily and they also explain that the level of trust indicates the amount of acceptable risk that can be taken. Mayer et al. (1995) present three characteristics that help to develop trust with partner: the ability to achieve goals, benevolence to partners, and integrity. Developments in the literature made Schoorman et al. revisit this work and include emotion as another characteristic. They explain that affective responses also influence the perception of trust of a partner.

Another challenge occurs when the executive of the organization does not understand much about the collaborative processes among corporations, like the initiation, procedures during the relationship, and how to elicit success (O'Farrel & Wood 1999).

Control is another theme that presents challenges. Control should not be seen as something negative. Das and Teng (2001) explain that it is the implementation of standard rules trying to obtain a predictable behavior from the components of a system. Effective control is beneficial for the alliance but there may be obstacles. They divide control into three aspects: behavior or process control, referring to a specific desired behavior; output control, when performance is supervised closely; and social control, which fosters a common culture and values to avoid goal ambiguity. To avoid any possible problem from this factor, Todeva & Knoke (2005) state that alliances require a shared control and common domain of its decisions.

Despite all these possible problems and challenges, Lorange and Roos (1993) argue that if an alliance is carefully developed and well-planned it is possible to encounter just a

few or even none of them. Wittman (2007) seems to agree and goes further when he proposes that factors related to the strategic planning of an organization prior to the formation of any alliance might have a higher degree of influence in alliance failure. Specifically, during the strategic planning stage of an organization, actions taken or not taken by the management like rushing the creation of an alliance, lacking strategies to form alliances, lacking investment to develop alliance competence, and having ambiguity about performance expectations may negatively affect a future alliance.

Kale and Singh (2009) identify factors that foster alliance success during its different stages. In the formation phase, identifying a complementary partner with potential contribution, strong commitment, and compatibility is recommended. During the design phase, equity ownership develops interest and concern for all partners; contracts establish duties and outline important details for governance; and relational governance reduces the needs of multiple provisions when the alliance promotes trust and good faith. Finally, in the post-formation phase, it will be beneficial for partners to keep coordination among them through programming guidelines, hierarchy structure, and feedback methods. Also, development of mutual trust could avoid opportunistic behavior and uphold integrity.

#### *Measuring the Level of Success of Alliances*

Wittmann (2007) argues, as explained before, that strategic alliances begin before the alliance itself. Therefore, addressing the strategic planning stage as part of the alliance could reduce the risk factors and guide the alliance to a successful result.

Outcomes from alliances are not easy to measure. There is no prescription or unique formula to evaluate its effects. Many organizations evaluate strategic alliances using the same financial measures as with their own business: profits, growth, equity, etc. However, these traditional measures might be misleading. Alliances are formed to deal with a new scenario and its uncertainty is difficult to foresee during the planning process. Additionally, since alliances will have two or more partners, each perspective might be different for evaluation purposes (Lorange & Roos 1993). For cooperatives, these indicators should definitively not be their only guide to measure success. Cooperatives need to consider their social purposes and therefore their impact in non-financial areas.

Therefore, the problems and issues that naturally come from an alliance are difficult to overcome. Some objective and subjective indicators help to determine, at least for the participants, whether the alliance was successful or not.

Another reason why the performance of an alliance might be difficult to measure, is that many of them do not last long. An alliance may end when the objectives are reached and sometimes even before that.

Many alliances have failed. Scholars have reported a high rate of failures for this type of cooperation (Gulati 2004; Lorange & Roos 1993; Wittmann 2007). Cooperatives, as any other organization, should not be different and probably suffer from the same factors. However, it is important to know the reasons of failure so future alliance efforts can work on the known or suspected factors of influence.

De Man et al. (2010) summarize three perspectives that have been used to measure the success of alliances: structural, relational, and capability. The structural perspective focus on the way the alliance is governed and managed. The relational perspective is about issues that characterize the relationship between partners, like trust and commitment. The capability perspective looks at each partner and factors that make them more capable of forming and maintaining an alliance, like experience, knowledge, and management tools regarding alliances.

In the case of cooperatives, as it was mentioned before, it might be difficult to establish minimum standards for integration to measure its success. It will depend on the circumstances of each country or region, which imposes challenges to the movement and how it responds.

### *Strategic Alliances and Integration Among Cooperatives*

There are several reasons why the strategic alliance theory is a good fit for this research that aims to determine the level of integration among cooperatives in Puerto Rico. Among these reasons are the similar structure between alliances and cooperatives, the increased use of alliances of organizations similar to cooperatives, and the contribution this research would make by applying the strategic alliance theory to the cooperativism field.

Martin and Stiefelmeyer (2001) argue that cooperatives have a structure that pairs adequately with strategic alliances. Cooperatives' practices resemble some strategic

alliance purposes like shared risk, cost efficiency and the creation or entry into a business that would not have been possible alone. Both also have similar challenges like long-term relationships among members and the need of clear definitions of purpose, roles and priorities. In addition, cooperatives in Puerto Rico are considered non-profit organizations because of their social purpose. In this sense, non-profit organizations have also found in strategic alliances alternatives to increase resources and capabilities (Chang et al. 2015). In addition, strategic alliances propose collaboration instead of competition (Todeva and Knoke 2005), are voluntary agreements (Gulati 2004), seek mutual benefits (Kale and Singh 2009), and are a means to an end, not the ultimate purpose (Lorange and Roos 1993). All of these are values also espoused by cooperatives.

Strategic alliance frameworks have been considered for cooperatives, but the approach among scholars has been one of describing its potential and possibilities. For example, Farrell and Tozer (1996) explain how alliances among cooperatives could improve the market performance of the lamb industry in Australia by establishing quality standards for the participants. The only study found that addressed the level of integration was Desrochers and Fischer (2005). However, that study was limited to financial cooperatives, which could be viewed as an alliance but not as integration. As mentioned before, integration should not be limited by a sector, but it must be a system that contains a network for all types of cooperatives. No other studies were found that used strategic alliance theory to measure the level of integration among cooperatives. As previously noted, this research intends to fill that gap.

## CHAPTER 3: METHODOLOGY

### Research Design

A qualitative methodology was used to evaluate the level and type of integration among cooperatives and to explain factors that affect its development. This methodology explores the integration efforts and identify the elements and/or interaction of elements that explain the current development (Creswell 2007). The identification of those elements helped to better understand the origin, process, and needs of integration to guide future endeavors. Moreover, by using a qualitative approach, details were also acquired to explain the interaction of such elements.

The approach for qualitative inquiry was a case study. The case study was selected as a research method for several reasons. First, the questions this study sought to answer have an explanatory purpose. Therefore, the study needed a method that traced operational links that explain the relationship between the factors and the current integration activities performed. Second, there was no control over the events, or the behavior of the actors involved. Finally, it focused on contemporary events (Yin 2008). The type of case study was a single case study because one issue (integration among cooperatives) was studied through several sources to take into consideration several points of view and factors that could explain its current situation (Creswell 2007; Yin 2008).

The questions proposed in this research were explorative. Secondary question one (What is the current understanding of integration among cooperatives for integrated groups?) had as a purpose to collect information about what participants understand

regarding integration among cooperatives. Secondary questions two, three, and four (What is the perceived current status of integration among cooperatives?; What led to the current status of integration?; What factors have contributed to or impeded integration among cooperatives?) sought to obtain knowledge about the factors that explain the current situation of integration among cooperatives. Secondary question five (How does each group foster integration among cooperatives?) aimed to identify and classify the integrated activities that cooperatives perform. Secondary question six (How can integration among cooperatives be advanced?) collected participants' opinion about future steps to further integration. Question seven (For those who are not participating, why are they not actively involved?) was directed at cooperatives that do not belong to any group to explore why they are not actively involved in these integration groups. The main question (What is the current level and type of integration among cooperatives in Puerto Rico?) was answered with a synthesis of the collected data providing a general explanation.

### **Population and Sample**

The target population for this study were the groups in the cooperative movement that work towards integration. These are groups that gather representatives of cooperatives to promote integration. Specifically, there are two types of groups: (1) second and third-degree cooperatives and (2) other integrated groups through joint ventures.

The second and third-degree cooperatives are: Cooperativa de Seguros Múltiples, Cooperativa de Seguros de Vida (COSVI), Cooperativa de Servicios Funerarios, Banco Cooperativo (BANCOOP), and League of Cooperatives. The other integrated groups are:

Asociación de Ejecutivos de Cooperativas de Puerto Rico, Circuito Cooperativo, Alianza Cooperativa del Este, Alianza Cooperativa Metro and the six Regional Councils and three Sectorial Commissions from the League of Cooperatives.

Three additional integrated groups were expected to be interviewed: Enlace Cooperativo del Norte, Alianza Cooperativa Oeste, and Enlace Cooperativo Sur Central. The last one was reported to be inactive. With the first two, however, despite multiple efforts, their representatives were not able to be reached to coordinate an interview.

All these groups, a total of 18, make up the purposive sample of interviews and data collection related to integration among cooperatives. It is a purposive sample because participants were selected in order to obtain their opinions and perspectives (Luton 2015). These participants are responsible for integration efforts and are supposed to be leading the way. Therefore, a random sample, used in statistical research, would not have been as effective as a purposive sample, which aims to interview experts and witnesses (Luton 2015).

In addition, complementary interviews were conducted to collect the perspective from government entities regarding integration of cooperatives. COSSEC, FIDECOOP, Comisión de Desarrollo Cooperativo, and Instituto de Cooperativismo were interviewed. Each of these governmental entities have an important role in the integration process: COSSEC supervises and provides insurance, FIDECOOP capitalizes cooperatives, Comisión de Desarrollo Cooperativo fosters new cooperatives and initiatives, and Instituto

de Cooperativismo has an educational function. Their experience and views regarding integration could provide significant insights which were compared to those provided by integration groups.

Also, to consider the position of cooperatives not participating in these networks, if any, it was proposed that two cooperatives that did not participate in integrated groups be interviewed, one in the metropolitan area and one outside of it. However, after receiving the reference of these two cooperatives, the one outside of the metropolitan area turned out to be integrated in some initiatives and groups.

In total, 24 entities were interviewed. Additionally, two recognized leaders of the cooperative movement were interviewed to obtain their impressions. These leaders were frequently mentioned by participants as knowledgeable cooperativists who must be interviewed. Their responses were mentioned in some applicable analyses but stating the fact that they were only complementary.

The intention was to interview the executive director and the president of the board from each entity. However, Alianza Cooperativa del Este, Alianza Cooperativa Metro, and the councils and commissions of the League have no executive director. Also, the executive director of BANCOOP did not answer any of the multiple petitions to interview. Another situation was that some of the entities are presided by the same person. Thus, to avoid duplication of answers, in those instances only one of the entities was counted for. Also,

for Alianza Cooperativa del Este the president was not available, so the interview was done with another member of the Board of Directors.

In the case of government related bodies, the situation was the following: for the Comisión de Desarrollo Cooperativo and COSSEC it was not possible to reach the main executive, but two representatives from each one were interviewed (in the case of COSSEC one of them was a former Executive Director); for the Instituto de Cooperativismo, two professors and former directors were interviewed; for FIDECOOP the executive director and the President of the Board were interviewed, but the latter was also president of one of the integrated groups, thus responses were counted only once, but impressions from both perspectives were taken into account for the analysis.

The following table (table 3.1) summarizes the entities invited to participate, the positions of the representatives, and the result (interviewed, not available, and duplicate).

Table 3.1 – Participants Interviewed.

<b>Integrated Group</b>	<b>Position</b>	<b>Result</b>
Grupo Cooperativo Seguros Múltiples	President of Board	Interviewed
	Executive Director	Interviewed
COSVI	President of Board	Interviewed
	Executive Director	Interviewed
BANCOOP	President of Board	Interviewed
	Executive Director	Not Available

Table 3.1 (cont.) – Participants Interviewed.

Cooperativa Servicios Funerarios	President of Board	Interviewed
	Executive Director	Interviewed
League of Cooperatives/Liga de Cooperativas	President of Board	Interviewed
	Executive Director	Interviewed
Asociación de Ejecutivos de Cooperativas	President of Board	Interviewed
	Executive Director	Interviewed
Circuito Cooperativo	Board Member	Duplicate
	Executive Director	Interviewed
Alianza Cooperativa del Este	Board Member	Interviewed
Alianza Cooperativa Metro	President of Board	Interviewed
Enlace Cooperativo del Norte	President of Board	Not Available
Alianza Cooperativa Oeste	President of Board	Not Available
Enlace Cooperativo Sur Central	Inactive	Inactive
Comisión Nacional de Ahorro y Crédito	President of Board	Interviewed
Comisión Nacional Vivienda	President of Board	Interviewed
Comisión Nacional Tipos Diversos	President of Board	Interviewed
Consejo Regional Norte	President of Board	Interviewed
Consejo Regional Sur Central	President of Board	Interviewed
Consejo Regional Oeste	President of Board	Interviewed
Consejo Regional Metro	President of Board	Interviewed
Consejo Regional Metro Norte	President of Board	Interviewed
Consejo Regional Este	President of Board	Interviewed

Table 3.1 (cont.) – Participants Interviewed.

<b>Complementary Interviews – Government Related Bodies</b>		
Instituto Cooperativismo	Professor	Interviewed
	Professor	Interviewed
COSSEC	Representative	Interviewed
	Former Exec. President	Interviewed
FIDECOOP	President of Board	Duplicate
	Executive Director	Interviewed
Comisión Desarrollo Cooperativo	Representative	Interviewed
	Representative	Interviewed
<b>Complementary Interviews – Not Participating in Integrated Groups</b>		
Cooperative in the metropolitan area	President of Board	Interviewed
Cooperative outside metropolitan area	Executive Director	Interviewed
<b>Complementary Interviews – Recognized Leader</b>		
Leader 1	Recognized Leader	Interviewed
Leader 2	Recognized Leader	Interviewed

## Sources

Since no single source is enough to collect the relevant information, multiple sources were used to complement each other in this process and conduct a data triangulation to compare and corroborate, avoiding possible problems of construct validity (Yin 2008):

1. Individual interviews (semi-structured, open-ended questions). The interviewees will be the:

- a. President or representative of the Board of Directors from each cooperative or group.
  - b. Executive Director or administrative representative from each cooperative or group.
2. Direct observations
- a. Behavior and actions of leaders and their organizations while the interview is conducted.
  - b. Field notes.
3. Documents
- a. Laws, decrees, and executive orders regarding cooperatives from the Commonwealth of Puerto Rico government.
  - b. Documents, reports, resolutions or written policies toward integration purposes from cooperatives or groups.
  - c. The League of Cooperatives' Strategic Plan.
4. Archival records
- a. Statistics, data, and lists published by the Puerto Rico Supervision of Cooperatives' Public Corporation (COSSEC).
  - b. Statistics, data, and lists published by the League of Cooperatives.

## **Setting**

Interviews were conducted in person. It was suggested that the place of meeting be the main cooperative or office of each interviewee. It was expected this make interviewees feel comfortable and in connection with the environment regarding cooperatives. However, if that was not possible, interviews were conducted at a site chosen by the interviewee. The most important consideration was that the site allowed the interviewee to speak freely.

## **Instrumentation**

Interviews are one of the most common methods to collect data in qualitative studies (Gill et al. 2008). They allow the collection of observations from people directly involved in the integration efforts. The instrument for the interviews of this research was a list of semi-structured, open-ended questions. These questions maintained some degree of control to assure the topic of interest was addressed and there was a flexible structure that facilitated the dialogue. The answers uncovered perspectives from people frequently dealing with integration (Luton 2015). Questions were neutral, without any suggestion that could influence the answers (Gill et al. 2008). Since brief answers were not enough to comprehend the current situation, follow up questions were added when necessary to make sure a complete response was obtained (Luton 2015).

Participants were asked the following questions:

1. What do you understand by integration among cooperatives?
2. Would you say the current status of integration among cooperatives in Puerto Rico is low, medium, or high?
3. Why do you locate integration among cooperatives in that position?
4. Why was your group formed?
5. How was it conceived?
6. What benefits were anticipated through this integration?
7. What benefits occurred through this integration?
8. Do all cooperatives that can belong to this group participate?
9. What challenges or issues have you encountered that present obstacles towards integration among cooperatives?
10. Do any of the following factors serve as obstacles or challenges? (List of factors)
11. What actions have you encountered that promote integration among cooperatives?
12. Do any of the following factors promote integration? (List of factors)
13. What specific integration activities has your group conducted?
14. What results have you observed?
15. Does your group engage in or want to engage in any of the following activities?  
(Scale) Please, explain how you conduct such activities or what it would take to make this happen.
16. What could be done to foster a higher level of integration?
17. Who should have the responsibility to foster integration among cooperatives?
18. Why is your cooperative not actively participating in the integrated bodies?

19. Is there anything you would like to add?

Questions 1-3 were asked to collect general insight about participants' understanding about integration and what level they thought it had reached. Questions 4-8 were asked to obtain information about their groups and how such integration occurred. Questions 9-12 had the purpose of collecting information about factors that could be motivating or impeding integration. Questions 13-15 aimed to identify and classify activities according to the constructed framework (scale) for this research, making it possible to determine the current level and type of integration among cooperatives. Questions 16-17 obtained opinions about what could be done to advance integration. Question 18 was asked to those cooperatives that were not actively involved in these integration groups to obtain their views. Finally, question number 19 was an opportunity for interviewees to add any other information they felt was important.

The next table presents the survey questions and how they were used to answer the research questions.

<b>Table 3.2 – Survey Questions Used to Answer Research Questions</b>	
<b>Research Questions</b>	<b>Survey Questions</b>
What is the current level and type of integration among cooperatives in Puerto Rico?	A complete analysis of the data was used to answer this question.

<b>Table 3.2 (cont.) – Survey Questions Used to Answer Research Questions</b>	
What is the current understanding of integration among cooperatives for integrated groups?	1. What do you understand by integration among cooperatives?
What is the perceived current status of integration among cooperatives?	2. Would you say the current status of integration among cooperatives in Puerto Rico is low, medium, or high?  3. Why do you locate integration among cooperatives in that position?
What led to the current status of integration?	4. Why was your group formed?  5. How was it conceived?  6. What benefits were anticipated through this integration?  7. What benefits occurred through this integration?  8. Do all cooperatives that can belong to this group participate?
What factors have contributed to or impeded integration among cooperatives?	9. What challenges or issues have you encountered that present obstacles towards integration among cooperatives?  10. Do any of the following factors serve as obstacles or challenges? (List of factors)  11. What actions have you encountered that promote integration among cooperatives?  12. Do any of the following factors promote integration? (List of factors)

<b>Table 3.2 (cont.) – Survey Questions Used to Answer Research Questions</b>	
How does each group foster integration among cooperatives?	<p>13. What specific integration activities has your group conducted?</p> <p>14. What results have you observed?</p> <p>15. Does your group engage in or want to engage in any of the following activities? (Scale) Please, explain how you conduct such activities or what it would take to make this happen.</p>
How can integration among cooperatives be advanced?	<p>16. What could be done to foster a higher level of integration?</p> <p>17. Who should have the responsibility to foster integration among cooperatives?</p>
For those who are not participating, why are they not involved?	<p>18. Why is your cooperative not actively participating in the integrated bodies?</p>
Additional question.	<p>19. Is there anything you would like to add?</p>

Since interviews were conducted in Spanish, quotes were written in both languages, Spanish and English, except brief comments or phrases, which were written only in English. All translations were done by the researcher.

Other basic questions were made for classification purposes: gender, age, current position, and sector of the cooperative they represent.

Before the interview, participants were asked to fill out a form of consent. They were informed about details of the study, the confidentiality of the interview, and its duration, which took between 45 minutes to 90 minutes. All participants filled it out completely and signed it. Since the purpose is to guarantee the confidentiality of participants, the quotes used in the analysis will not disclose its speaker.

Interviews were recorded while the interviewer took notes. Then, transcripts were produced to classify and interpret the data.

According to Creswell's definition of qualitative research (1997), this research combined the input from participants, the reflection from the researcher regarding the data, a specific description and interpretation of the problem, and recommendations to act according to the findings.

### **Limitations and Delimitations**

This investigation considered the case of cooperatives in Puerto Rico. Specifically, this study interviewed representatives from existing groups (purposive sample) formed by cooperatives as part of their integration efforts. This included all second and third-degree cooperatives and other groups identified that were created by cooperatives with the purpose of promoting integration. In addition, complementary interviews were conducted to

representatives of government entities related to cooperatives and cooperatives without active participation in the integration efforts, to explore their situation. This purposive sample is not necessarily representative of all cooperatives in Puerto Rico and there may be some additional integration activities not considered in this work.

Integration should be developed among cooperatives at national and international levels. This study exclusively investigated the integration at the national level in Puerto Rico. No international integration activity was considered.

### **Data Collection**

A semi-structured, open-ended question interview was the data collection selected for this study because it allows space for an ample response from the interviewee as well as follow up questions from the researcher. The researcher observed any verbal or nonverbal signs to make sure the interviewees felt comfortable and free to speak honestly about their experience and opinions.

### **Data Analysis**

Data analysis is described by Luton (2015) as a process where the raw data from interviews provides evidence for a specific interpretation and understanding. Classifying the data from the interviews into themes involved looking for meaning and significance beyond the superficial mention of any specific word.

Data from questions 13 to 15 was classified according to the framework. Each activity was matched to the scale of the framework. Then, the tendencies and behavior of integration activities was determined.

To analyze the collected data from questions 1 to 5 and 9 to 16, an inductive process was used. This process allowed for the development of categories of data by exploring possible factors that explained integration. Also, this avoided having a rigid preconception of categories that would limit and risk a biased analysis. In other words, in an inductive process, data is organized in a way that allows an abstract understanding. Then, it will result in a comprehensive set of themes to clearly read the information (Creswell 2007). The program used to perform this was Atlas.ti, specialized in qualitative data analysis. Through Atlas.ti the interviews and documents were coded, classified and organized to find relations and tendencies.

The following steps were followed for the inductive data analysis, as suggested by Thomas (2006):

1. Prepared raw data. This consisted of producing transcripts from the interviews.
2. Transcripts were read several times by the researcher to become very familiarized with the content.
3. A first set of categories was created according to meaningful units found in the data, patterns and connections. Then, data was classified into the categories.

4. The first set of categories and their content was reviewed to reduce the number of categories by eliminating duplications and grouping similar topics, producing then a final set of categories.
5. Data was thoroughly reviewed for validity purposes and classified into the final set of categories.

These categories were then compared with themes that emerge from the literature like motivators (risk distribution, scale economies, government regulations, etc.), possible obstacles and challenges (loss of autonomy, operationally active entity, management style, specific roles, high dependence on some people, clear jurisdiction for the alliance, and control), and factors that foster integration (education, introspection, inclusion, leadership, and others).

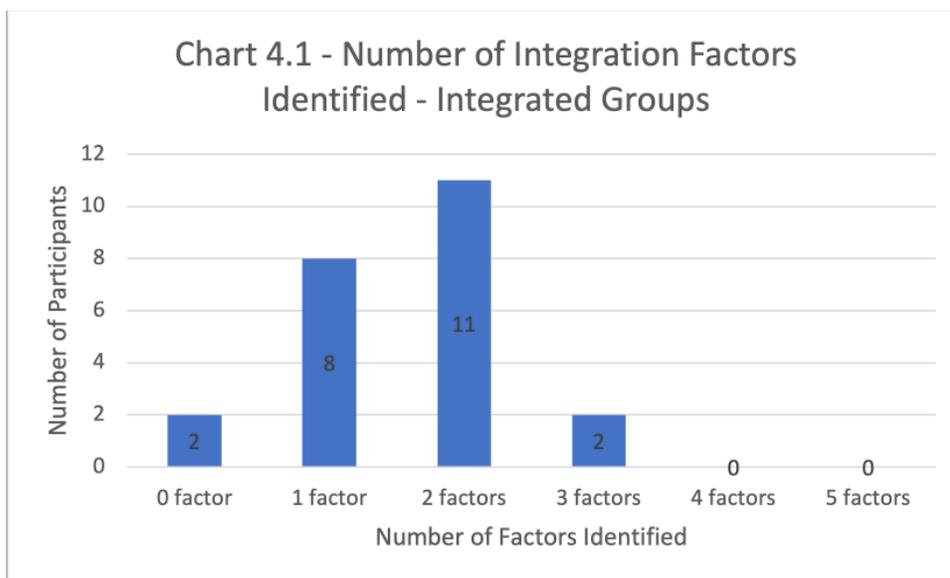
Data from other sources (documents, archival records, and direct observations) were used to compare and contrast the findings from the interview data. After the coding and comparison process, findings are presented illustrating the synthesis of the identified meanings (Luton 2015).

## CHAPTER 4: ANALYSIS

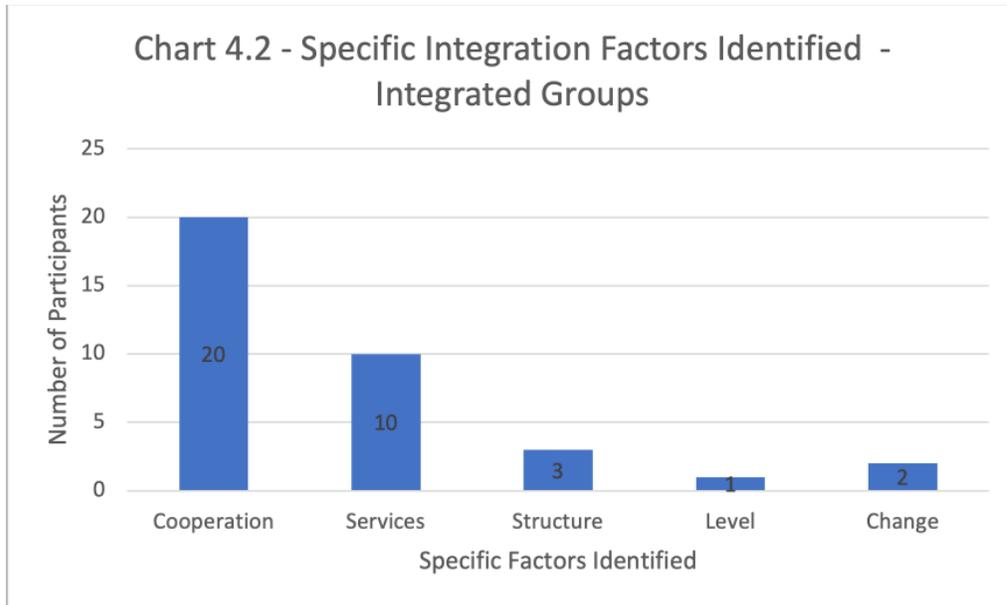
### Understanding of Integration Among Cooperatives

One of the purposes of this research is to explore participants' understanding of integration. As indicated in the literature review, there were five main component factors identified that form the definition of integration among cooperatives: cooperation, services, structure, level, and change. Any reference to any of these factors in a participant's response, no matter how simple or indirect, was considered as an identification of such factors in their understanding of integration.

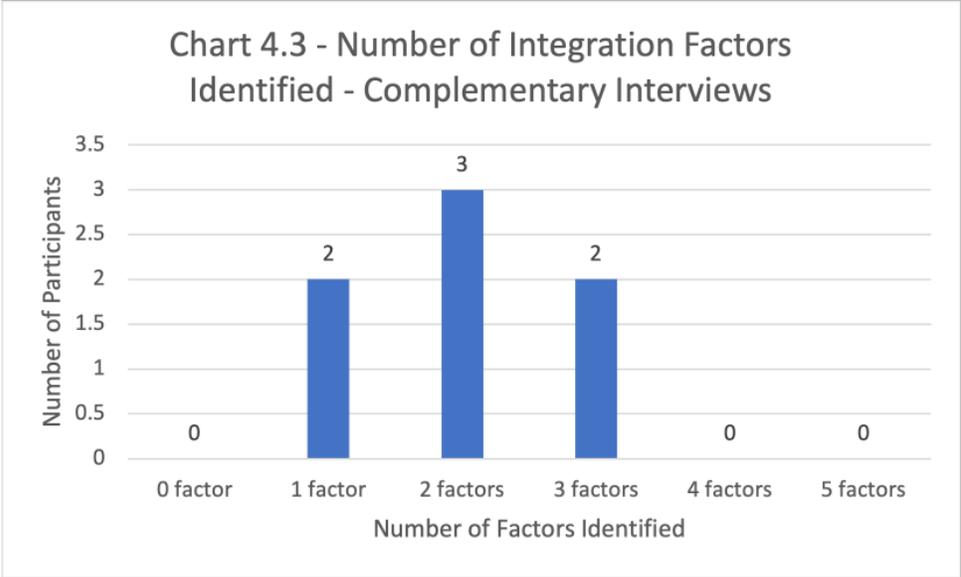
Chart 4.1 shows the number of factors identified by each participant. A majority of eleven participants included two factors, eight participants included one factor, two included three factors, and two made no reference to any factor. No participant mentioned more than three factors.



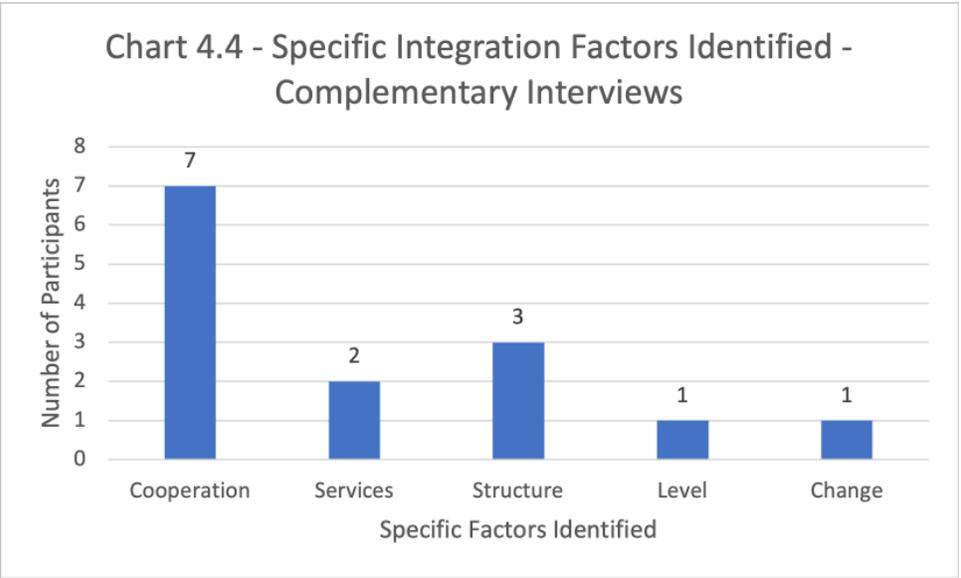
The next chart (chart 4.2) shows how many times each factor was identified. The most common factor, mentioned by twenty participants, was cooperation, followed by services, by ten participants. Structure, level and change were mentioned by three, one, and two participants respectively.



When complementary interviews are considered (charts 4.3 and 4.4), similar scenarios are evident. All complementary interviewees mentioned between one and three factors.



Also, all participants from complementary interviews made some reference to cooperation. Two included services, three mentioned structure, one referred to level, and one addressed change.



All this illustrates an incomplete understanding of what integration constitutes and the ways it can be put into practice. While cooperation and services are factors that can be easily identified by participants, structure, level, and change are not frequently linked to integration. An incomplete notion of integration might affect its possibilities and benefits, as well as successful implementation or even knowing how to act toward it.

Several participants even mistook integration with merger. Although merger might occur sometimes between cooperatives, literature on the topic explicitly excludes merger from integration. These answers already alert the need of promoting a better understanding of what integration is. One interviewee recognized such lack of understanding when said:

“...ahí radica el problema, es que no se está claro qué es lo que significa todo esto. Entonces, nos enfrascamos en luchas que no tienen sentido ninguno. Vemos al sistema capitalista haciendo alianzas y nosotros acá nos ponemos a pelear por las alianzas. O sea, como que no se entiende.”

(“that’s where the problem resides. It is not clear what is the meaning of all this. Then, we focus on senseless struggles. We see the capitalist system forming alliances, but we struggle because of alliances. It is like it is not well understood.”)

Integrated groups already understand that integration involves cooperation among cooperatives and the possibilities to create new services. To put integration into practice with its complete meaning they need to create an awareness of the different structures and

multiple levels where it can occur, as well as the possibility and intention to create a change in society. Clearly, it can be stated that generally there is an incomplete conception about integration in the cooperative movement in Puerto Rico.

Several documents were reviewed to consider the inclusion of these five components of integration.

*Cooperatives Societies General Law*, Law 239, contains all five components of integration, though they are dispersed through different sections. Structure and change are addressed in the motives section. The services component is included in the explanation of the principle cooperation among cooperatives. Cooperation and level are addressed in Chapter 25, which is dedicated exclusively to integration. This law also differentiates between merger and integration. A complete understanding of integration obtained from the law might not be easy since it appears somewhat fragmented. However, it is not the purpose of the law to educate.

The strategic plan of 2016-2020 of the League of Cooperatives defines cooperation among cooperatives with the following sentence:

“Las cooperativas fortalecen al Movimiento Cooperativo trabajando en estructuras locales, nacionales, regionales e internacionales.”

(“Cooperatives strengthen the Cooperative Movement working together through local, national, regional, and international structures.”)

This definition contains the factors cooperation, level and partially address structure (not mentioning informal structures) but ignores the factors services and change. Some of these ignored factors are indirectly addressed in other parts of the plan. However, its presentation, and probably its interpretation, is fragmented and not well interconnected.

These findings are not surprising and are consistent with the existing literature on integration among cooperatives in Puerto Rico. As pointed out in the literature review, integration is a topic vaguely addressed and its explanation is fragmented. Apart from Parrilla Bonilla (1971), authors cover it only partially. But even Parrilla Bonilla, who without any doubt knew the complexities and ramifications of integration, is not straightforward and addresses it in different sections of his book, leaving to the reader the task of connecting the dots.

### **Current Status of Integration Among Cooperatives and its Possible Causes**

Chart 4.5 illustrates that eleven participants considered the current status of integration to be medium, while eight considered it to be low. Two mentioned it to be between low and medium, and one it to be between medium and high. No one considered integration to have reached a high level.

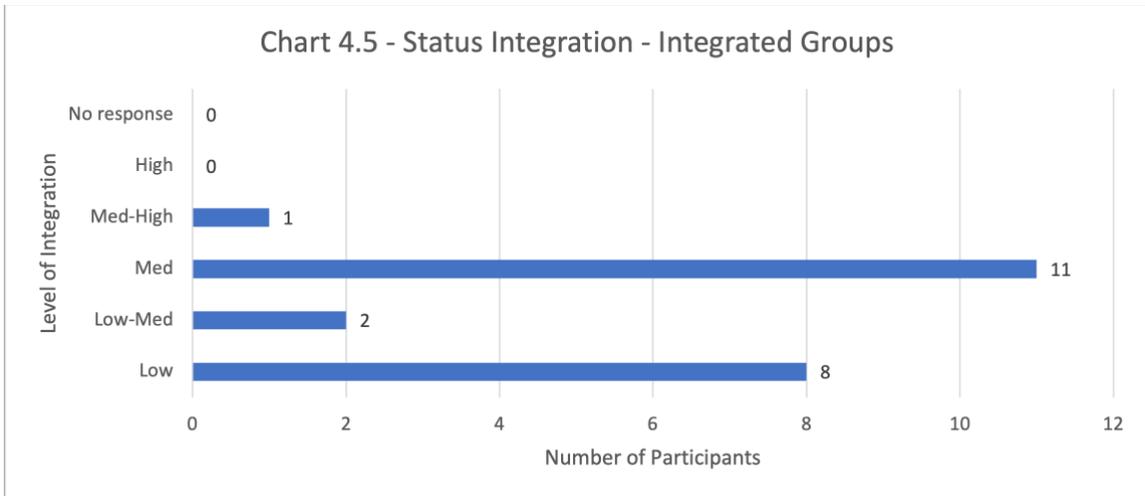
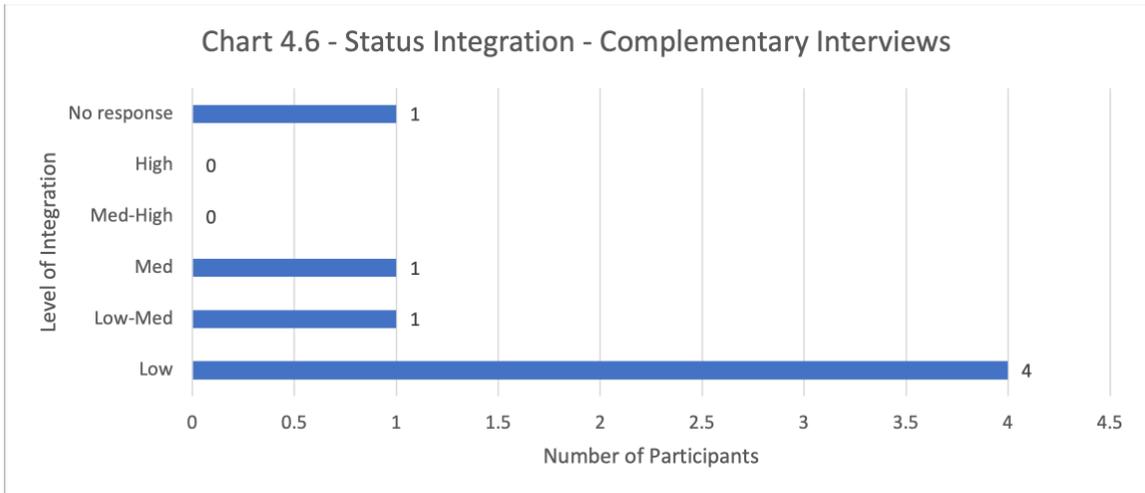


Chart 4.6 shows a slightly different view for the complementary interviews. In this case, most participants (four) considered the current status of integration as low. One participant said it was medium and one that it was between low and medium. One participant preferred not to answer.

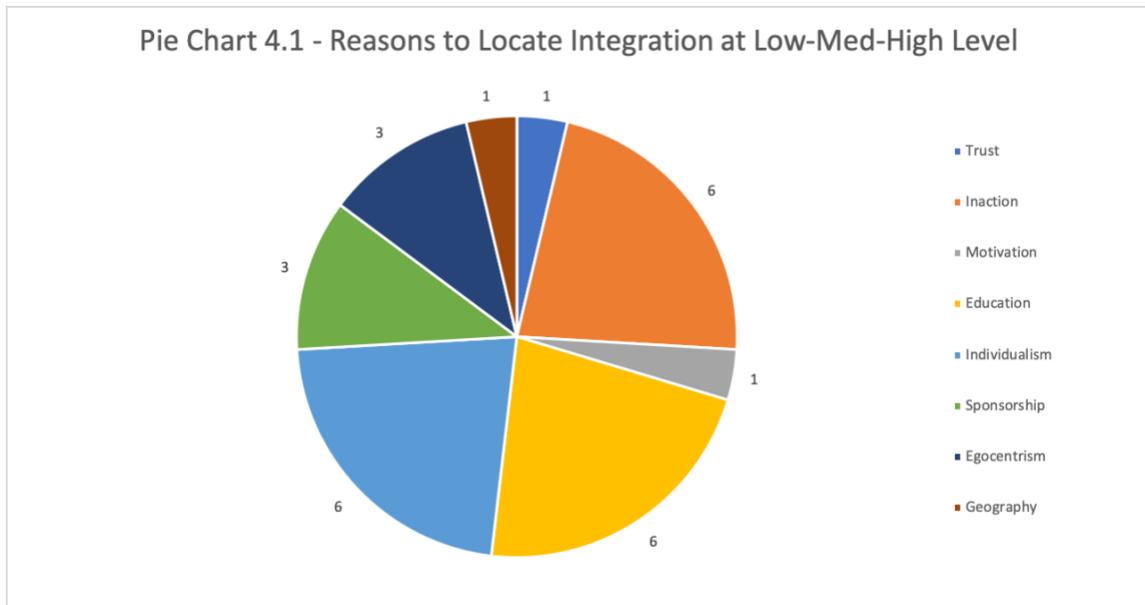


It should be noted that the complementary interviews gathered representatives from groups that see cooperativism from an evaluative and/or academic point of view. Perhaps

they have higher standards. Integrated groups, on the other hand, have a practical perspective. As they are directly involved in the integration activities conducted, they may have certain reasons to consider integration at a higher level. Considering answers from integrated groups, a first impression suggests the current level of integration among cooperatives is somewhere over low level and maybe reaching medium level, since opinions are divided between these two.

Reviewing the literature and the criticism on poor achievements from integration efforts in Puerto Rico, one would expect a more homogeneous low classification from the integrated groups, as certainly happened with complementary interviews. However, there are some other aspects to be considered before reaching any conclusion. For example, several participants noted there might be a higher level of integration among financial cooperatives. This is something that is considered later in the analysis of integration activities reported. Also, it must be kept in mind, it was previously established that there is an incomplete understanding about what integration is, which will obviously affect any evaluation of the current status of integration.

All the reasons to locate integration in each level are illustrated in Pie Chart 4.1. The first three (trust, inaction, and motivation) are already considered by the literature and are among the factors that this research analyzes that could be obstacles or challenges to integration. These factors are discussed later in this work, but it is worth highlighting that inaction was the most mentioned at this point. Other reasons espoused by integrated groups were education, individualism, lack of sponsorship, egocentrism, and geography.



One of the arguments that was classified under egocentrism was to denounce a sense of superiority showed by some cooperatives:

“Hay cooperativas que se sienten superiores a las otras que son un poco más pequeñas; todas son iguales. Se ve mucho más tratar de buscar quién tiene el poder, que realmente distribuirlo y fortalecer a quien no lo tenga.”

(“There are cooperatives that feel superior to others that are smaller than them; they are all equal. It is more common to see the search for who has more power than really distribute it and strengthen those who do not have it.”)

The following argument was classified under individualism:

“Pero es bien común en estos días asfixiarnos y meternos en nuestros problemas inmediatos y no visualizar que a lo mejor la solución de esos problemas están en la integración. Porque la integración nos hace más fuertes, porque la integración nos hace resistir mejor, y nos da una unidad de propósito.”

(“But it is very common nowadays to suffocate ourselves and get immersed in our own problems and not visualizing that maybe the solution to those problems can be found through integration. Because integration makes us stronger, because integration make us endure more and give us a unity of purpose.”)

Another reason classified under individualism has a different nature, since it argues about a distance between financial and non-financial cooperatives:

“...[las cooperativas] tuvieron la valentía de invertir en bonos del gobierno, pero cuando un sector específico le ha pedido dinero para poder desarrollarse no contribuyen a ese sector.”

(“...they [the cooperatives] had the boldness to invest in government bonds, but when a specific sector asks for money for development they do not contribute to such sector.”)

Complementary interviews supported some of these factors by making reference to individualism, education, and inaction. One of the interviewees referred to individualism as follows:

"...en términos de ayuda a otras cooperativas, por ejemplo, de tipos diversos, que están necesitadas, lo que percibo, el "feedback", es que tocan puertas y no reciben tales ayudas. Aunque sí hay unos casos aislados que sí, que van más allá y ofrecen hasta ayuda técnica, ... pero eso no se replica de una forma regular."

("...in terms of helping other cooperatives, for example those of diverse types, who are in need. What I perceive, the feedback, is that they knock on doors but do not receive such help. Although there are some isolated cases that go further and even offer technical aid, ... but that does not get replicated on a regular basis.")

It can be noted that most participants viewed the current level of integration from a deficiency point of view, no matter if they established it as low or medium. The reasons provided were problems and issues that are affecting integration. An alternative situation would have been success stories or agreements that allowed a specific level of integration, which was the case only for two participants. One said that recently, there has been more spaces for integration, which has led the movement to achieve a medium level. The other argued that, since Puerto Rico is a small island, all cooperatives are relatively close to each other and this makes integration easier for cooperatives in Puerto Rico than in other countries.

These two participants are closely related to financial cooperatives, which some said are more integrated lately. However, another participant, also closely related to financial cooperatives, had a different perspective:

“Mi hipótesis de esta investigación va a ser: No hay integración en el movimiento cooperativo. La gente piensa que sí, la tiene, pero no se han visto en el espejo todavía. Ese proceso no es fácil. E ir más allá, si hubiera integración en Puerto Rico entre cooperativas, ¿qué factores mínimos se hubieran dado si esto existiera? Y yo creo que tu investigación va a dar que ninguno de esos factores mínimos se ha cumplido. Por lo tanto, ¿qué estrategias, qué acciones o qué planificación se tiene que dar para que se den esos factores mínimos? Y empezar con una primera fase de factores mínimos. Una vez se cumplan esos factores mínimos, puedes pasar a esos otros factores que son intermedios, que representan un modelo más maduro y consciente.”

(“My hypothesis for this research is going to be: There is no integration in the cooperative movement. People think there is, but they have not looked at themselves in the mirror yet. This process is not easy. And to go further, if there were integration in Puerto Rico among cooperatives, what minimum factors would have occurred? And I think your research is going to show that none of those minimum factors have been accomplished. Therefore, what strategies, what actions, or what planning have to happen for those minimum factors to occur? And

begin with a first phase of minimum factors. Once those minimum factors are accomplished, you can go to those other intermediate factors, which represent a more mature and conscient model.”)

### **Characteristics of Current Integrated Groups**

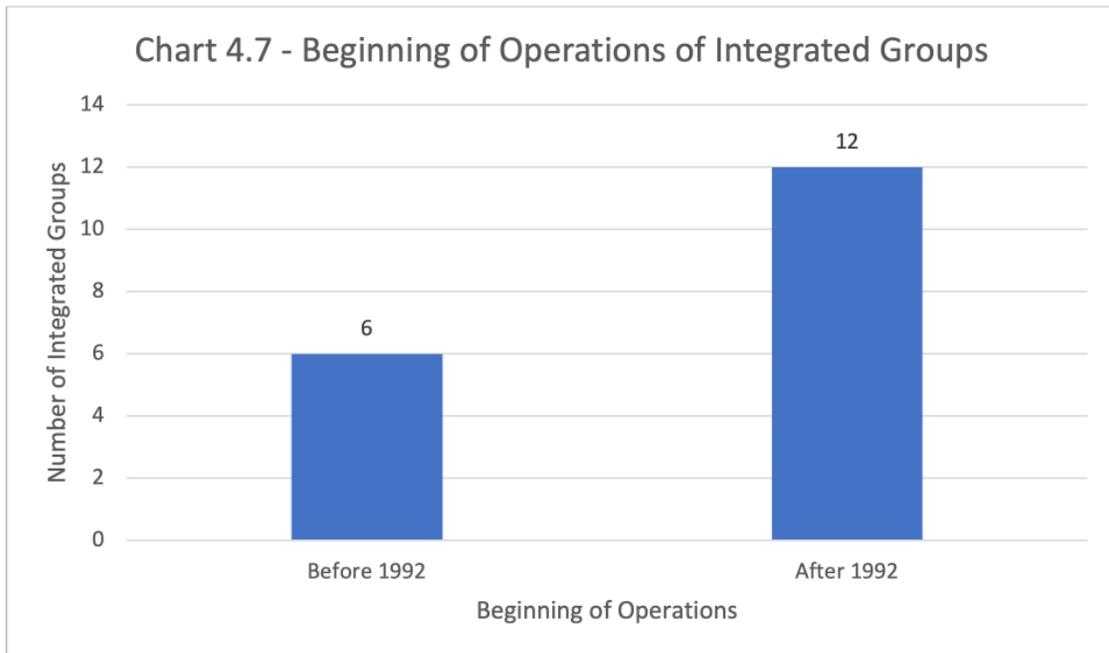
Participants mentioned several characteristics of current integrated groups, among them: year each one was created, reason to be formed, how it was conceived or who originated it, benefits anticipated, materialized benefits, purpose, number of cooperatives affiliated, cost of affiliation, sector affiliated into and predominant sector. Table 4.1 presents the main characteristics of the integrated groups. Following, the main aspects and relations among them are discussed.

Table 4.1 – Characteristics of Integrated Groups.

Integrated Groups	Began Operations	Reasons to be formed	Origin - How it was formed	Benefits anticipated	Benefits occurred	Purpose	Affiliated coops	Potential Affiliated Coops	Participation %	Coop Membership	Sectors allowed	Dominant sector
Grupo Cooperativo	1965	Fidelity bonds and property insurances for coops.	Created by coops	Fidelity bonds and property insurance.	Expansion of services to general public. Increase services through subsidiaries. Additional types of insurance: auto, property, others.	Services & Business	150	246	61%	\$1,100	All	Financial
COSVI	1959	Life insurance for cooperatives and members.	Created by coops	Life insurance.	Expansion of services to general public. Additional services: retirement plans, health insurance (terminated).	Services & Business	116	246	47%	\$5,000	All	Financial
Banco Coop	1974	Financial services for coops.	Created by law	Financial services.	Expansion of services to general public. Additional services: credit cards, credit lines, others.	Services & Business	80	N/A	N/A	Stocks \$100	All	Financial
Cooperativa de Servicios Funerarios	1975	Funeral services to coops and community.	Created by coops	Funeral services.	Funeral services but in smaller scale than expected.	Services & Business	98	246	40%	\$1,000	All	All
Liga COOPS	1948	Integrate all coops.	Created by coops	Integration of coops.	Multiple initiatives to promote integration.	Communication & Integration	192	246	78%	\$500/\$250	All	Financial
Asociación de Ejecutivos de Cooperativas	1972	Communicate and educate executive professionals from financial coops.	Created by coops	Capacitation to executives.	Multiple educational activities. Network for coops. Inclusion of other professionals.	Communication & Integration	99	116	85%	\$395 large coops / \$200 small coops	All	Financial
Credito Coop	2009	Share branches for financial coops.	Created by coops	Shared Branch for participant coops.	Shared Branches in PR and USA.	Services & Business	55	116	47%	\$1,000	Financial	Financial
Alianza Cooperativa del Este	2007	Opportunity to finance a low-income housing project.	Created by coops	Risk reduction through shared loan.	Risk Reduction. Scale economies (marketing promotions). Common standards (loan offers) to members and clients. Radio program for educational purposes. Networks.	Services & Business	13	N/A	N/A	7,500	Financial	Financial
Alianza Coop. Metro	2007	Explore integrated business opportunities.	Created by coops	Scale economies and educational projects.	Some scale economies.	Services & Business	12	N/A	N/A	\$500	All region	Financial
Comisión Nacional A/C	1993	Integrate sector / communication between sector and League	Created by the League	Communication	Communication	Communication & Integration	85	116	73%	\$50 up to \$0 million in assets / \$100 over/alt	Financial	Financial
Comisión Nacional Vivienda	1993	Integrate sector / communication between sector and League	Created by the League	Communication	Communication. Prompt new model of housing coops.	Communication & Integration	12	14	86%	\$250	Housing	Housing
Comisión Nacional Tipos Diversos	1993	Integrate sector / communication between sector and League	Created by the League	Communication	Communication	Communication & Integration	15	180	12%	\$100	Diverse	Diverse
Consejo Regional Norte	1993	Integrate region / communication between region and League	Created by the League	Communication	Communication	Communication & Integration	18	34	53%	\$400 Financial / \$200 non-financial	All region	Financial
Consejo Regional Sur Central	1993	Integrate region / communication between region and League	Created by the League	Communication	Communication	Communication & Integration	26	No data	N/A	\$100	All region	Financial
Consejo Regional Oeste	1993	Integrate region / communication between region and League	Created by the League	Communication	Communication	Communication & Integration	18	25	72%	\$300	All region	Financial
Consejo Regional Metro	1993	Integrate region / communication between region and League	Created by the League	Communication	Communication	Communication & Integration	53	63	84%	\$200	All region	Financial
Consejo Regional Metro Norte	1993	Integrate region / communication between region and League	Created by the League	Communication	Communication	Communication & Integration	14	31	45%	\$150	All region	Financial
Consejo Regional Este	1993	Integrate region / communication between region and League	Created by the League	Communication	Communication	Communication & Integration	14	22	64%	\$100	All region	Financial

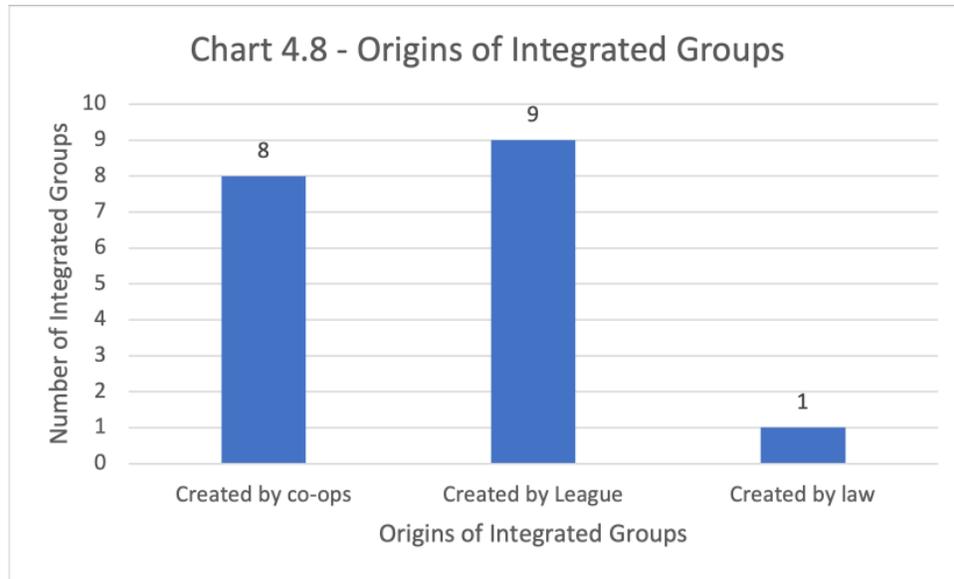
### *Beginning of Operations*

Amongst other things, table 4.1 indicates the year each integrated group began operations. Before 1992 (the year that marks the reformulation period for the cooperative movement in Puerto Rico as presented in the literature review) there were six groups created that still exists today. Other groups were also created before 1992, like the Financial Cooperative Federation and the Housing Cooperative Federation, but since they no longer exist, they were outside the limits of this research. 12 integrated groups were formed after 1992. In fact, most of them, nine, were a direct result of the beginning of reformulation period through the First National Congress. To illustrate the division of emerging integrated groups, chart 4.7 divides those that were created before and after 1992.

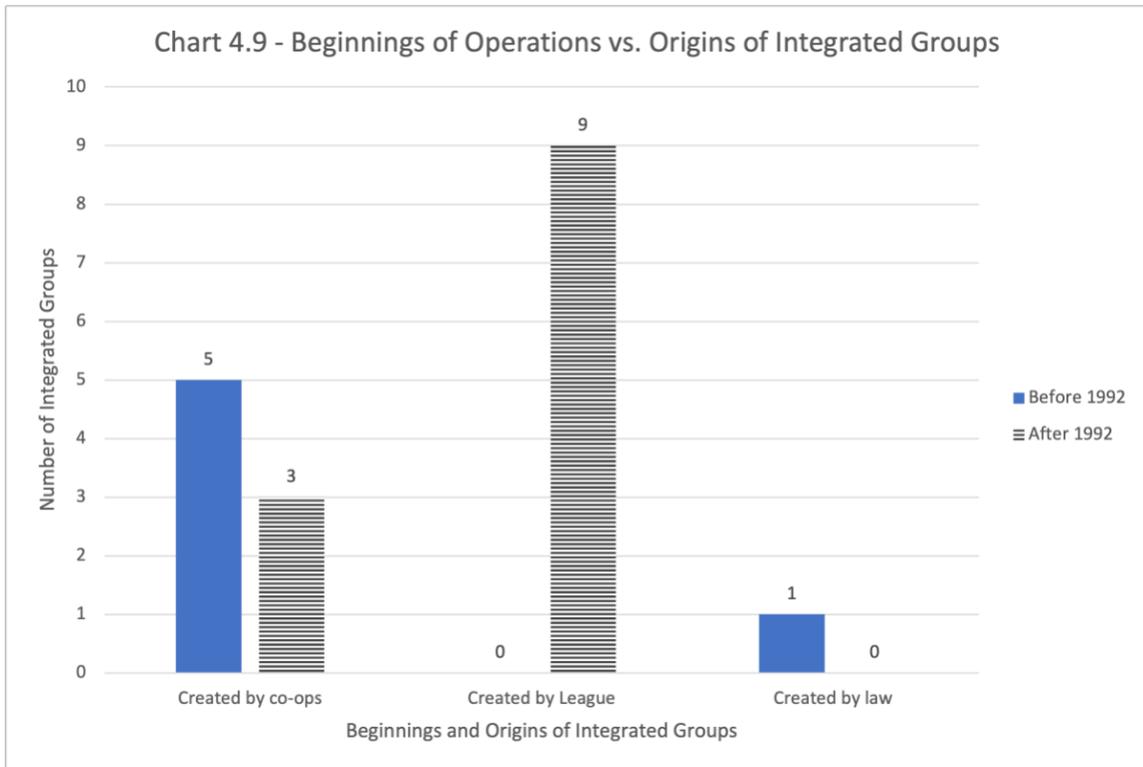


## Origins

Origins were defined based on who created the group. Some were created by the League, some by groups of cooperatives, and one by law. Chart 4.8 shows the different origins these groups had.

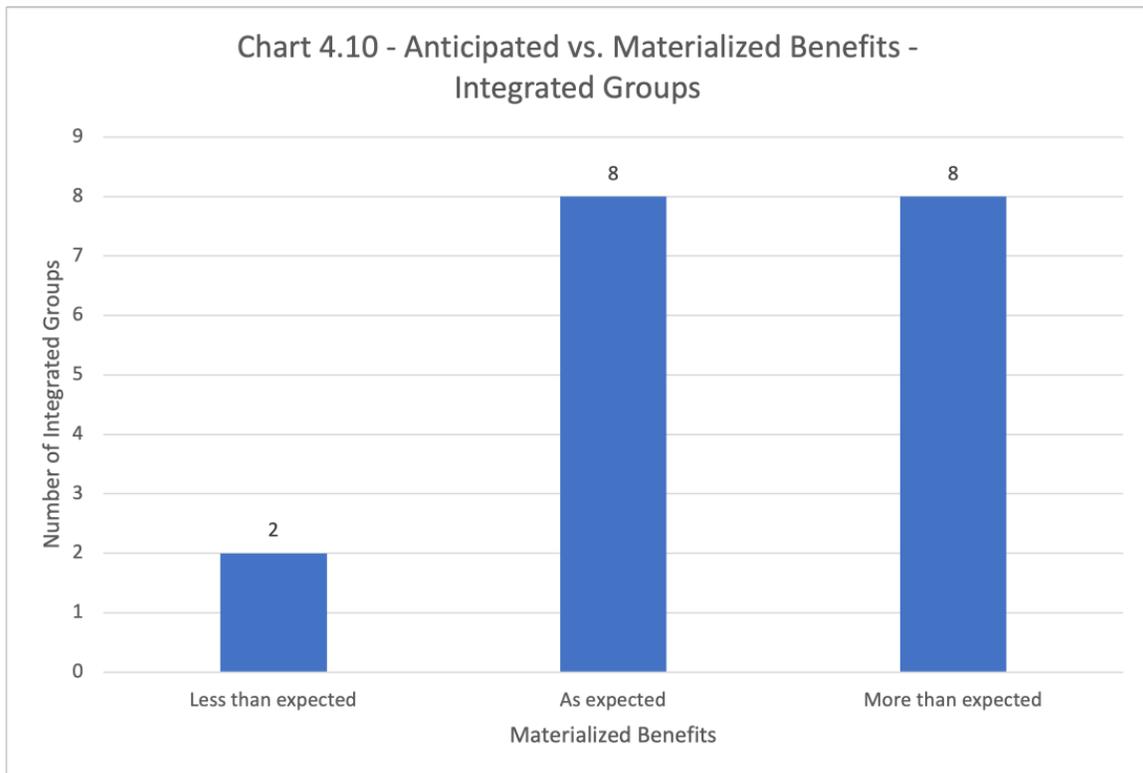


These findings demonstrate that most groups (nine in total) have been created by the League, while individual cooperatives have directly created eight. One was created by a law, which was BANCOOP. As mentioned before, the nine groups created by the League, the commissions and councils to promote integration among sectors and regions, are a direct result of the First National Congress that began the reformulation period. The next chart (chart 4.9) illustrates that division by visualizing cooperatives that were created before and after 1992 according to their origins.



### *Anticipated vs. Materialized Benefits*

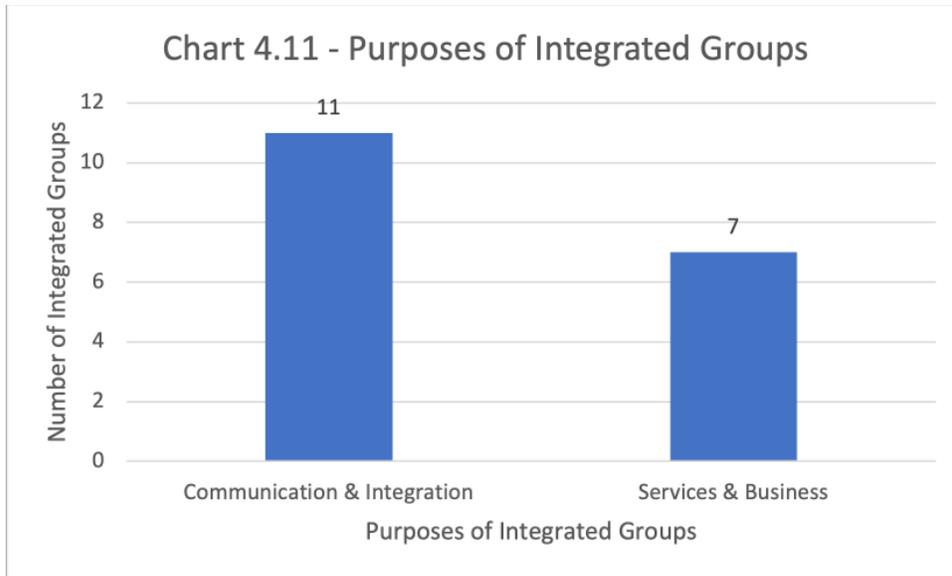
The materialized benefits column shows the main initial objective for each group. The next column, materialized benefits, shows the actual achievements, many of which expanded from their original goals. Every group except for two, said their initial project was achieved. The exceptions were Alianza Cooperativa Metro, who recognized the educational aspects from their original objectives have not occurred yet, and Cooperativa de Servicios Funerarios, who said the expected geographic extension had not happen. Chart 4.10 illustrates those responses.



Thus, most integrated groups accomplished their original purposes, and many expanded their services beyond planned.

### *Purposes*

Each group had a main general purpose. Purposes were divided into two categories: communication and integration for those whose objectives were to recruit groups to later integrate, and service and business for those whose objectives were a specific business project. The next chart (chart 4.11) presents the number of groups for each purpose.

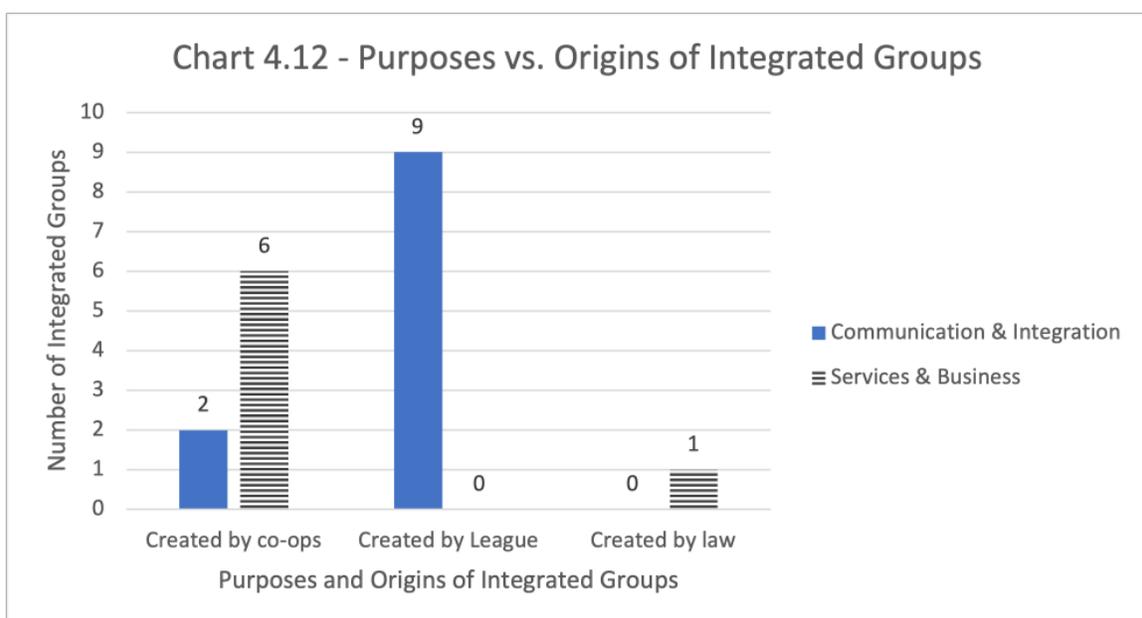


Most current integrated groups (eleven) had as their purpose establishing communication among cooperatives, while seven were created to provide a specific service or develop businesses. This raises the concern that eleven groups that are supposed to foster integration have only managed to create seven permanent or long-term integrated groups to provide services and increase businesses. Furthermore, four out of those seven already existed before most groups in the former category were created. Current integrated groups attempting to foster communication and integration have not achieved a significant increase in groups with purposes to provide services and businesses.

A possible explanation for this is that in these groups—although they have in their bylaws a clear objective to foster integration—the understanding of their purpose is to provide communication between cooperatives and the League. This fact combined with the incomplete conception of integration that persists will produce very limited integration activities, if any.

Considering the materialized benefits and relating it with their purposes, for those who had more benefits than expected, three had communication and integration purposes, while five had services and business purposes. The eight that reported benefits as expected had communication and integration purposes. The two groups that achieved less benefits than expected had service and business purposes. Integration can be the beginning of multiple benefits for participants. Although it may appear that groups with service and business purposes tend to obtain higher benefits than originally expected, one must consider that groups with communication and integration purposes could have benefited and supported the others, since many participants cooperatives are affiliated to both types of groups.

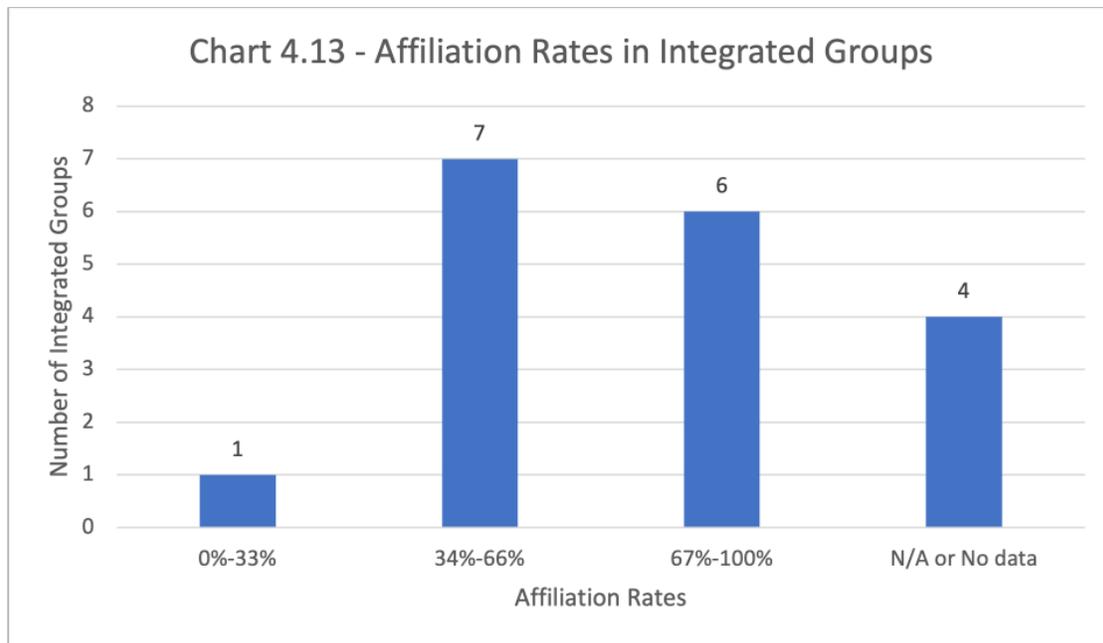
The next chart (chart 4.12) divides the groups of each origin according to their purposes.



It is evident that the League has been responsible for the creation of most integrated groups in the study whose purpose is to facilitate communication and foster integration (9 groups), while individual cooperatives have gathered to create two groups with the same purpose (one of them being the League itself). Regarding groups organized to provide services and conduct business, individual cooperatives have created six groups and one was created by law, although it has been managed completely by cooperatives since then. This pattern is currently as expected. The League, being the organization that gathers and represents all cooperatives, has created a formal structure to facilitate communication among cooperatives to pursue integration. Furthermore, these groups provide spaces to identify common issues related to their respective sector and region.

#### *Affiliated Co-ops for Each Group*

The next three columns in table 4.1 describe the current number of affiliated cooperatives, the potential number of cooperatives that could be affiliated to them, and the percentage of participation based on those two previous numbers. The next chart (chart 4.13) presents the affiliation rates for integrated groups dividing those that range from 0% to 33%, 34% to 66%, and 67% to 100%.

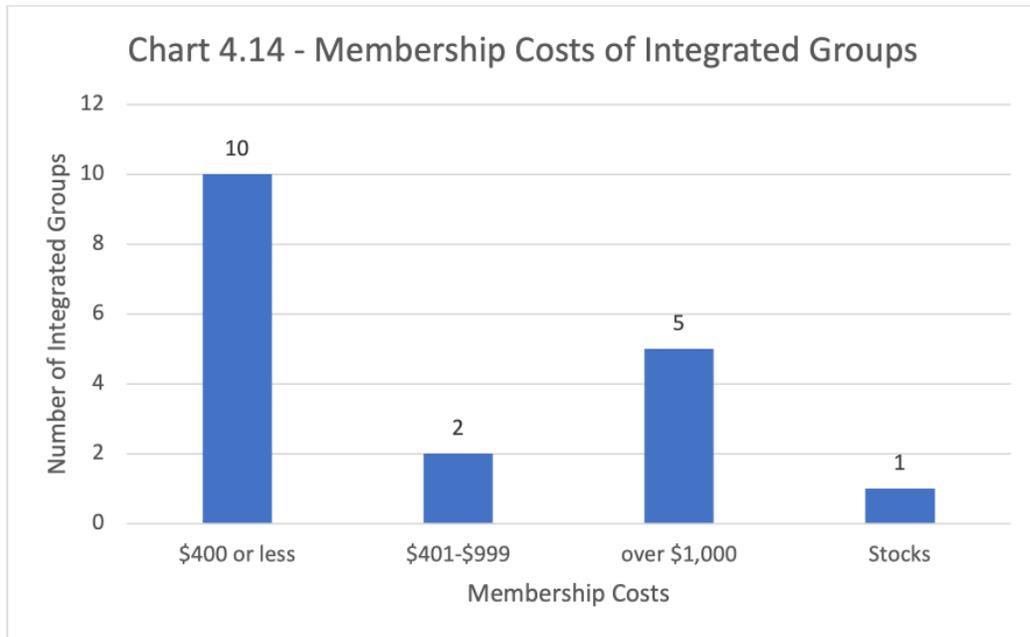


Most integrated groups, (seven in total) are in the middle, since they had an affiliation rate between 34% and 66% of their capacity. Six integrated groups had rates of affiliation between 67% and 100%. One had an affiliation rate lower than 33%. Three groups could not be mixed with the other groups because their affiliation depends on who and how many cooperatives the group wants to invite, thus, these will always have a full affiliation rate. One of the groups could not provide this information.

As stated by Parrilla Bonilla (1971), affiliation of integrated groups should be voluntary, as it is in any first-degree cooperative. Therefore, the way to increase affiliation is by making the group appealing or necessary to cooperatives. Something that should be added to any strategy to achieve this is education. Cooperatives must be aware of the real meaning of integration and the need they have of these groups to achieve their goals.

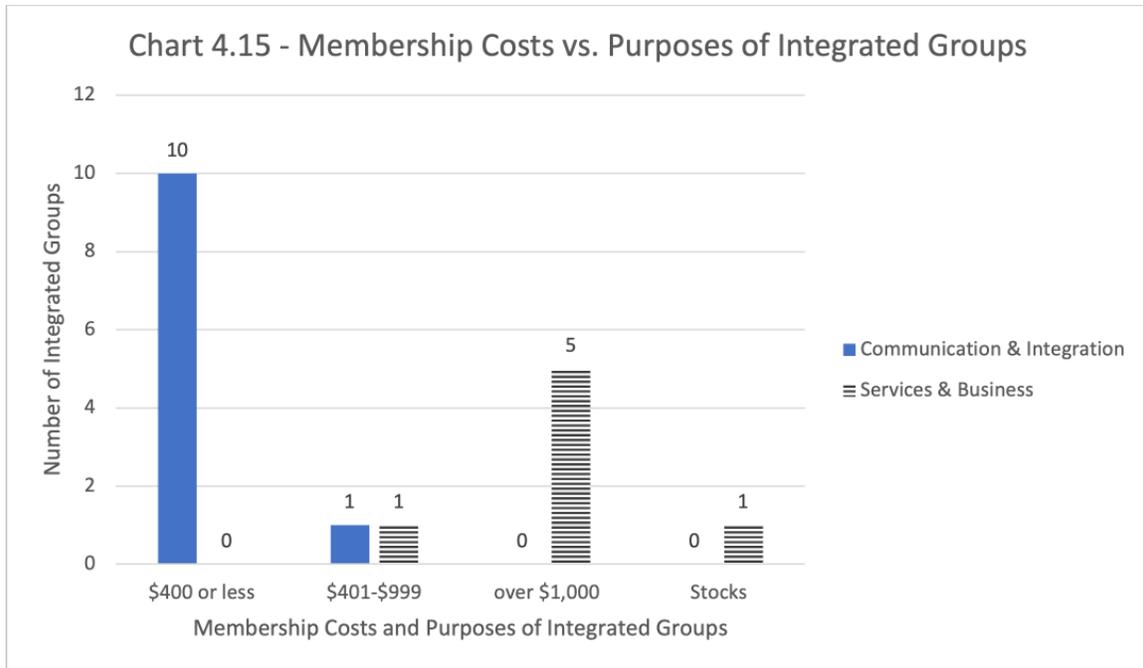
### Membership Costs

The following chart (chart 4.14) illustrates the membership costs of integrated groups.



Ten cooperatives charge \$400 or less and for most of them, like the commissions and councils, the fee is voluntary. Cooperatives' participation is not limited to the economic contribution. Two groups charge between \$401 and \$999. Five charge over \$1,000. One does not charge a fee but sells stocks at \$100.00 each. However, this last one, BANCOOP, does not make regular issuance of stock shares, thus participation in it is evidently limited.

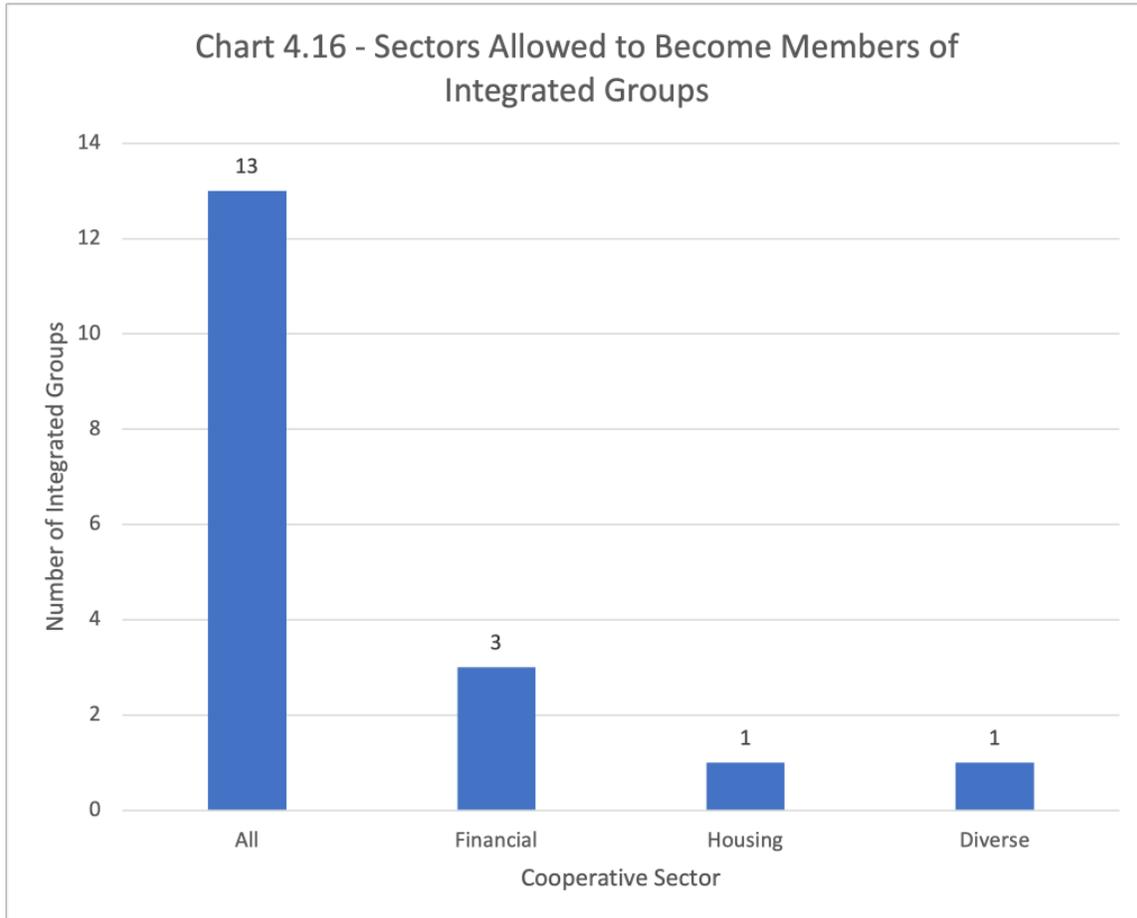
The next chart (chart 4.15) divides the clustered membership costs groups according to their purpose.



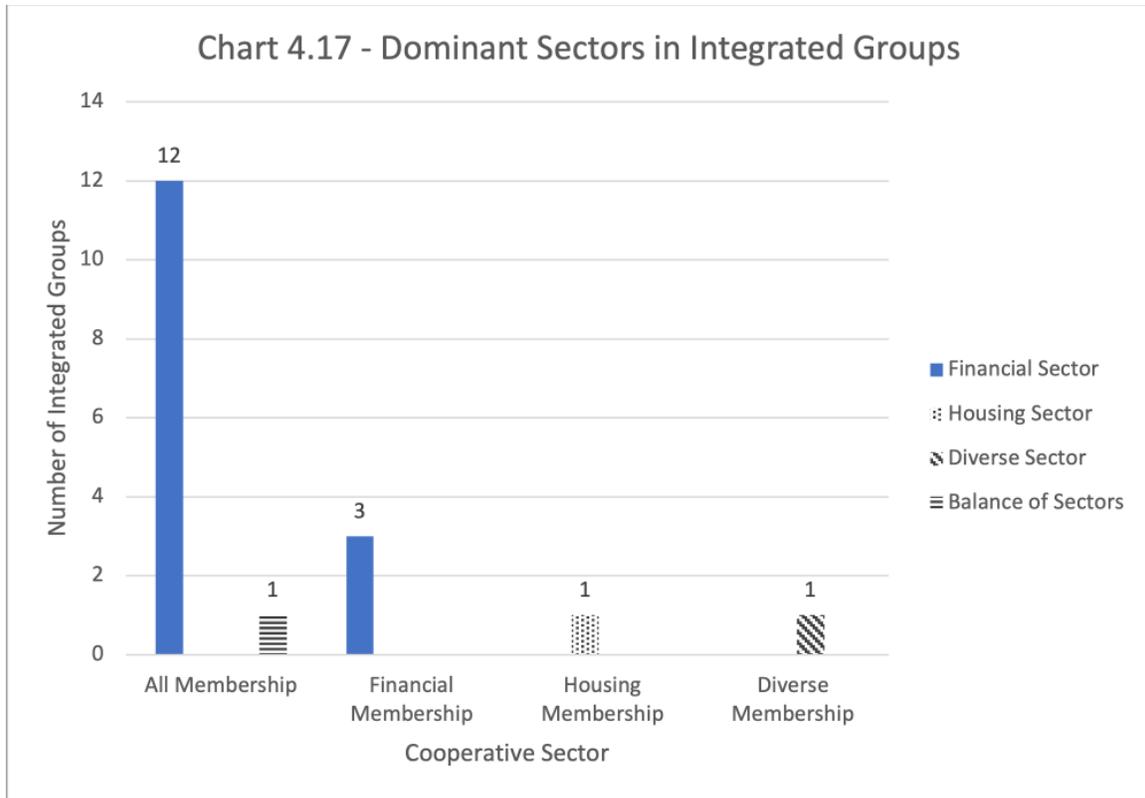
The chart shows a clear division between integrated groups with a purpose of delivering communication and integration and those with a purpose of providing a service or conducting business. It can be assumed that integrated groups with communication and integration purposes do not want cost to be an obstacle for integration. Despite this, it is still an obstacle, according to interviewees.

### *Sectors Allowed*

Sectors allowed indicates the sectors of cooperatives that can become members. For some groups, there is a limitation of sectors (for example, Comisión Nacional de Vivienda, where only housing cooperatives can affiliate). For other groups the affiliation is open to any sector, like the League, COSVI, and Grupo Cooperativo, among others. In the case of regional councils, all sectors from that geographic area can affiliate. A cluster of groups by sectors allowed is shown in chart 4.16.



While 13 integrated groups allow affiliation of cooperatives from all sectors, there are three limited to financial cooperatives, one limited to housing cooperatives, and one limited to the diverse sector. Nonetheless, the fact that such groups allow different types of cooperatives to affiliate does not mean other sectors actually participate. Something that the interviewees mention is the dominant sector of each group. Results from the last column in table 4.1 are illustrated in chart 4.17, which shows the reported dominant sector in that group, meaning the sector with most cooperatives in it.



There is a clear dominance of the financial sector over all possible groups where they can be affiliated. The only exception is BANCOOP, which was reported to have a balance of sectors. The other two groups, housing and diverse, exclude by definition the affiliation of financial cooperatives.

This dominance does not occur because financial cooperatives want to control all groups. Actually, according to the interviews, its dominance is an inevitable effect caused from the lack of participation of cooperatives from other sectors. Regarding the reasons for this, some participants said:

“Hay baja participación de tipos diversos. Los consejos tratan activamente de invitar a tipos diversos, pero algunos no tienen tiempo porque son dueños de negocios y no quieren dejar solo el mismo por ir a reuniones.”

(“There is low participation from the diverse sector. Councils try to invite cooperatives from these sectors, but some don’t have time because they are business owners and cannot leave their business alone to go to a meeting.”)

“Hay poca participación, hay falta de compromiso.”

(“There is low participation, there is lack of commitment.”)

“Las de tipos diversos tienden a rechazar a las de ahorro y crédito. Como que no se sienten parte de...Por otro lado, los temas que se discuten son mayormente de ahorro y crédito, lo cual a ellas no les interesa. ... Otras son simplemente individualistas.”

(“Diverse type [cooperatives] tend to reject financial types. It is like they do not feel as part of... On the other hand, topics discussed are mainly finance related, which is not of their interest. ... Others are just individualists.”)

These comments bring up issues like cost and individualism as obstacles, discussed later in this research.

### *Summary and Analysis of Integrated Group Characteristics*

Integrated groups in this study were created either by the League, cooperatives, or by law. Their purposes can be clustered into two categories: (1) communication and integration and (2) services and business. The majority from the first category were formed by the League, while the majority of the second category were created by individual cooperatives in a joint effort. Most integrated groups, especially those with a communication and integration purpose, were created after the reformulation process of the cooperative movement in 1992. Also, the majority of integrated groups, according to the perception of interviewees, have reached their original goals and most of them have developed more benefits than originally expected.

Although cost is identified as an obstacle for integration and it will be discussed in the obstacles section of this research, the commissions and councils are aware of that. Thus, they established low affiliation costs and its contribution is voluntary.

Some of these integrated groups are designed to gather cooperatives from a specific sector. However, from the 13 groups that allow all types of sectors, financial cooperatives dominate 12 of them. As pointed out, this is an effect of the lack of participation from other sectors. Thus, although the majority of integrated groups are created to allow the affiliation of cooperatives from all sectors, the financial sector dominates because other sectors have a low-level of participation.

It might be impossible to make all cooperatives participate in a specific group. However, perhaps there will be some cooperatives that although not interested in actively contributing to a specific commission under the League will be interested in an association that gathers cooperatives by its geographic area or that will support some of the second-degree cooperatives that doing good work. After all, according to Parrilla Bonilla (1971), involvement in integration activities should be a voluntary act, not imposed. However, in a well-integrated cooperative movement, benefits will increase the more interrelated the participating cooperatives are.

### Obstacles Towards Integration Among Cooperatives

Before considering a list of factors known to be obstacles for alliances, participants were asked openly about factors they have encountered that obstruct integration. Chart 4.18 illustrates the obstacles identified by participants from integrated groups.

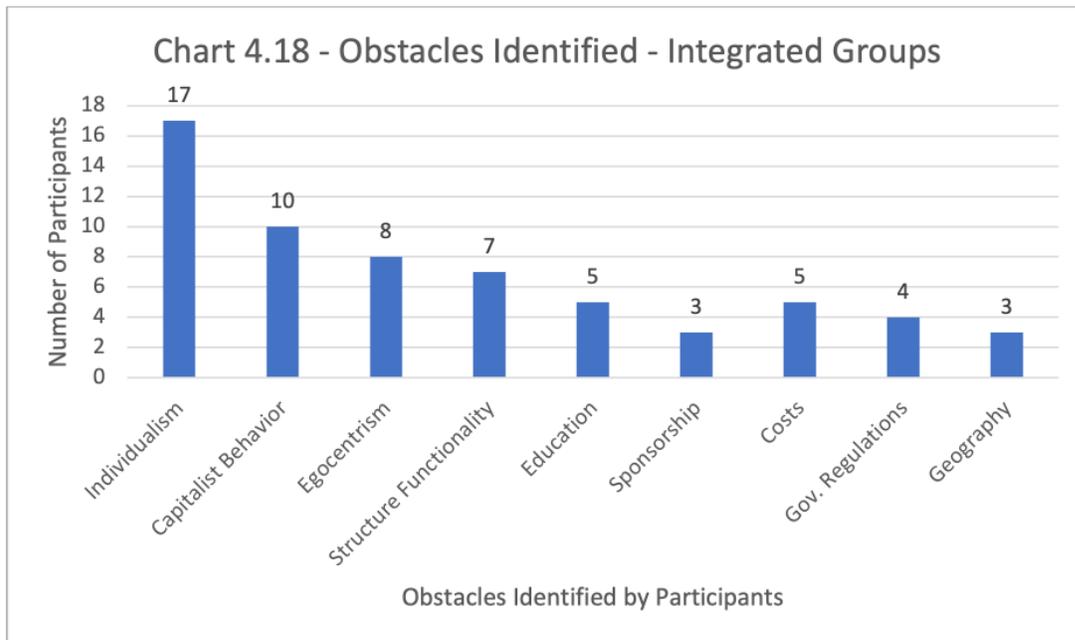
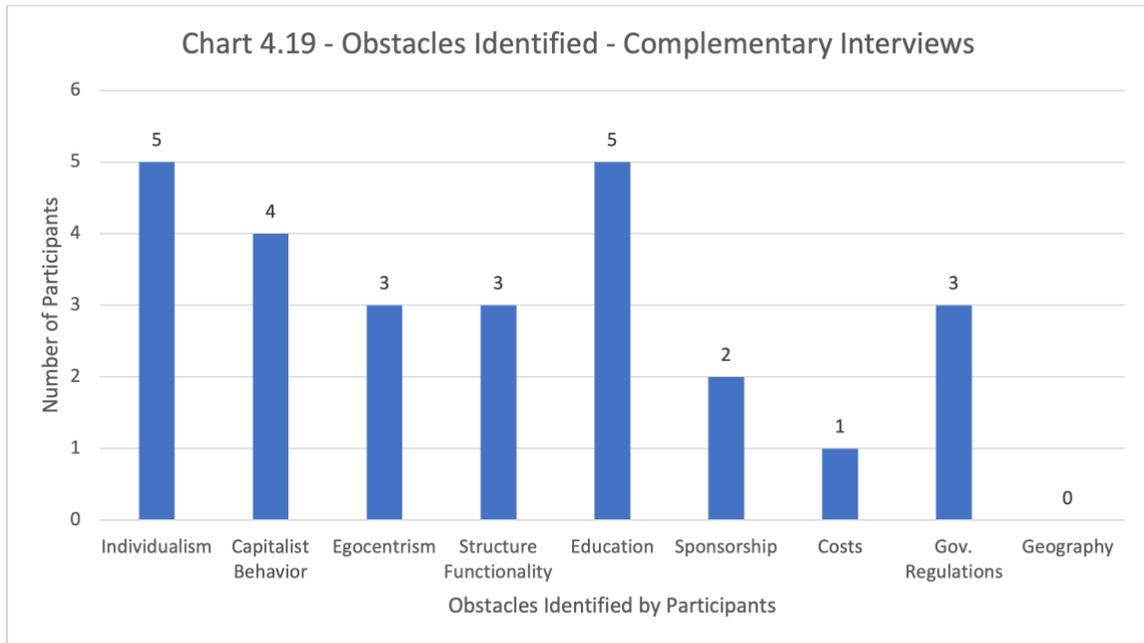


Chart 4.19 also shows obstacles identified but from complementary interviews. This chart follows a similar pattern to chart 4.18, but notable is that the education factor is as high as individualism.



### *Individualism*

The factor that best describes participants’ main concern is individualism. Seventeen participants of integrated groups said something about this. One respondent stated:

“Cada cooperativa tiene muchas cosas en el plato, por decirlo así. Tienes cooperativas de ahorro y crédito que están manejando su situación y su efecto de los bonos y, te estoy hablando hoy 2018, muchas están manejando efecto María [huracán] y yo creo que están pasando muchas de ellas por un proceso de ‘yo voy

a reorganizar mi casa, yo primero, antes de yo ver cómo yo trabajo con las otras de la manera en que sea...”

(“Each cooperative has many things to attend to. There are financial cooperatives managing the effects of the government bonds and, currently in 2018, many are still dealing with the effect of Hurricane Maria and I think they are going through a process of saying ‘I am going to reorganize my house first, before I see how to work with others in any way...’”)

This observation illustrates an intention to individually deal with problems and then consider any integration. Such behavior sounds ironic, since cooperatives are joint efforts from people to address common necessities. On a higher scale, cooperatives are supposed to be joint efforts to solve common issues. Individualistic actions, as reported, could be a sign that this purpose has not been totally internalized.

A participant from a second-degree cooperative recognized their role, as an institution, in this individualistic behavior:

“Porque las organizaciones de segundo grado seguimos caminando como entes individuales, quizás disputándonos territorios.”

(“Because as second-degree organizations we keep moving forward like individual entities, maybe disputing territories.”)

Another made a reference to formal education received and how the academic background affects the perspective of actors:

“...yo estudié administración de empresas y estudié cooperativismo. En administración de empresas lo que te enseñan es a salir allí afuera con el cuchillo a conquistar el mundo, a dominar el mercado, a imponer tu criterio, tus intereses. Mientras en el cooperativismo te enseñan otra manera de ver el mundo, de solidaridad, de integración, de comunicar y tú siempre estás pensando en el otro o como juntos podemos lograr esto. Y yo veo que esa es la mayor dificultad.”

(“...I studied business administration and cooperativism. In business administration they teach you to go out with a knife to conquer the world, to dominate the market, to impose your criteria, your interests. While in cooperativism they teach you another way to see the world, solidarity, integration, communication, and you are always thinking of others and how we can all achieve this together. I see this as the main difficulty.”)

This participant identified a conflict between two world views that espouse competition-individualism on one side and solidarity-cooperation on the other.

Another frequent observation was that financial cooperatives tend to be more individualistic than non-financial cooperatives.

Complementary interviews supported the identification of this factor. One participant said:

“... las cooperativas que están más fortalecidas económicamente, que quieran ellos hacer un trabajo sin contar con los demás.”

(“...cooperatives that are in better financial positions, they want to do things by themselves, and not rely on others.”)

### *Capitalist Behavior*

Another factor identified was capitalist behavior. Cooperatives are supposed to prompt a solidary economic system. However, several behaviors and beliefs from capitalist philosophy were identified. For example, some mentioned a competitive behavior when a financial cooperative establishes a new branch in the same town or even a few blocks from another financial cooperative. But other types of cooperatives were also said to behave under capitalist premises, like housing cooperatives giving priority to accumulation of funds even when the main building has serious damages or needs important repairs.

Some expressions about competition were:

“La teoría es que las cooperativas no compiten entre sí, pero la mayor competencia entre cooperativas es que queremos ser más... competir con nosotros mismos,

porque no visualizamos que nosotros competimos con la banca comercial, en términos de ahorro y crédito.”

(“The theory is that cooperatives do not compete with each other, but the greatest competition among cooperatives is that we want to be more... compete with each other, because we do not visualize competing with commercial banks, in terms of financial services.”)

“...y unos son más agresivos que otros, son más eficientes que otros, otros trabajan más que otros. Y eso te trae una competencia, que por más que tú quieras decir que no la hay, existe...”

(“...and some are more aggressive than others, more efficient than others, some work more than others. And that brings competition, which no matter how much you want to say there isn't any, it exists...”)

“...aunque en los eventos están todos juntos, están en una competencia constante. ... dos en el mismo pueblo o una que colinda con otra. Una competitividad increíble. Y yo creo que eso, en vez de fortalecer, lo que hace es debilitar.”

(“...although they are all together in events, they are in constant competition. ...two in the same town or one next to another. An unbelievable competition. And I think that that, instead of strengthening, what it does is weakens.”)

“Hay mucha gente que dice que no hay competencia, claro que la hay, el que diga que no está en otro problema, pero la hay. Cuando una cooperativa te pone una sucursal en otro pueblo donde tú estás y llevas años, es porque va a competir contigo.”

(“There are a lot of people that say there is no competition, of course there is, whoever says there isn’t has another problem, but there is. When a cooperative establishes a branch in a town where you have been for years, it’s because it is going to compete with you.”)

A possible cause for this capitalist behavior in cooperatives was provided by a participant that explained that success in cooperatives is measured with the same criteria used by capitalist organizations and stated:

“...tenemos esa mentalidad, de que si no crece el dinero no vemos el servicio.”

(“...we have that mindset, that if the amount of money does not increase, we do not see the service.”)

A participant recognized the practice of competition but wondered if it is actually negative. According to the participant’s opinion, if a cooperative is not doing a good job recruiting members and clients, another cooperative’s branch might serve people that

would have never been served by cooperatives. Additionally, the same participant shared that sometimes cooperatives with branches close to each other have collaborated, making small purchases together to obtain scale economies. These arguments support the competitive view of the economy and illustrate an alliance. However, alliances are common in private corporations, even when the actors involved could be in competition. Actually, these actions are aligned with the capitalist economic system. Thus, even when this participant might value competition as something positive, the arguments are corroborating the existence of capitalist behavior.

Complementary interviews reported similar concerns about capitalist behavior among cooperatives:

"¿Y qué pasó con los principios de democracia social, justicia social, y de equidad social? Y la cooperativa viene y te crea un hijo con ánimos lucrativos mientras yo estoy sin ánimos lucrativos. Entonces, pues ahí hay definitivamente un disloque del discurso cooperativo; una contradicción profunda dentro del discurso cooperativo. Y no solamente que hago negocios con una corporación, sino que creo corporaciones, pues entonces ahí es que caemos en que es un modelo empresarial. Y un modelo empresarial únicamente se va a mirar la cuestión de la administración y la gestión, más nada, y la repartición de dividendos. Si es así, es exactamente igual que la lógica del capital. ¿Cuál es la lógica de la corporación? La corporación existe nada más, y esto no me lo invento, lo dice la ley, está en función a tener

rendimiento a los accionistas. ¿Cuál es la diferencia? Que el banco popular tiene 10 accionistas y la cooperativa de ahorro tiene 3000 accionistas."

("What happened with principles of social democracy, social justice, and social equity? The cooperative creates a new for-profit entity while I stay non-profit. In that case there is definitely a breach of cooperative discourse, a deep contradiction inside the cooperative discourse. Not only I do business with a corporation, I also create corporations, that is where we fall in a business model. In a business model the only things that are going to be addressed are the administration and management, nothing else, and the surplus redistribution. If that is so, it is exactly identical to capitalist logic. What is the logic of the corporation? The corporation only exists, and I am not making this up, it is in the law, as a function to give return to shareholders. What is the difference? That a commercial bank has 10 shareholders, and the financial cooperative has 3,000 shareholders.")

"...más allá de un desconocimiento, yo creo que también hay lo que yo llamo el germen latente del sistema tradicional de capital y de las relaciones entre competencia. Donde se supone que nosotros practiquemos, no solamente a nivel individual, sino también a nivel organizacional, la cooperación, yo creo que también ese germen, ese elemento de la competencia también está bien presente."

(“...beyond ignorance, I think there is a virus of traditional capital system and competitive relationships. That virus is present in areas where we are supposed to practice cooperation, not only at an individual level, but an organizational level.”)

Competition does not affect only first-degree cooperatives, according to the opinion of the participant who mentioned that second-degree co-ops and the League perceive independent integration activities as a threat. Perhaps this is related to egocentrism, a factor that is analyzed next.

### *Egocentrism*

The factor egocentrism includes expressions made about people wanting to have the leading role, seeking benefits for themselves and being opportunists. Some participants bluntly stated their opinion about this obstacle:

“También hay un... el ego. ‘Yo soy líder, yo voy a ser la voz, el que va a salir en el periódico soy yo.’ Eso también afecta, ese protagonismo.”

(“There is also an...ego. ‘I’m the leader, I’ll be the spokesman, the one who is going to be in the newspaper is me.’ Such protagonism also has an effect.”)

“...conlleva celos profesionales. ... Porque no quiero integrarme, porque yo quiero seguir creciendo a mi manera y en la manera en que estoy creciendo quiero competir con lo mío.”

(“It entails professional jealousy... Because I do not want to integrate, because I want to keep growing in my way, and while I grow, I want to compete with my goods.”)

“Algunos son egocéntricos y la peor parte es que ellos mismos no lo reconocen.”

(“Some are egocentric, and the worst part is that they themselves do not recognize it.”)

“Uno de los retos es poder sacar a los líderes de lo que llamamos sus ‘fincas privadas’ y verse como un sistema cooperativo dentro de la economía social y solidaria.”

(“One of the challenges is to get leaders out of their ‘fincas privadas’ [an expression used to describe the use of collective good for self-benefit] and see themselves as a cooperative system inside of a social and solidarity economy.”)

“Siempre que hay una nueva idea, una nueva iniciativa, la gente espera ‘vamos a ver cómo funciona y decidimos si nos sumamos o no’.”

(“Every time there is a new idea, a new initiative, people are like, ‘Let’s see how this works and then we’ll decide if we join or not’.”)

On the same topic, a participant described how the ego also affects higher degree cooperatives by wanting to prevail over others:

“...en Puerto Rico tenemos un problema, que no se ponen de acuerdo. Por un lado, tengo la asociación de ejecutivos, por un lado, tengo el Banco, por un lado, tengo a Múltiples, por un lado, tengo la Liga, por otro lado, tengo a COSVI. Esas cosas, a pesar de que se sientan en la misma silla, siempre hay unos halando para un lado y otros para el otro. Y hay que tener una sola voz.”

(“...we have a problem in Puerto Rico, where we do not reach agreements. On one side, you’ve got the Executives Association, on one side, there is the Bank, on one side, there is Multiples, on one side, there is the League, on the other side, there is COSVI. Those things, despite sitting at the same table, there are always some pulling to one side and others to the other. There must be one voice.”)

Complementary interviews supported these opinions:

“Lamentablemente, se ha formado con una cultura de ‘caciques’ a nivel de ahorro y crédito y a nivel de organismos centrales también.”

("Unfortunately, a 'cacique' [tribal leader of the indigenous people in Puerto Rico] culture has been created in financial cooperatives and higher degree cooperatives too.")

"La junta de directores responde a los socios, y eso se les está olvidando. ... Las cooperativas tienen que estar bien para que los socios estén bien, no es para que la junta de directores y los empleados de la cooperativa estén bien."

("The board of directors answers to its members, and they are forgetting that. ... Cooperatives have to be okay for their members to be okay, it is not only for the board or employees to be okay.")

"Y hay gente buena, pero también hay gente que le gusta robarse el crédito, que le gusta brillar con la luz de otro."

("And there are good people, but there are also people who like to steal credit, who like to shine with another's light.")

"Aquí no se aspira a la excelencia total. Aquí a lo que se aspira es, a demostrar que tal organismo central o tal otro organismo, tal otro, hizo tales cosas, y le dan un diploma y la gente lo guarda en la gaveta."

(“There is no aspiration for total excellence here. The aspiration here is to demonstrate that such and such higher degree cooperative did such things, and they get a diploma and keep it in the drawer.”)

### *Structure Functionality*

The factor of structure functionality involves the efficient performance of higher degree cooperatives, including the League, their commissions and councils, and second-degree cooperatives. Participants pointed out lack of communication to and from these structures, lack of awareness about new cooperatives and their services, priority given to financial cooperatives over other types, and lack of direction.

This statement summarizes some of these observations:

“Hay falta de dirección desde la perspectiva, no de quien..., no es una cuestión de disputar representación, representatividad. La Liga, más allá de lo que diga la ley, es el ente de representación del sector, eso está claro. Pero la Liga es más allá de una estructura de formación política, es una estructura de chocar diversidad. Y no se puede confundir, cuando yo digo de dirección, de plantear las rutas que yo quiero. No, es que planteemos las rutas que entendamos que es, la de consenso. Pero alguien tiene que dirigir ese esfuerzo. La Liga tiene que estar más vinculada al Instituto y el Instituto más vinculado a la Liga. Más allá de la disputa de que si doy cursos o no doy cursos, no, no, eso lo sé, más allá de eso. Es de establecer lazos

de colaboración y de reforzarme. Yo reconozco que necesito esto que tú tienes, pero tú reconoces que yo tengo algo que tú no tienes, vamos a complementarnos.”

(“There is lack of direction from a perspective... it is not a matter of representation. The League, beyond what is written in the law, is the main representative of cooperatives, that is clear. But the League is more than a political structure, it is a structure to confront diversity. And it should not be confused, when I say there is lack of direction, with implementing the routes I prefer. No, it is implementing routes decided by consensus. But someone has to lead that effort. The League and the Institute of Cooperativism have to be more connected to each other. Beyond the issue about who teaches what courses, it is about establishing connections of collaboration and support. Each one recognizing the other has something the other needs, they should complement each other.”)

### *Education*

Education is a factor that includes the lack of understanding about the meaning of integration, the need to comprehend and internalize cooperative philosophy, and the lack of functionality of integrated groups.

One participant talked about workers migrating from banks to cooperatives. Although some degree of individualism was also mentioned, the main focus was the differences of perspectives in each field and how a lack of education in cooperativism is demonstrated:

“Ha habido un movimiento de gente de la banca hacia el movimiento. ... lo que les falta a ellos es ese ADN de cooperativismo. Y es lo que nos falta a mucha gente aquí, a estas generaciones nuevas que tenemos nosotros. Entonces son, yo pienso, que se mantienen con la misma idea de la banca que son campos aparte y cuando conviene pues son unidos, pero no es así, no es la realidad.”

(“There has been a movement of people from banks to the [cooperative] movement. ...what they are missing is that cooperative DNA. And that is what many people lack, of these new generations we have. So, they keep the same ideas from the banks, that they are a different field, and when it is convenient, they join, but that is not the reality.”)

Such observation is related to the capitalist behavior mentioned before. The participant referred to a different formation as the cause to act with different values.

Another argument places the responsibility on the emphasis made on privileging technical education over philosophical education:

“El mismo Instituto de Cooperativismo ha perdido todo su norte. Ha perdido todo su norte en eso. Desde mi punto de vista, las mismas cooperativas no están cumpliendo su función. Ahora mismo, por ejemplo, por las razones que son, todos los programas educativos en el movimiento ¿nosotros qué hacemos? Nosotros

damos un seminario de seguros, damos un seminario de inversiones. Pero tú hablas de un seminario de cooperativismo. Eso no se da, por eso mismo que hablamos de cómo integrarnos.”

(“The Institute of Cooperativism has lost its way. It has lost its way in it. From my point of view, cooperatives themselves are not fulfilling their functions. Right now, for example, of all the educational programs in the movement, what do we do? We provide a seminar about insurances, about investments. But there is no seminar about cooperativism. That does not happen, due to the issue of integration.”)

This statement also shows some lack of information, since there are courses about the cooperative philosophy offered by the Institute and the League. Perhaps, the question the movement should be asking itself is, why are these courses not frequently requested by cooperatives? In the literature review, it was mentioned how social aspects are important for cooperatives beyond economic considerations (Puentes et al. 2010). It was also noted how in the history of cooperativism in Puerto Rico, the movement has demonstrated a lack of defined social purposes (Catalá Oliveras 2004; Colón Torres 1985). While this situation continues, cooperatives will find no use for philosophical courses. Again, educational efforts should take this and the lack of understanding regarding integration into account.

One participant criticized the lack of understanding about integration and how some believe it is enough to merely conduct meetings:

“...tú tienes que ser más activo. Tú no puedes generar cambios y tú no puedes hacer nada sentado una vez al mes diciéndonos ‘hola, ¿cómo estamos?’ ...”

(“...you have to be more active. You cannot generate changes or do anything by sitting once a month saying to each other, ‘Hello, how are you?’ ...”)

To solve these issues, a participant highlighted the need for constant education:

“Falta de educación. La educación es eterna, es un proceso constante, continuo, que nunca termina, que cada día se complica con los retos que tenemos y los desafíos que tenemos.”

(“Lack of education. Education is an eternal process, a constant process, continuous, it never ends, and each day it gets more complicated by challenges and obstacles we face.”)

This was supported by others. As stated by a participant:

“Entender el modelo cooperativo conlleva tiempo.”

(“Understanding the cooperative model takes time.”)

Participants from complementary interviews presented the same arguments, stating that there is a lack of education that does not allow a good understanding of integration and its benefits, including the changes it is supposed to promote in society.

The representative from the cooperative that does not participate in integration groups said that when they became incorporated, although they received assistance from the League and the Cooperative Development Commission, nobody oriented them about integration. Furthermore, this same group said they expected to have access to a network or at least sponsorship from cooperatives, but that did not happen.

### *Sponsorship*

The next factor mentioned was lack of sponsorship from other cooperatives. Some examples are:

“...[antes]...ni el 1% de las cooperativas estaban aseguradas con otra empresa que no fuera Seguros Múltiples. Hoy en día hay muchas cooperativas que están aseguradas... con otras organizaciones.”

(“...[before]... not even 1% of cooperatives were insured with companies other than Seguros Múltiples. Nowadays, there are many cooperatives that are insured... with other companies.”)

“... hay una cooperativa que produce café y todas las cooperativas utilizan café. Pero si se lo venden muy caro, ¿qué pasa? Yo no lo compro.”

(“...there is a cooperative that produces coffee, and all cooperatives use coffee. But if it is too expensive, what happens? I do not buy it.”)

If price is the only or main criteria to sponsor a service, that shows the capitalist understanding of the market, but not solidarity.

Complementary interviews reported a similar scenario:

“...a veces les digo que busquen un seguro y piensan en otra compañía, no piensan en Seguros Múltiples.”

(“...sometimes I tell them search for an insurance and they think of another company, they do not think of Seguros Múltiples.”)

A recognized leader in the movement provided a possible explanation for this factor:

“Las cooperativas de base tienen una identificación con su comunidad. Y los presidentes ejecutivos y la junta de directores tienen identificación con ciertos suplidores de la comunidad. ... Muchas cosas que no se hacen en las cooperativas

en términos de integración, es por el compromiso de la cooperativa con suplidores y organizaciones de las comunidades. Por ejemplo, cógete el caso de la cooperativa de servicios funerarios. Puede haber una cooperativa que la funeraria le lleve la oferta ... (pero la cooperativa responde) ‘En este pueblo tenemos dos funerarias o tres, que los dueños son socios de la cooperativa y que son mis amigos desde los tiempos de la escuela. ¿Cómo yo voy a quitarle la fuente de sustento a los funerarios?’ Todos esos elementos existen.”

(“First degree cooperatives have a connection with their communities. And executives and board members have connections with certain suppliers of the community. ... Many things cooperatives do not perform related to integration are because of the commitment of the cooperative with suppliers and organizations in communities. For example, the case of Servicios Funerarios. There may be a cooperative that receives an offer from Servicios Funerarios ... (but the cooperative responds) ‘In this town we have two or three funeral homes, their owners are members of the financial cooperative in the area and have been my friends since childhood. How am I going to take away their source of income?’ All those elements are present.”)

If this lack of sponsorship were completely caused by some fidelity to previous suppliers, it would be a behavior that also reports benefits to cooperatives in other sectors, since it values some sort of long-term relationship. But that has not been the case, according to the interviews.

### *Costs*

Cost is another factor. The economic contribution to enter some integration activities are high for some cooperatives, especially the small ones.

“...la afiliación hace que la cooperativa pague \$100 dólares anuales. Lo cual quizás, yo pienso que, puede ser un disuasivo como para..., pues, no todas las cooperativas tienen el dinero o simplemente entienden que ese dinero no es para pagar una afiliación.”

(“...the affiliation makes the cooperative pay \$100 annually. That may be a deterrent for...well, not all cooperatives have the money or understand it is not for affiliation purposes.”)

This specific situation, high costs, also caused in the past resistance from some cooperatives becoming members of Circuito Cooperativo. However, some changes were made to take into account the size of cooperatives and they continue to seek improvement.

During the analysis of integrated group characteristics, it was discussed that costs seemed to be considered an obstacle by some groups, specifically those created by the League, whose purpose is to facilitate communication and integration among cooperatives. The costs to be affiliated to these groups are the lowest of all and they are voluntary. However, there is still a low level of affiliation. There are three possible explanations for this: (1) groups do not know the cost contribution is voluntary; (2) even these relatively

low costs are too expensive for many of them; and (3) other factors influence so much that low cost by itself cannot counteract their effect.

Actually, one participant confirmed the cost factor aligned with individualism:

“Nosotros nos integramos, y es algo que ya había dicho, hasta que hay que meterse la mano en el bolsillo. Cuando es algo que cuesta... unos salen, otros se quedan. Se afecta la integración, porque están velando por sus intereses, de cómo me afecto.”

(“We are integrated, and I have said this before, until we need to reach into our pockets. When it’s something that costs money...some get out, some stay. Integration gets affected, because they are looking after their interests and how they will be affected.”)

It is not unreasonable for cooperatives to take care of their assets and make sure any investment will benefit the organization. As said by Iturrioz del Campo (1996), integration activities should report benefits to the group as well as to each participant. But this is related to some degree to education, since it is necessary to understand cooperatives have social purposes beyond economic achievements (Puentes et al. 2010) so that participant cooperatives perceive those benefits.

Other cases need a deep analysis, like the following. A participant presented a scale economy activity, a group medical insurance purchase. The original cost for some low-risk

persons increased because of the inclusion of others classified as high-risk. In the end, they decline to participate because of the higher costs. It is a complex situation, especially under a capitalist point of view, to pay more because of other people. Considering the cooperative philosophy, would their decision be different under a solidarity perspective? After all, in our society, for example, everybody pays taxes and a portion of it ends up paying for public education, even the taxes from those who do not have children. On the other hand, also considering the cooperative philosophy, a purpose of cooperatives is to produce that or any other necessary service at a lower cost. A well-integrated cooperative system would have taken this case to explore ways to provide health insurance.

The financial situation of a cooperative could make it difficult to join an integration initiative. However, such cooperatives could be ignoring that the solution to their financial problems may lie in that or other joint efforts, since that is one of the purposes of integration. Besides, the importance of keeping the costs low and voluntary for affiliation was pointed out before some measures were taken by commissions and councils. Since its payment is voluntary, this factor should not affect participation in these integrated groups. However, participation in these groups is still low.

### *Government*

Government, according to some participants, has too much control over cooperatives and imposes capitalist criteria to evaluate their performance, putting them in conflict with their own principles and philosophy—creating an obstacle for integration.

The following interview example argued how COSSEC has too much control over cooperatives:

“... una cooperativa del centro de la isla, que su asamblea decidió de sus sobrantes separar, no recuerdo si eran 200 mil dólares, para financiamiento y préstamos de riesgo, para carritos de hot dogs, para semillas para un agricultor, para ayudar a la gente y para ayudar al entorno comunitario a desarrollarse social y económicamente. El regulador le dijo que no.”

(“...a financial cooperative decided in assembly to use some surplus, I don’t remember if it was \$200,000, to finance and give high-risk loans, hot dog carts, seeds for a farmer, to help people and the community develop socially and economically. The regulator said no.”)

An important question, just based on the facts provided, is why the cooperative did not appeal (or even ignored) such determination?

Although the previous example was not directly related to integration among cooperatives, it shows commitment to its community—another of the cooperative principles—and the power COSSEC apparently has (or believes to have) to control the investments cooperatives make.

Other participants directly addressed how COSSEC affects integration:

“...tenemos un regulador que también nos limita al momento de hacer integración. Nos limita muchas veces por aversión al riesgo. Por burocracia también, a veces a las decisiones, aprobaciones toman demasiado tiempo.”

(“...we have a regulator that limits our integration interests. The regulator limits us to avoid risks. Also, due to bureaucracy, sometimes decisions and approvals take too long.”)

“Nosotros hicimos un acercamiento con la cooperativa de cine, Cinecoop, para hacer una inversión de \$100 mil dólares en una película, película Dos Caminos. Recibo la carta del regulador denegándome la inversión. No podía ser, porque era una inversión de riesgo. Y no pasó un mes que dos cooperativas hicieron inversiones millonarias en la película, autorizadas por el regulador. Y es donde tú dices, ¿cómo es posible, cuando mi condición es similar a una de ellas y mejor que la otra? Y mi riesgo era \$100,000 dólares.”

(“We approached the movie producer cooperative, Cinecoop, to invest \$100,000 in the movie ‘Dos Caminos.’ COSSEC denied the investment. They said it was a high risk. Then, not a month later, two other cooperatives made million-dollar investments in the movie, authorized by the regulator. That’s when you ask yourself, how is this possible, when my financial situation is similar to one of those cooperatives and better than the other? And my risk was only \$100,000.”)

Complementary interviews also identified this factor as an obstacle and provided an additional example. Educational courses in cooperativism were always full of registered participants. Then, the law made it mandatory to take 10 hours of continued education each year and the enrollment decreased significantly. Thus, the law had a detrimental effect on education. Now, instead of considering education as a development tool and part of a continuous movement, leaders consider it a part of a check list. In addition, since the law requires some specific technical courses for financial cooperatives, participants fulfill their 10 hours with these and show less interest in the philosophy courses.

However, one of the participants talked about how the movement relies too much on government:

“...los procesos de integración muchas veces han sido en muchos casos inducidos o promovidos por el estado. ... FIDECOOP es una institución que fue creada para la inversión y desarrollo de cooperativas. Pero en vez de salir como una criatura del propio movimiento cooperativo, es el Estado la que lo promueve. Y entonces, ¿que sucede con eso? Que, al no ser una criatura propia, sino adoptada, no hay un sentido de identidad con esa criatura. Por lo tanto, si no hay identidad, no hay compromiso y tampoco hay lealtad.”

(“...integration processes have been in many cases led or promoted by the state. ... FIDECOOP is an institution created to invest in and develop cooperatives. But

instead of emerging as a creature of its own movement, it is the state who promotes it. So, what happens with that? Not being its own creature, but instead adopted, there is no sense of identity with that creature. Therefore, if there is no identity, there is neither commitment nor loyalty.”)

### *Geography*

The last obstacle mentioned by participants was geography. A participant said the long distance between some cooperatives makes it difficult to meet frequently and participate in integration efforts. The participant asserted:

“Pero siempre estamos en una isla pequeña con dificultades económicas y es natural que tú tengas que salir de tu mercado a ocupar el espacio de otro y eso también crea roces y dificulta la integración.”

(“We are on a small island with economic difficulties and it is natural for you to have to leave your market and occupy another’s space, and that creates friction and makes integration harder.”)

In other words, being a small island makes competition inevitable because of the small territory. This is contrasted with the opinion of another participant who said the small territory allowed more integration because it is relatively accessible. Both statements are reasonable; it will depend on the perspective and purpose each cooperative has. A purpose

of solidarity will see it as an advantage of having other cooperatives near, while a competitive view will find it necessary and justified to occupy the area.

### *Colonial Situation*

This topic was not included as a factor, since it was presented as a cause for some of the previous factors by participants of the complementary interviews. Some of the comments were:

“La lucha por la identidad es un asunto que nos atañe incluso políticamente a nosotros. En Puerto Rico vivimos una lucha constante por reconocer y mantener nuestra identidad, no solamente cultural, sino política. Y yo creo que también eso trasciende a las organizaciones a las que pertenecemos.”

(“The identity struggle is an issue that concerns even our politics. In Puerto Rico we live a constant battle to recognize and keep not only our cultural identity, but our political one. And I think that also applies to our organizations.”)

“...tiene que ver con la idiosincrasia puertorriqueña. Yo creo que Puerto Rico es un país muy dividido. Nosotros tenemos una psiquis muy dividida en nuestra ideología y tenemos varias ideologías aquí. Y pues, desde el sector político hasta los líderes del país en general, y cuando hablo de líderes, del sector público, del sector privado, de entidades sin fines de lucro, y las cooperativas, estamos con un pensamiento dividido de yo.”

(“...it has to do with the Puerto Rican idiosyncrasy. I think Puerto Rico is a very divided country. We have a very divided psyche in terms of ideologies. And so, from the political sector to leaders in general, either from the public sector, the private sector, nonprofit organizations, and cooperatives, we have divided beliefs of the ego.”)

“...hay miedo, hay una mentalidad colonialista, no sé si sea la forma correcta de decirlo, donde siempre sentimos que lo de nosotros es malo y lo de afuera es mejor.”

(“...there is fear, there is a colonialist mindset, I don't know if this is the correct way to say it, where we feel like those things coming from ourselves are bad and those coming from other places are good.”)

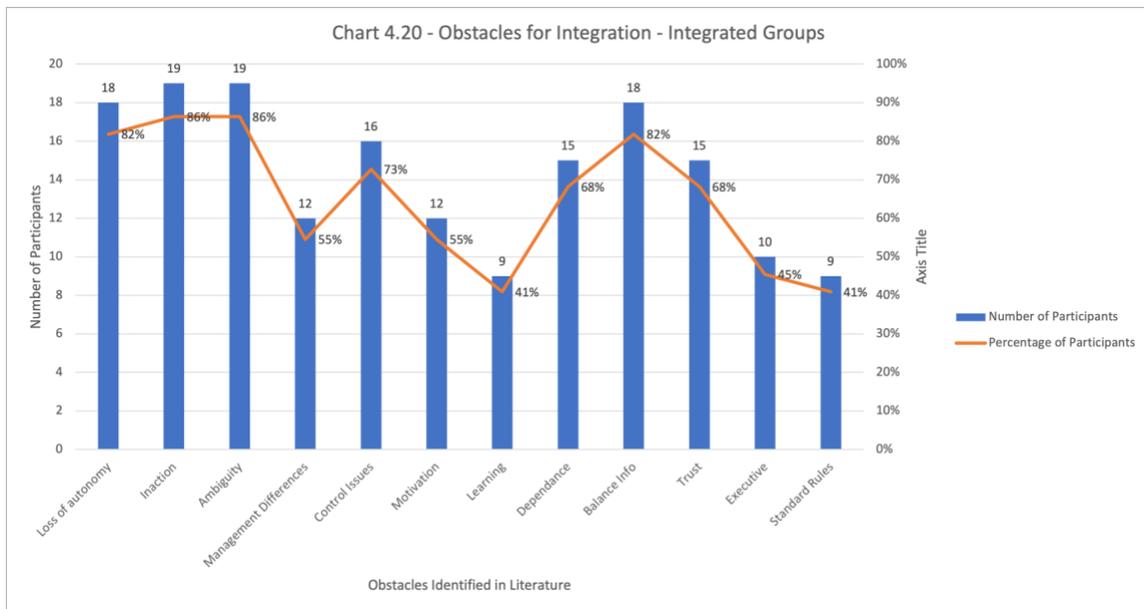
These opinions suggest the colonial status of Puerto Rico has a detrimental effect on individual and collective relationships, creating divisions and individuality. Puerto Rico, recognized as a colony by its own citizens and the United States, might be experiencing the fragmentation exposed by Fanon (1961) and Tris Monge (1999), which is caused by the violence coming from the metropolis and its dominance over the Island. This fragmentation also permeates the cooperative movement.

But Fanon (1961) also said that when the colonized achieves the recognition as an equal, either by consequence of demands or their own development, the colonizer loses

interest in the colonial relationship. Thus, integration among cooperatives, being that cooperativism is a liberation exercise, could be a solution for the movement to overcome its obstacles related to division and a contribution to the efforts to put an end to colonialism in the Island. This contribution will occur through citizens gaining control of the country's economy and forcing the colonizer to negotiate on fair terms.

### *Obstacles Identified in Strategic Alliance Literature*

The next chart (chart 4.20) illustrates the factors obtained from alliance literature and how many participants believe they are affecting integration among cooperatives. Participants were showed a list of factors from the literature and they determined each one as obstacle or not.



In general terms, all factors were recognized as being obstacles or challenges for integration. But some of them seem to be affecting more cooperatives than others.

### *Loss of Autonomy*

Eighteen participants affirmed the loss of autonomy for cooperatives was an obstacle that prevented participation in integrated activities. Many of them credited this to individualistic behavior. Although most of them affirmed this was an obstacle, no examples were provided.

One of the four participants who said this factor was not an obstacle mentioned that cooperatives already have a model where responsibility and power are shared, thus loss of autonomy should not have an effect.

### *Inaction*

As expected in the literature, inaction is negatively affecting integration, according to 19 participants. Participants spoke of how some prefer to stay in a comfort zone or simply wait for others to take the initiative:

“La inacción siempre va a ser un obstáculo a la integración. Te doy el ejemplo de cuando tú eras más joven, en tu salón de clase, en la escuela o donde sea, hacían un grupo y siempre había uno del grupo que trabajaba más que el otro. Entonces, eso te hacía que no te involucraras, quizás más o menos, y el resultado pues lo reflejaba. Por eso los profesores decían ‘yo sé quién trabajó y quién no’, por el resultado y eso siempre ocurre y afecta.”

(“Inaction will always be an obstacle for integration. I’ll give an example from when you were younger and, in your classroom or any other place, there was someone in your group who always worked more than the others. And so, that made you be less involved, and the result showed it. Which is why the teachers would say, ‘I know who worked and who didn’t,’ because of the result and that always happens and has an impact.”)

“...esa falta de acción o inacción la vas a encontrar en ese tipo de cooperativas que no quiere unirse, que le da miedo trabajar con los demás. Entonces se quedan ahí, ‘pues, tú me dices qué vamos a hacer.’”

(“...such inaction will be found in those cooperatives that do not want to join, that are afraid to work with others. Then they say, ‘Okay, tell me what to do.’”)

“...no sé si es miedo, no sé si es temor al riesgo, no sé si es..., no sé, como que no nos atrevemos. Nos quedamos en la idea, la aceptamos, la plasmamos, y al momento de ejecutarla no damos ese paso...”

(“...I don’t know if it is fear, or fear of risks, I don’t know if it is..., I don’t know, it is like we don’t dare. We’re stuck in the idea, we accept it, we analyze it, and when it is time to implement it, we do not take that step...”)

“¿Quién da el primer paso? Sí, tiene que haber un liderato que esté dispuesto a asumir esa iniciativa. Si no lo hay, es muy difícil. Ciertamente, en la medida en que tenemos colegas que se entusiasman con la idea, que le ven sentido y se lanzan al ruedo... O sea, yo puedo tener muchas propuestas como director ejecutivo, pero no tienen eco en la matrícula, o en algunos líderes, o algunos colegas que se destacan de la matrícula [de la organización] la propuesta no va para ningún lado. Tiene que secundarse por ellos y ellos también tienen que asumir liderazgo. Y eso requiere, ciertamente ese proceso.”

(“Who takes the first step? Yes, there has to be a leadership willing to take on the initiative. If there is not, it is very difficult. Certainly, to the extent that we have colleagues enthusiastic with the idea, that make sense of it and step up to the plate... I can bring many proposals as executive director, but they won't appeal to members, or to some leaders, or to some notable colleagues, and go nowhere. The proposals have to be supported by them and they have to assume leadership too. And that requires this process.”)

Cooperatives already have seen the consequences of inaction:

“Cuando tú miras la historia, tú dices ‘deberíamos estar más integrados aquí’. Ha habido países que han venido a ver lo que nosotros hacemos. Cuando tú vas allá, nosotros no lo hemos hecho y ellos ya lo hicieron con las ideas que de aquí tuvieron. Es algo lamentable.”

(“When you look at the history, you say, ‘We should be more integrated here.’ There are countries that have come to observe what we do [and our plans for integration]. Then you go there, we have not done it yet and they already did it with the ideas they got from here. It’s sad.”)

“...muchas veces las cooperativas tienen ideas, incluso antes de la banca. Pero no las ponen en práctica y demás y cuando viene a ver, ya salió antes. ... pasó con la aplicación Sprig.”

(“...on many occasions cooperatives have ideas, even before banks. But they do not put them into practice and then someone beats them to it. ...it happened with the Sprig application.”)

Participants from complementary interviews agreed and contended that cooperatives take too much time analyzing:

“...la inacción viene desde la Liga de Cooperativas para abajo, porque hablamos mucho y hacemos poco. El movimiento tiene parálisis por análisis ahora mismo, está paralizado analizando. Ni termina los análisis, ni se mueve. Entonces, tienes un movimiento cooperativo que no está en movimiento.”

(“...inaction comes from the League down to the bottom, because we talk a lot, and we do little. The movement is paralyzed due to analysis right now. It does not finish analyzing, neither does it moves. Thus, you have a cooperative movement that is not in motion.”)

“La Liga de Cooperativas tiene un plan estratégico, pero ¿Y qué pasa? No se mueve, me entiendes, la Liga de Cooperativas hace un plan estratégico, hacen reuniones distritales o como se llamen los consejos, consejo norte, consejo sur, consejo del este, consejo del oeste, consejo central, y reúne a todos los consejos, y es un trabajo muy bonito, pero se queda en filosofía y en el papel, pero técnicamente la ejecución y la integración no se está logrando.”

(“The League of Cooperatives has a strategic plan but, what happens with it? It does not move into action. The League prepares a strategic plan, conducts meetings for all their Councils and it is a very nice work, but it all remains in philosophy and on paper, and technically the implementation and integration are not being achieved.”)

### *Ambiguity*

Nineteen participants reported ambiguity as a factor affecting integration. Varying interpretation seems to create a division between board of directors and executives:

“...si lo vemos desde el punto de vista del ejecutivo y desde el punto de vista de las juntas directivas, hay que ser muy hábil para saber cómo manejar las juntas directivas. Y hay que ser muy hábil de parte de la junta directiva para manejar al ejecutivo, porque a veces no hay una claridad.”

(“...if we see it from the points of view of the executive and the board, you have to be very skilled to know how to deal with boards. And a board has to be very skilled to deal with the executive, because sometimes there is no clarity.”)

“... tiene que ver con las juntas de directores. La mayoría de las ideas de la Junta no están acorde con lo que la administración o ejecutivo quieren realizar.”

(“...it has to do with the boards of directors. Most ideas from the board are not aligned with those the administration or the executive want to develop.”)

“...eso surge en todas las cooperativas y juntas, con eso uno tiene que bregar.”

(“...that happens in all cooperatives and boards, which is something one has to struggle with.”)

"Si no definimos bien los objetivos, no los vamos a tener. Así que el reto es ese, saber para dónde vamos..."

“If we do not define the objectives well, we are not going to reach them. So, the challenge is that, to know where we are going...”

A participant related such ambiguity with education:

“...va a suceder bajo gente que entra al movimiento cooperativo que desconoce bien los principios del movimiento cooperativo. Son nuevos y llegaron y no están abiertos a una aceptación de cambio o una aceptación de realidades de cómo es el movimiento cooperativo. No están abiertos a aprender...”

“...it is going to happen with people who come to the movement and ignore the cooperative principles. They are new and might not be open to a change of realities that the cooperative movement brings. They are not open to learn...”

Another participant provided an additional perspective relating the origin of this ambiguity to the current political situation of Puerto Rico:

“La incertidumbre generalizada en el país respecto al proyecto político en Puerto Rico y respecto a las condiciones económicas, colocan en unos sectores del movimiento temor, en otros, conformismo y en otros la excusa de no hacer nada.”

“General uncertainty related to political and economic aspects in Puerto Rico puts fear into some sectors of the cooperativist movement, conformity in others, and in others an excuse to do nothing.”)

An explanation offered by complementary interviews credited such inaction to the use of capitalist terms and language:

“...el movimiento tiene que hablar de acuerdo con su filosofía y a sus postulados... Si nosotros hablamos tal como habla la empresa tradicional, hay una ambigüedad en el discurso y entonces ya no se sabe para dónde se va.”

“...the movement has to speak according to its philosophy and postulates...If we talk in the same terms as a traditional organization, there is ambiguity in the speech and no clear direction.”)

### *Management Style Differences*

Twelve participants said management style differences affect integration. A brief example provided was:

“Mucho. Tenemos mucha confusión en el caso de Grupo Cooperativo”

“A lot. We have a lot of confusion in the case of Grupo Cooperativo.”)

Some others explained these differences come from egos and professional jealousy.

One of them said:

“Eso es un factor que también incide [la integración] porque se tiende a personalizar los procesos. Se piensa pues, ‘allá está fulano de tal, que lleva tantos años’. Por eso hace falta integrar a los grupos de discusión personas ... que no necesariamente ostenten posiciones de liderazgo en las organizaciones. Porque eso va a reforzar los procesos y, por otro lado, le quita también ese sentido que pueden tener unos líderes de que ‘yo soy el referente y esto es lo que vamos a hacer’.”

(“That is a factor that also affects [integration] because it tends to personalize the processes. It is believed, ‘There is so-and-so who’s been there so many years in the position.’ That is why it is necessary to integrate people to the discussion groups ... that are not necessarily in leadership positions. That would support the processes and eliminate the sense of ownership from some long-term leaders.”)

Other participants said this factor does not affect integration because “It is a democracy” and the cooperative system makes it easy to avoid it.

A participant from complementary interviews believed this factor was precisely one of the causes for the failure of previous integrated groups among consumer and financial cooperatives:

“...las de consumo, a las de ahorro y crédito incluso; en la federación (de ahorro y crédito), yo creo que hubo realmente ahí un proceso donde no se pudo llegar a un acuerdo entre las cooperativas antiguas, en términos de administración y de qué cosas se tenían que hacer para mantener la organización.”

(“...consumer, even financial; in the (financial) federation, I think there was a process where an agreement was not possible among the cooperatives, in terms of administration and what things should be done to maintain the organization.”)

Although many affirmed this factor is an obstacle to integration, the explanations seem to be more closely related to egocentrism, a factor previously identified.

### *Control Issues*

Sixteen participants affirmed control issues were an obstacle since the balance of power was affected by personal interests. Again, here is a factor related to egocentric behavior.

### *Motivation*

Motivation was also reported to be an obstacle for various reasons. One participant said it was caused by different fears:

“...desmotivación por temor a la competencia, por temor a esto, por temor...”

(“There is lack of motivation because they are afraid of competition and afraid of other threats.”)

Another argued it was due to the search of immediate results:

“...nosotros, desafortunadamente, queremos resultados inmediatos. Y la realidad es que todo es un proceso. Es como una... queremos cosechar, pero eso requiere preparar el terreno, la semilla, sembrar y a veces somos impacientes. Y eso muchas veces nos pasó en los grupos que trabajaron con los bonos. Era un proceso a largo plazo, con triunfos, con derrotas, y, por suerte, cuando unos estábamos desilusionados con lo que estábamos viendo, los otros nos apoyamos mutuamente. Eso logró mantener unidos, pero, de no ser así, hubiéramos durado menos que un temblor.”

(“...unfortunately, we want immediate results. And the truth is that it is all a process. It is like... we want to harvest, but that requires preparation of the field, seeds, planting, and sometimes we are impatient. That happened to us in the groups dealing with the government bonds. It was a long-term process, with wins and losses, and luckily when some of us were losing motivation, the others stepped up and we supported each other. That managed to keep us together, but otherwise, we would have lasted less than an earth tremor.”)

Another participant believed motivation depends on the role exercised, whether it be professional or voluntary leader:

“Mantener la motivación es lo más difícil porque todo este tipo de labores son tipo voluntario. ...en el caso mío, pues yo trabajo en la cooperativa donde me pagan mi salario y tengo que velar por esa cooperativa. Pero entonces venir a la comisión, trabajar en la comisión, en mis horas libres, en mis reuniones. Depende de esa disposición que yo tenga, y mucha gente no está dispuesta a ese voluntariado.”

(“Staying motivated is the hardest thing because these positions are voluntary. ...in my case, I work for the cooperative and they pay me a salary. I have to work for the cooperative. But then coming to the Commission, during my free time, to meetings, that depends on my willingness, but not many people are willing to volunteer like that.”)

One of the participants that thought this factor is not an obstacle said:

“...en mi consejo no ha sido tan difícil, porque la asistencia de nosotros siempre es de treinta a cuarenta personas en las reuniones. A pesar de que son dieciocho cooperativas, tienen un delegado alterno, un delegado suplente, pero pues, participa mucha gente. Lo menos que han participado ha sido veinticinco personas, siempre tenemos quórum.”

(“...in my Council it has not been too hard, because the participation in meetings is usually from 30 to 40 representatives. Despite being 18 cooperatives with delegate and alternate representatives, many people participate. The least we have had is 25 people, we always have quorum.”)

However, this argument is limited to accounting for the presence of quorum. As mentioned before, just to be present in a meeting is not integration.

Another participant from this group said that staggered elections in cooperatives, where a part of the board is renewed each year, avoid this factor because there are constantly new people entering. But this justification contradicts the claim that some leaders keep moving from one group to another, not leaving opportunities for new members.

A comment from complementary interviews reinforced the opportunistic and egocentric behavior described before:

“Algunas veces pienso que la motivación de algunos directores no está en servir a los socios, sino en los beneficios que puedan obtener...”

(“Sometimes I think the motivation for some directors is not to serve members, but the benefits they could get for themselves...”)

### *Learning from Each Other*

Although nine participants said that the lack of clarity or discussion about what is being learned from each other is negatively affecting integration activities, the reasons provided seem to rely on other factors. For example, one described a lack of understanding about what integration means:

“...ahí radica el problema, es que no se está claro qué es lo que significa todo esto, entonces, nos enfrascamos en luchas que no tienen sentido ninguno, vemos al sistema capitalista haciendo alianzas y nosotros acá, nos ponemos a pelear por las alianzas, o sea, como que no se entiende.”

(“...there is the problem, it is not clear what this all means. So, we engage in struggles that make no sense, we see capitalism making alliances while we fight against each other because of alliances, it has no explanation.”)

Another said it was because of some people’s ego why they could not learn from others.

One of the participants who believed this is not an obstacle said:

“No lo he visto así. Inclusive, en los grupos que yo me muevo y que conozco de los procesos de integración, siempre hay avidez de aprender. Aunque lo digan o no lo

digan. Y uno lo sabe por cuestiones indirectas, porque a veces no te lo dicen, pero tú lo ves cuando lo aplican, esa es la cosa.”

(“I haven’t seen it that way. In the groups I belong to there is always an eagerness to learn. Even if they express it or not. And one knows it, not because they say it, but because you see them applying it.”)

### *Dependence*

Fifteen participants believed depending too much on other people is currently an obstacle:

“...pasa en todo grupo regional. Nos recostamos sobre los buenos líderes y a veces se nos queman. Se queman y no fomentamos el liderato colectivo que debe prevalecer en el cooperativismo.”

(“...it happens in all regional groups. We rely on the good leaders and sometimes they burn out. We do not promote the collective leadership that needs to exist for cooperativism to prevail.”)

“Para bien o para mal, aquí el movimiento tiene sus pilares y tiene sus personas individuales con sus organizaciones en las cuales depende mucho de ellas y está acostumbrado, mal acostumbrado, a que estas personas son los que van a hacer trabajos. Por ejemplo, es bien común escuchar en el movimiento 'x cosa, eso no me

toca a mí, eso le toca a la Liga'. Pues están todos acostumbrados a que tiene que ser la Liga por el rol que tiene la Liga. Pero si los demás fueran a la Liga podemos hacerlo y colaborar con la Liga o hacerlo por nuestra parte, hagámoslo también. Personas que también estamos acostumbrados a que son los líderes que son los que se van a encargar de hacer todo lo demás, por ciertos nombres y apellidos y ahí también confiamos en que yo no tengo que hacer nada porque llegó zutano o mengano y esas personas son los que realmente saben y realmente hacen, y que ellos lo hagan.”

(“For better or worse, the movement has its pillars, and it has individual people with organizations where people depend way too much on them, and who have bad habits of doing all of the work. For example, it is very common to hear in the movement reactions saying, ‘That is not my job, that is the responsibility of the League’. The League has a role, but we can all help and do our part. We are also used to let all the work to known leaders, so they can do what they know better.”)

Some credited the problem to the leaders that are reluctant to leave their positions:

“Nosotros tenemos líderes en el movimiento que han sido extraordinarios, pero tienen que ceder el espacio a las nuevas generaciones. No sé si tú has participado de diferentes organismos centrales, que tú ves que son las mismas caras desde hace mucho tiempo. Estoy aquí ahora y ya no estoy porque vencí, entonces estoy en el otro organismo. Y no es que no tengan la capacidad, no. Es que hace falta sangre

nueva con unas visiones e ideas diferentes. Tenemos que reconocer que ya el mundo cambió y la juventud tiene también ... una visión más social, de preocuparse por el ambiente, y hay esperanza.”

(“We have extraordinary leaders in the movement, but they need to give up space to new generations. In central organisms you see the same faces that you’ve always seen. Once they end their term in one organism, they move to another. And it is not about their skills, no. It is that we need new blood with new visions and different ideas. We have to recognize the world has changed, and youth have ... a more social vision, of taking care of the environment, and there is hope.”)

“...también hay grupos de líderes que se eternizan...”

(“...there are also groups of leaders who continue on forever...”)

Seven participants said this is not an obstacle. One of them argued scattered elections address the issue:

“...hay un plan de sucesión... cuando nos vayamos va a haber gente para seguir los procesos porque van a tener trabajando con nosotros lo mínimo de tres o seis años...”

(“...there is succession plan... when we leave there is going to be other people to continue the job because they will have been working with us at least three or six years...”)

Nonetheless, rotation of voluntary leaders does not necessarily mean people will not rely too much on others.

### *Balance of Information*

Eighteen participants agreed the balance of information shared and held is an obstacle.

“...hay muchas cosas que ellos no comparten. Que es como que lo están haciendo para sí y ya. Lo más que uno ve a veces es que puede que dos o tres hagan su círculo y compartan entre ellos, pero no es que lo hacen abiertamente.”

(“...there are many things they do not share. It seems they are doing it for themselves. Maybe you see two or three sharing between themselves in their own circle, but they do not do it openly.”)

A participant made clear there is no clarity in the process:

“Veo el que da toda la información y lo critican. Veo el que da poca la información y lo critican. Veo el intermedio que es el que media y lo critican”

“I see the one who gives all the information, and he gets criticized. I see the one who gives little information, and he gets criticized. I see the one who stays in the middle, and he gets criticized.”)

The literature emphasizes the importance of being clear and specific about what information should be shared. This is achieved through good communication and compromise (Contractor & Lorange 2004).

#### *Distrust (Trust)*

Distrust was affirmed as an obstacle by fifteen participants. Some of the reasons were ego, jealousy, envy, and selfish agendas. Thus, lack of trust was identified as an obstacle for integration purposes:

“Puede haber una mezcla de todo, pero yo diría por encima siempre va a estar las intenciones, porque me he dado con muchas situaciones dentro del movimiento que yo te puedo reconocer una persona de excelente capacidad, tiene un buen desempeño, pero ciertamente cuestionan hacia dónde va, ¿qué es lo que quiere con esto?, ¿qué es lo que va a lograr?”

“It might be a combination of everything, but I would say that intentions are above all, because I have seen many situations in the movement where there is a person

with excellent skills, good performance, but there are questions about where he is going? What does he want with this? What is he going to achieve?”)

Some argued good faith issues. For example, many cooperatives were afraid of getting their members taken away by other cooperatives if they entered Circuito Cooperativo. Thus, a successful integration project had a setback in the beginning because of lack of trust.

It was also argued the issue of trust between sectors, wondering if financial cooperatives trust cooperatives from other sectors in their initiatives:

“...tal vez no hay la confianza de los sectores financieros, que pueden apoyar en inicio ideas como esta, a darnos la mano.”

(“...maybe there is no trust from the financial sector to support ideas like this, to give us a hand.”)

#### *Lack of Understanding from the Executives*

Ten participants identified as an obstacle the fact that the executive could not fully understand the collaborative process in an integrated activity. But in the explanation, the poor delimitation of roles between the board of directors and executives was frequently brought up, not making it exclusively the executive's fault:

“...el interés individual de creerse dueño de algo y controlar las funciones o información. Y eso es un problema que a veces les pasa a los ejecutivos. Controlan, manipulan los aspectos y la información para llevar a cabo en una cooperativa. Y si dos presidentes ejecutivos entre dos cooperativas tienen que llevar unos asuntos en común y no se llevan bien o no confían el uno a otro, la información que va a llevar es diferente, aunque el acuerdo sea bueno.”

(“...individual interest to be the owner of something and control the functions or information. That is a problem that sometimes occurs with executives. They control, manipulate aspects and information in a cooperative. And if two executives from two different cooperatives have to undertake some common matters, but they do not get along or do not trust each other, the information they transmit is different even when the agreement could be good.”)

However, many of the integrated activities reported in the scale were initiated by executives. But there could be a difference between the focus of executive and voluntary leaders.

“Podría estar afectando, porque el hecho de que hay la visión, tal vez de que hablamos ahora del ejecutivo, con la mentalidad económica y el voluntario es más visto por lo filosófico. Y a veces se da esa dicotomía, lo cual lleva a algún problema.”

(“It could be affecting, because the fact that there is the vision, now that we were talking about the executive, with an economic mindset, and the voluntary leader who puts more attention on the philosophy. And that dichotomy occurs, which leads to some problems.”)

According to some participants, boards try to micromanage the business and that is not their role.

### *Standard Rules*

The lack of standard rules to provide adequate control over integration activities was identified as an obstacle by nine participants. Some of their comments were:

“...no hay métrica, no hay reglas.”

(“...there are no metrics, there are no rules.”)

"El establecer las reglas es bien difícil. Y eso tú lo ves en diferentes reuniones. Cómo los mismos quieren controlar el proceso. Hay veces que tú te reúnes y discutimos algo y al otro día llegamos a otra reunión y ya hay un plan. Es como controlar..."

(“Establishing rules is very difficult. You can see that in different meetings. The same people want to control the process. There are times when you discuss something and the next day, they already have their plan. It is like controlling...”)

One participant informed of an attempt to address this issue:

“Actualmente, la Comisión de Ahorro y Crédito del cooperativismo está tratando de crear una uniformidad de ética que deben tener los empleados y ejecutivos para su trabajo como cooperativistas. Están tratando de hacer un manual o un reglamento uniforme sobre la ética y lo están trabajando y lo están investigando.”

(“Currently, the Financial Commission of the League is trying to create a uniformity of ethics that employees and executives in cooperatives should possess. They are trying to produce a manual or a set of rules about ethics, and they are working on it and they are researching it.”)

Thirteen participants believed this factor is not an obstacle, but their explanations show they were thinking about general regulations. Some said they have too many rules, but they were referring to laws and bylaws.

“No, al revés, el problema que tenemos es que quieren regularnos demasiado, gente que no entiende ni comprende cómo funciona el movimiento, así que viene la oposición férrea...”

(“On the contrary, the problem we have is that they want to regulate us too much, people that do not understand how the movement works, so there is a strong opposition...”)

### *Summary and Analysis of Obstacles for Integration*

A first observation when analyzing the responses is that there is a lot of confusion about some concepts and how they can affect integration. Many participants needed clarification of these concepts and their relationship with integration activities. This is easy to understand if the fact that there is an incomplete conceptualization of integration is taken into account, as previously noted in this research.

According to the collected data, all the factors the strategic alliance literature identifies as obstacles are currently a challenge for the integration of cooperatives. Some factors have more effect than others, such as loss of autonomy, inaction, ambiguity, control issues, dependence, balance of information, and trust. As explained in the literature review, strategic alliance is a model that is very compatible with cooperatives. Cooperatives reduce risks by joining together, make business excursions possible that would not be possible acting alone (Iturrioz del Campo 1996), have a principle of cooperation among them to pursue many possible benefits (Martin and Stiefelmeyer 2001), and may form structured or unstructured agreements (Parrilla Bonilla 1971). These purposes are very similar to those sought by strategic alliances. Therefore, it is reasonable to observe the same obstacles and challenges for both models.

Also, it cannot be ignored that other factors were identified by participants before exposing them to the list from strategic alliance literature. Among these, some were outstanding like individualism, capitalist behavior, egocentrism. These obstacles demonstrate a predominance of a capitalist system mindset. Such factors support the criticism made by de la Rosa (1994) about the adoption of capitalist practices in cooperativism. As discussed before, cooperatives are supposed to create an alternative system that replaces the capitalist view. It was noted that cooperatives are losing differentiation characteristics, since for-profit organizations are making social investments to reduce negative externalities about their businesses (Aponte 2014). If on top of that cooperative organizations are behaving more like for-profit organizations and evaluating success through capitalist criteria, the line between them will blur more than ever. The characteristics that make cooperatives unique must be reinforced through education and practice. In order to do that, a change in current mindset should be addressed.

Other obstacles identified by participants are government regulations and lack of education. The issue with government is complex. It is not only the problem of government trying to control the movement, but the movement itself seeking government aid constantly for many problems it could solve by itself. The cooperative philosophy proposes independence and autonomy for cooperative organizations, according to its principles. However, the current image of cooperativism in Puerto Rico is a movement too dependent on government and too submissive. Parrilla Bonilla (1971) and other authors (Jordán García 1994; Catalá Oliveras 2004) warned about the excessive influence of government.

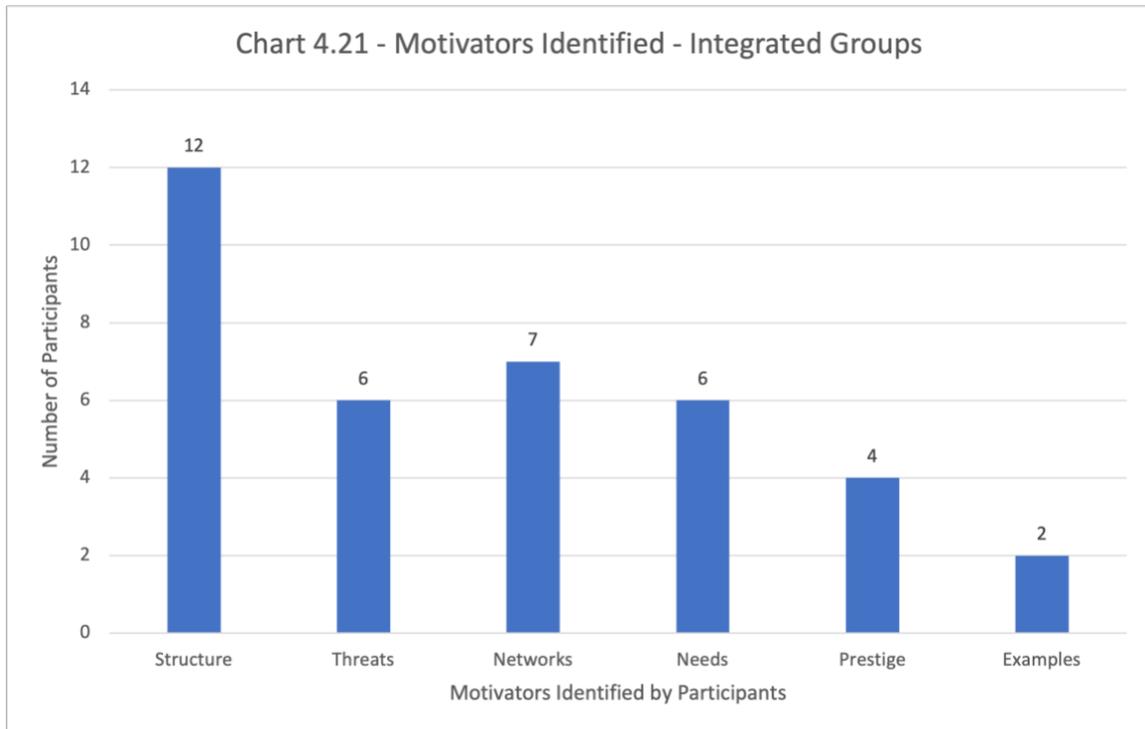
They also espoused the potential of the cooperative movement to take control of issues through integration. Many of these obstacles, which may always be present, can be managed better with an integrated cooperative movement.

Education (or lack of it) was also identified as an obstacle to integration. Participants mentioned deficiencies in technical and social aspects from educational processes. Besides supporting the lack of understanding about integration, these observations hint that the warning of Parrilla Bonilla (1971) might come true about how a lack of education might destroy the movement. They also confirm Figarella García's (2019) statement about deficiencies on current educational approaches.

Understanding all these obstacles and recognizing that they are present, although in different degrees, is the first step to overcome them and guide purposeful efforts toward integration among cooperatives. Education and communication are tools frequently suggested to deal with most of these obstacles.

### **Motivators for Integration**

Before participants were asked about factors identified by strategic alliance literature, they were asked about motivators that they felt promote integration. Motivators reported are as follows and are shown in chart 4.21: structure, threats, networks, needs, prestige, and examples.



### *Structure*

Current national structure refers to higher-degree cooperatives and organizations aimed to promote integration: The League with its commissions and councils, second-degree cooperatives, Asociación de Ejecutivos de Cooperativas, and Circuito Cooperativo. These are recognized by participants to have the capability to prepare the field for integration. This current structure promotes integration in two ways: first, it serves as an example, illustrating to some degree what can be done when cooperatives work together; and second, it already exists, thus, could facilitate the channels of communication.

Councils provide space and access to both types of representatives, voluntary and professionals. This is a space that can be used to facilitate communication, clarify doubts, discuss initiatives and reach important agreements. The following opinions stated this:

“Pienso que a través de los consejos que tiene la Liga de Cooperativas también tenemos un medio para poder lograr eso. A mí me encantan los Consejos. Mi experiencia ha sido bien positiva en los consejos de la Liga. ... había líderes voluntarios y había presidentes ejecutivos. O sea, que ahí estaban los dos. Casi siempre son líderes voluntarios, pero había algunos presidentes ejecutivos también.”

(“I think through the Councils of the League of Cooperatives we have a way to achieve that. I love the Councils. My experience has been very positive in the Councils of the League. ... there were voluntary leaders and executive presidents, both type of leaders were there. Mainly voluntary leaders, but there were executive presidents too.”)

“Otra manera de integración es los consejos, donde cada cooperativa puede llevar a esos consejos sus preocupaciones y demás, y cómo la Liga pueda brindar nuevas soluciones. Es una manera de cómo integrar también.”

(“Another manifestation of integration is in the Councils, where each cooperative can bring their concerns amongst other things, and how the League can provide new solutions. It is a way to integrate them too.”)

"A mí me parece que la Asociación de Ejecutivos de Cooperativas está haciendo una labor extraordinaria con su grupo de presidentes ejecutivos. Porque a través de ese mecanismo, uno observa, yo, que llevo menos tiempo tan de cerca de la asociación de ejecutivos de cooperativas, viendo las diferentes actividades que ellos realizan, se observa esa dinámica de compromiso como grupo, de mirar qué vamos a hacer con nuestro movimiento, lo que representamos para el movimiento cooperativo y para la economía de nuestro país, y qué actividades podemos lograr hacer. Y pienso que la entidad como tal y la persona que dirige la asociación ha estado bien de cerca con lograr precisamente que los postulados, lo que es nuestra filosofía, lo que representa nuestra filosofía, se mantenga y que crezca, y que se siga desarrollando."

("I believe the Executive Association is doing an extraordinary job with their members. Because one may observe in the different activities they conduct, there is a dynamic of commitment with the group, of looking at what we can do for the movement, what we represent for the cooperative movement and for the economy of our country and the activities we can accomplish. I think the Association and its Director have been very close to achieving those goals, implementing our philosophy, and ensuring a continuing growth and development.")

"Factores como circuito cooperativo. Instituciones como nosotros, que estemos haciendo lo que hay que hacer para que las cooperativas se puedan unir. Otros organismos también, que están a la Liga, la misma asociación. Yo sé que sí, por lo

menos, se está haciendo el intento de crear “awareness” para que se integre el movimiento.”

(“Factors like Circuito Cooperativo. Institutions like us, who are doing what needs to be done so cooperatives can join in. Other central organisms too, there is the League, the (Executives) Association. I know there is an intention to create awareness for the movement to integrate.”)

“...el organismo cúpula, la Liga, ayuda a que eso suceda. Independientemente que siempre tienes las ovejitas descarriadas, pero ... la Liga convoca, siempre tienen un ochenta, noventa por ciento de asistencia y eso es importante.”

(“...the main central organism, the League, helps for it to happen. There are always some who go astray, but ... the League calls for a meeting and there is always an 80 or 90% attendance and that is important.”)

Some cooperatives do not know how cooperatives from other sectors work. According to participants, Council meetings help to reduce this breach and allow them to get familiar with each other.

“...la información. Me explico, el día que yo traje [a una cooperativa de otro sector] muchas personas cooperativistas que estaban sentados allí no sabían cómo se trabajaba, ni cuál era la diferencia [entre ese sector] y otras cooperativas. Se creían

que todo era igual y no sabían que había unos reglamentos que tienen que seguir, que la junta evaluaba a las personas que solicitaban.”

(“...information. Let me explain, the day I brought [a cooperative from a different sector], many participants did not know how that sector operated or what was the difference between it and other cooperatives. They believed everything was the same and they didn’t know that there are certain rules that sector needed to follow, or that the board evaluated member applications.”)

A simple act that one interviewee described may show the disposition of structures to be of service:

“Puede ser que simplemente necesito un espacio, un escritorio para operar. Déjame venir aquí a reunirme con mis compradores, una vez a la semana.”

(“It might be just that I need a space, a desk to operate. Let me come here with my clients once a week.”)

There is also an awareness that the current structure is positive:

“...se crea un instrumento como es el FIDECOOP. Hay otros países que añoran tener un fondo de desarrollo cooperativo.”

(“...an instrument is created like FIDECOOP. There are other countries that would die to have a fund to develop cooperatives.”)

In addition, the structured rules provide assurance that there will not be competition among cooperatives:

“Lo único que se establece en los reglamentos del grupo cooperativo es que grupo cooperativo nunca puede desarrollar negocio o subsidiaria que vaya en directa competencia con las cooperativas del país.”

(“The only thing stipulated in the bylaws of Grupo Cooperativo is that it cannot develop businesses or subsidiaries that enter into direct competition with cooperatives.”)

A participant mentioned that groups from the structure help, but only when cooperatives ask for it, meaning these groups do not initiate help.

The structure exists and cooperatives have virtually immediate access to them, through board members, executives, and even some employees. Collaborative processes and integration activities seem ready at any given point. Probably the missing link is what to do and how to do it. Not having a complete concept of integration will certainly affect the structure’s performance.

### *Threats*

Threats to cooperatives or to their community was also a factor identified that motivated joint efforts as a form to deal with them. One participant mentioned several recent threats for the cooperative movement:

“... la situación de la junta fiscal, el impacto ya sobrevenido de los bonos, el cambio que quieren hacer con COSSEC.”

(“...the situation with the Oversight Board, the overdue impact of the bonds, the changes they want to make in COSSEC.”)

Other participants ratified the affirmation that threat is a factor that motivates integration:

"Sí, cuando hay situaciones críticas como es el asunto de los bonos, pues ahí la necesidad te obliga a esa integración. Y se han dado unos ejemplos extraordinarios, especialmente la negociación con el gobierno sobre los bonos del Banco Gubernamental de Fomento [de Puerto Rico]. Ahí, grupos de cooperativas se agruparon en diferentes organizaciones: lo que es el G25, Alianza, el Grupo Encuentro Solidario. O sea, que, aunque nos agrupamos, es evidente que [somos] grupos con el mismo fin, pero separados."

(“Yes, when there are critical issues like the problem with the government bonds, the need forces you to integration. There have been striking examples, especially

the negotiation with the government regarding the bonds of the Government Development Bank [of Puerto Rico]. In that case, groups of cooperatives formed different organizations: G25, Alianza, Encuentro Solidario. In other words, although we form groups, it is evident that we are groups with the same purpose, only separate.”)

"...la necesidad, la supervivencia. Ahora mismo, estamos en un punto neurálgico en el movimiento donde hay una situación económica seria. Hay intención de cambiar la gobernanza en el regulador, de cambiar las reglas, por reglas en NSUA que son del gobierno federal. Y en ese sentido, estamos en el proceso de reunirnos, hablar, de buscar alternativas y lo estamos trabajando a través de la Liga."

(“...need, survival. Right now, we are in a place where the movement is in a serious economic situation. There are intentions to change the way the regulators govern, to change the rules to rules used in NSUA which is from the federal government. In that sense, we are in the process of getting together, talking, searching for alternatives, and we are doing all of that through the League.”)

"Si tú no tuvieras problemas económicos, te olvidabas de la integración. Pero si tú lo vieras desde el punto de vista de, de quitarte el ego y decir, caramba, si nosotros en lugar de tener 3 cooperativitas pequeñas, que se ven sólidas, pero las unimos, y sacamos una cooperativa grande, fuerte, con todos los recursos, llegaríamos más, pero eso no se da, a menos que tengan un problema económico."

(“If you don’t have economic problems, you forget about integration. But if you look at it by putting aside your ego and thinking that instead of three small cooperatives, we could put together a strong and large cooperative, with all the resources, we would go further. But that does not happen, unless there is an economic problem.”)

With Hurricane Maria, there was more communication among cooperatives as they tried to help each other and the communities.

“... la comunidad de Bartolo, que se ubica allá en el área de Castañer de Lares. La comunidad, muchas de ellas, de las mujeres que allí vivían, mujeres solteras, poca comodidad, recogedoras de café, vivían arrimadas en las fincas, pierden su propiedad producto del huracán. Hay una escuela que era la segunda unidad en esa comunidad, que fue cerrada por el asunto este de los cierres de planteles escolares. Y de alguna manera, esa comunidad se ve ante la necesidad de vivienda, se empoderan y ocupa la escuela ... surgió entonces una alianza entre Larcoop, farmacia cooperativa de Lares, el Consejo Norte y por ende del consejo norte integramos a otras cooperativas y ya hemos hecho como tres visitas a la comunidad.”

(“...Bartolo community in the Castañer area, in Lares. Many of the women in that community, single, with little comfort, coffee collectors, living in the farms, they

lost their properties because of the hurricane. There was a school in that community that was closed as part of a government plan. In one way or another, that community identified the need for housing, empowered themselves and occupied the school ... then an alliance emerged between Larcoop, Cooperative Pharmacies in Lares, the North Council and its cooperatives, and so far, we have visited the community on three occasions.”)

A participant from complementary interviews agreed and emphasized this factor, saying it is the most important motivator towards integration in Puerto Rico:

“...problemas o situaciones que se han dado con legislaciones que afectan al movimiento cooperativo. Eso ha sido un gran factor motivacional para que haya integración. Es más, sin temor a equivocarme, yo diría que ese ha sido el mayor factor que ha promovido la integración de las cooperativas en Puerto Rico. Digamos que esa lucha, no contra el sector empresarial, sino contra el sector político en Puerto Rico.”

(“...problems or issues that have occurred with legislation affecting the cooperative movement. That has been a huge motivational factor for integration. Furthermore, without fear of being wrong, I would say it is the biggest factor that has produced integration among cooperatives in Puerto Rico. It is that struggle, not with the private sector, but with the public sector in Puerto Rico.”)

The threat of government actions and the reaction to a threat from nature, like Hurricane Maria, are individually addressed later in this work.

### *Networks*

Networks were identified as a motivating factor because they facilitate communication among cooperative representatives.

“...se está dando un espacio de networking también. La gente tiene la oportunidad de hablar sinceramente de cuáles son sus retos, de cuáles son sus problemas, como amigos y buscar soluciones. Y a veces personas que tú mirabas de reajo porque ‘mira, este tiene una cooperativa al lado’, tú te juntas y te das cuenta de que hay unos problemas comunes y se establecen unos vínculos y unas relaciones de amistad que son positivas.”

(“...there is a networking space. People have the opportunity to speak openly about their challenges, their problems, as friends and to search for solutions. And sometimes people who seem to be in competition with you, you get together with them and you realize that you have issues in common with them, and you establish bonds and friendly relationships.”)

“...Asociación de Ejecutivos de Cooperativas de Puerto Rico, donde tienen la posibilidad de comunicarse constantemente, de ir a actividades de networking entre ellos, de estar en un chat en WhatsApp o en Facebook y estar intercambiando

impresiones y comunicación... No digo que no hay competencia entre las cooperativas en Puerto Rico, existe. Pero sí también hay mucha colaboración.”

(“...Cooperative Executives Association of Puerto Rico, where they have the opportunity to communicate with each other frequently, go to networking events, chat through WhatsApp or Facebook and exchange opinions y communications... I’m not saying there is no competition among cooperatives in Puerto Rico, there is. But there is also a lot of collaboration.”)

About the chat created in the association, a participant said:

“A mí me encanta hasta en lo más simple, hasta decir ‘mira tal día es feriado, ¿tú cierras o vas a mantener abierto?’ y entonces empieza todo el mundo, ‘cerrado, cerrado, cerrado’ o ‘abierto medio día’. Puede aparentar algo simple, pero eso le da fundamento en el sentido de que está todo el mundo unido y que quiera hacer lo que todo el mundo va a hacer. Como que vamos a hacer para proyectar una imagen igual y consciente de lo que se necesita.”

(“I like everything about it, even little chat talking about, “This date is a holiday, is everyone going to be open or closed?” Then everyone will start to reply, “Closed, closed, closed,” or “open half of the day”. It may seem simple, but everybody is connected and gives a sense of unity. Like we are projecting a common image and conscious of what is needed.”)

These networks are allowing cooperatives to meet each other and share their concerns and ideas.

### *Needs*

The next factor identified was needs. Participants said that when specific needs have to be addressed or problems must be solved, it motivates integration among cooperatives.

An example is a limited budget and a way to solve it through scale economies:

“Hacen falta políticas en ocasiones y hemos identificado un recurso, un abogado o un experto en un tema, por ejemplo, después de [huracán] María, el tema de desastres y recuperación de desastres y planes de contingencia. Y este tipo de recursos ha preparado, por ejemplo, una política general que las cooperativas compran y adaptan a su relación y les sale muchísimo más económico que ir directamente a donde ese mismo recurso para trabajar solo con su cooperativa.”

(“Sometimes we need policies and have identified a resource, a lawyer or an expert in the topic, for example after [Hurricane] Maria, the issue of disasters, recovery efforts, contingency plans. These kinds of resources have prepared a general policy that cooperatives buy and adapt it according to their situation, and it is much cheaper than producing it by themselves.”)

Another example was how the recruiting of members for Circuito Cooperativo had some resistance at the beginning because some professional leaders (executive employees) faced opposition. They had fears of losing members if there was access to other cooperatives. Considering this, the recruitment approach changed and subsequently focused on voluntary leaders. These volunteers saw the project from the members' perspective and needs and ended up liking the project. In this case, the participant reported that professional leaders were thinking as administrators, giving too much space to capitalist considerations, while voluntary leaders were more inclined to consider members' needs.

Need as a factor illustrates an understanding of the origin of cooperatives and how such behavior is reproduced at integration levels.

“Es el mismo aspecto que crea una cooperativa, una necesidad. Es cubrir esa necesidad.”

(“It is the same aspect that leads to creating a cooperative, a need. It is to meet that need.”)

### *Prestige*

The factor of prestige presents how the good reputation of cooperatives makes it easier to collaborate and tends to make an integrated project viable among cooperatives.

Participants said:

“Nosotros hemos sido [reconocidos] entre los mejores patronos de Puerto Rico por mucho tiempo. O sea, esas cosas te dicen a ti..., no te están comparando con el movimiento, te están comparando con el mundo capitalista. Yo creo que esos son factores que favorecen la integración de las cosas que se están haciendo.”

(“We have been [recognized] as one of the best employers in Puerto Rico for a long time. That tells you..., they are not comparing us just with the cooperative movement, they are comparing us with the capitalist world. I think those are factors that give advantage to integration of all the things that are being done.”)

“...cuando decíamos que era una cooperativa, fuera del movimiento cooperativo, entonces la gente decía ‘¿son una cooperativa?’, y todo el mundo nos abrían las puertas.”

(“...when we said we were a cooperative, outside of the movement, the people said, “You are a cooperative?” and everybody opened their doors for us.”)

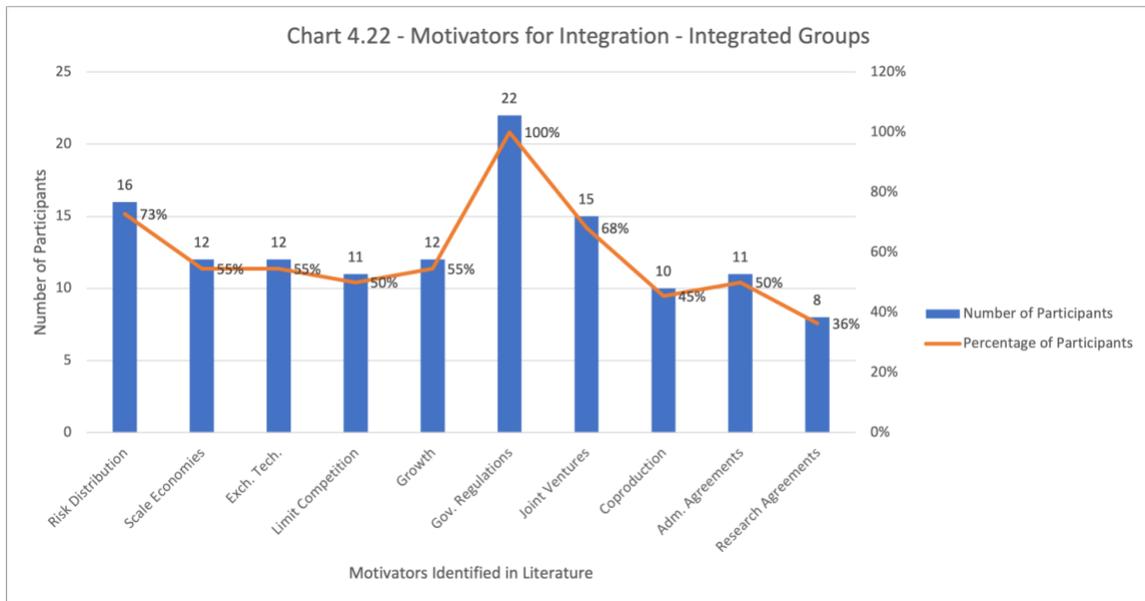
Also, after Hurricane Maria, financial cooperatives were the first to respond and address to peoples' need for cash. This action led to a significant increase of members and clients for cooperatives. Participants understood this good reputation favors integration.

### *Examples*

The factor illustrates how providing an example can motivate others to join or replicate the effort in some other scenario. The case of Circuito Cooperativo is a very important example of what can be accomplished working together. Also, participants believed learning about other cases on a national or international level can provide the necessary examples for them to integrate or reproduce integration activities.

### *List of Factors from Strategic Alliance Literature*

Presented to participants was a list of motivators for integration among cooperatives identified by strategic alliance literature, to which participants were asked if they agreed with or not. Chart 4.22 presents the summary of affirmative responses. The series 1 (blue color bars) expresses the absolute numbers, while the series 2 (orange line) expresses the percentage.



### *Risk Distribution*

Sixteen participants agreed this factor has promoted integration, but many of them expressed it occurs mainly among financial cooperatives:

“...las de ahorro y crédito lo hacen todo el tiempo.”

(“...financial [co-ops] do it all the time.”)

“...sobre todo en lo que son préstamos comerciales, identifican esa iniciativa y se unen entre ellos para dividir el riesgo de los préstamos que van a hacer. Por ejemplo, préstamos de digamos un millón de dólares y entonces vamos a juntarnos 5 cooperativas, 200.000 por cada una.”

(“...especially in commercial loans, they identify that initiative and join up to distribute the risk of the loan they are going to provide. For example, a million-dollar loan, and five cooperatives will put together \$200,000 each.”)

“...en el caso de las cooperativas de ahorro y crédito muchas veces ven una oportunidad de un financiamiento de algún proyecto grande y quizá ella sola no pueda hacerlo y minimizan los riesgos compartiendo ese producto con otro.”

(“in the case of financial cooperatives, many times they see a financial opportunity of a big project and maybe one cannot do it alone, thus, they minimize the risk by sharing the product with others.”)

The examples provided of risk distribution among non-financial co-ops were minimal:

“...los agrícolas que se están tratando de unirse para seguros agrícolas y cosas así.”

(“...agricultural (co-ops) that are trying to unite for agricultural insurance and things like that.”)

Other responses showed a confusion since the example provided illustrated expenses collaboration, instead of a risk reduction by distributing it among members.

“Cuando se da una actividad y se van a utilizar fondos y organizarla pues se distribuye equitativamente para que haya un balance en eso.”

(“When there is an activity and the need for some funds and to organize it, it is equally distributed so there is a balance.”)

Complementary interviews also highlighted the fact that it happens mostly among financial cooperatives:

“Se ha dado. Yo creo que, en el sector de ahorro y crédito, sí. Sí, ha sido una motivación la integración.”

(“It has happened. I think in the financial sector, yes. Yes, it has been a motivator for integration.”)

“Lo he visto mayormente en ahorro y crédito. Cuando buscan dar un préstamo para una urbanización, buscan un préstamo sindicalizado, entre varias, se han movido y han logrado establecer el proyecto y beneficiar a esa comunidad y sus riesgos se disminuyen entre varias cooperativas.”

(“I have seen it mainly in financial cooperatives. To provide a loan for a housing development, they have joined up to provide it together and benefit that community and the risks are reduced among several cooperatives.”)

“...hay cooperativas que están haciendo préstamos en participación en conjunto.”

(“...there are cooperatives that are joining to give loans together.”)

### *Scale Economies*

Twelve participants said scale economies were a factor in promoting integration. The examples provided show it is used mainly for marketing purposes, some purchases, or to provide courses:

“...muchas cooperativas están compartiendo costos de marketing, de mercadeo, de ventas, porque solas no pueden afrontar un contrato de agencia de publicidad, entonces se lo dividen y hacen todo eso...”

(“...many cooperatives are sharing the costs of marketing, of sales, because they cannot hire an advertising agency by themselves, so, they divide costs and do all that...”)

“...la Aiboniteña y San José, que las dos están en Aibonito. Y esas cooperativas incluso los souvenirs los mandan a hacer juntos.”

(“...Aiboniteña and San José [financial cooperatives], both of them in Aibonito. Those cooperatives even team up to make souvenir purchases.”)

“...se llegaron a dar fenómenos donde varias cooperativas se juntaron para comprar resmas de papel, eso se dio en un momento dado, bolígrafos para la asamblea.”

(“...there have been some situations where several cooperatives joined to buy copy paper, that has happened, pens for assemblies.”)

“...en cuestión de compras, como libretas, agenda, que lo que hacen es que en toda los que están integrados en esa [agrupación integrada], pues hacen esos pedidos y les sale más barato.”

(“...in terms of purchases, like notebooks, calendars, all who are integrated in that [integrated group], they make those orders and save money.”)

“...son tan poquitos los que tienen [para tomar un curso], que lo que hacen es que se unen, se llaman los presidentes ejecutivos y utilizan un recurso de aquí.”

(“... they are so few that have enough [to take a course], that they join together, the executive presidents talk to each other and they use a teacher from here.”)

These examples show scale economies but on a very small scale. The only example reported that could be a large purchase was still in an exploring stage:

“Estamos dialogando con Microsoft Latino América para tener un paquete de servicios que nosotros le podamos ofrecer a estas cooperativas.”

(“We are talking to Microsoft Latin America to buy a service package that we could offer to other cooperatives.”)

An interesting example shows the exploration of possible scale economy activities identified by a study paid by five cooperatives, which illustrates a risk distribution activity (previous factor):

“...nos integramos cinco para pagar ese plan estratégico que nos hiciera algo para ver de qué manera nosotros mismos integrándonos pudiéramos desarrollar nuevos, quizás, productos o servicios, ayuda gerencial y otras cosas.”

(“...five of us cooperatives got together to pay for a strategic plan to show us how, by integrating, we could develop new, perhaps, products or services, management help, and other things.”)

Some made a vague mention of COSVI and Circuito Cooperativo as examples of scale economies but could not mention a specific example of what is acquired or obtained.

There was a recognition that scale economies have not been widely applied:

“...se ha intentado muchas veces hacer algo, se han hecho esfuerzos pequeños, pero hay que moverlos a otro nivel, hay mucho por hacer.”

(“...it has been tried many times, there have been small efforts, but we have to move them to the next level, there is a lot to do.”)

“...ha sido bien poco lo que se ha logrado, quizá en algún momento comprar una política entre todos, hacer una campaña publicitaria entre todos.”

(“...a small amount has been achieved, maybe someday a policy draft will be bought between everyone, a marketing campaign among all will be done.”)

“...la economía de escala sucede, pero no a grandes rasgos, sucede en micro. Todavía pudieran trabajar mejor para que suceda en grande escala. Todavía las cooperativas no se han puesto de acuerdo para decir [por ejemplo] ‘este año todas tenemos este papel que vamos a utilizar para el sistema de la fotocopidora, pues este vamos a comprar, pues vamos a comprar varios vagones.’”

(“...scale economy happens, but not on large scale, it happens on a micro level. Many things can be done still so it happens at large scale. Cooperatives have not coordinated to say [for example] ‘this year, we are all using this kind of paper, thus, let’s buy together a bulk.’”)

A participant observed scale economies occur among cooperatives but just as an economic vision, not because it is conceived as a movement toward integration:

“La economía de escala te va a forzar y es de las pocas instancias en donde se puede estar mirando la integración, pero como una integración de naturaleza comercial y no de proyectos.”

(“Scale economy will strain you and is one of the few instances where there is integration, but in terms of commercial activity, not projects.”)

All participants from complementary interviews reported scale economies are scarce in the best of scenarios.

### *Exchange of Technology*

Although 12 participants affirmed that exchange of technology was a motivator, the examples provided were, in the best of cases, a sort of access to a technological service. Some mentioned Circuito Cooperativo and some services that require technology, like automated withdrawals machines.

Other participants recognized current limitations:

“Si tú miras el acceso a tecnología, tenemos el circuito cooperativo, cómo lo han ido desarrollando y otros elementos que cada cooperativa ha tratado de integrar,

pero yo creo que esa todavía le falta mucho al desarrollo de tecnología entre las cooperativas.”

(“If you look for technological access, we have the Cooperative Circuit, how it has been developed and other elements that each cooperative has tried to integrate, but I think there is still lack of development regarding technology among cooperatives.”)

Two participants from complementary interviews reported it was a motivator, but one of them mentioned Circuito Cooperativo. The other mentioned the creation of a higher degree cooperative to access technology:

“Tienen una cooperativa que se llama USICOOP, y esa cooperativa USICOOP es para contar un sistema de información y lo están usando cuatro o cinco cooperativas...”

(“There is a cooperative, USICOOP, that provides an information system for four or five cooperatives...”)

No mention was made about any development of technology. A possible explanation for this is the wealthy sectors, financial and insurance, have not developed beyond providing basic services. An individualist lens would not allow them to realize how much more they can achieve through integration.

### *Limit Competition*

Half of the participants, 11 in total, said the intention of limiting competition was a motivator. They understood they act towards it through their offered services or some scale economy activities:

“A través de los servicios que ofrece [la cooperativa] se limita la participación de la competencia.”

(“Through the services offered [by the cooperative] competition is limited.”)

“Circuito Cooperativo y Shared Branches.”

(“Cooperative Circuit and Shared Branches.”)

“Hacemos mercadeo.”

(“We do marketing.”)

The other half of participants informed it has not been a motivator. One of them said:

“...por lo menos, en [grupos integrados], entiendo que ese tópico no ha sido algo que lo tengamos como meta o algo así.”

(“...at least in [integrated groups], that topic has not been a goal.”)

The difference here could be that the first half believe it is a motivator because they expect their operations to have the effect of limiting competition, while the second half recognize it has not been a specific purpose.

### *Growth*

Twelve participants believe growth has been a motivator for integration, but only a few could mention how it is shown. Among the examples provided are the incorporation of a subsidiary to increase business and how the services of Circuito Cooperativo have recruited new members, facilitating cooperatives' capitalization.

However, from the 10 participants that think growth is not a motivator, one stated that precisely the idea of growth is leading to individualism and competition:

“Eso no nos integra, eso es parte de lo que nos separa. Bueno, si lo quieres ver como movimiento. Sí está la intención de que es algo que nos integra, cómo vamos a crecer como movimiento, qué nuevas cooperativas vamos a desarrollar, cómo nos vamos a integrar más. Si lo ves individual, ciertas cooperativas se vuelve la pelea que te dije de ‘mi rancho es mi rancho y tu rancho es tu rancho’... Las Piedras llegó

allí en frente al departamento del trabajo (donde hay otras cooperativas de ahorro y crédito) y la oposición a COSSEC fue inmensa, ¿cuál es tu necesidad de expandir?”

(“That does not integrate us, that is part of what separates us. Well, if you want to see it as a movement. There is an intention for it to facilitate integration, how are we going to grow as a movement, what new cooperatives are we going to develop, how are we going to integrate more. If you see it individually, some cooperatives fight for their territory, they say ‘what’s mine is mine what’s yours is yours’... Las Piedras Financial Cooperative established a branch in front of the Department of Work (where there are some other financial cooperatives) and there was a huge opposition to COSSEC, asking what is the necessity to expand?”)

Another participant believed another understanding of growth is necessary:

“...es inevitable mencionar, porque he estado en contacto con algunas empresas, que durante los pasados 15 años había una visión expansionista de grandeza física, de que la grandeza era eso mismo, más sucursales, más ventas, y empiezo a detectar un patrón en reversa que dice, ‘espérate, a lo mejor hay que decrecer un poquito y que la grandeza sea desde otra perspectiva’...en fortaleza. ... el ánimo de ir detrás de ser los más grandes en ventas, y todo ese tipo de cosas, independientemente de cuánta pérdida traía eso, pues cambió nuestro horizonte. Eso, yo todo eso lo estoy cambiando, todas esas ideas estoy tratando de cambiarlas. Por eso es que yo hablo de ventas rentables porque son todas las cosas que van fortaleciendo el capital,

entonces tenemos el dinero para guiarlo hacia nuestra razón social, hacia lo que es el cooperativismo, todo este tipo de cosas.”

(“...it is inevitable to mention because I have been around companies enough to know that in the last 15 years there was an expansionist view, to grow physically, more branches, more sales. But now, I’m beginning to observe a pattern in the other way, of decreasing a little and establishing growth in other terms...in strength. ...the desire to be the biggest in sales and all that kind of stuff, no matter how much we lost, it changed. We are trying to change all those ideas. That is why I talk about profitable sales because those are the things that are strengthening the capital, so we have the money to use for our social purposes, toward cooperativism, things like that.”)

A participant from complementary interviews observed that growth might have been a motivator but only for financial cooperatives:

“Se ven [motivadores] mayormente en ahorro y crédito. Todos esos, en ahorro y crédito, los ha podido replicar bien. En el circuito cooperativo, etc., para dar servicios nuevos, tecnológicos. En tipos diversos lo veo muy tímidamente en una que otra. Y eso es lo que me refiero, eso quizás, lo que ha salido nuevo acá, eso es lo que ayudaría a la de tipos diversos, que tocan un amplio..., mayor de industria, a ser sólidas en ese sentido. Porque a veces, la percepción es que lo único que existe es A/C y si miras todas las industrias que existen y esas industrias fueran sólidas,

tendrían un impacto. Por ejemplo, la gasolina aquí se mueve con una cooperativa de transporte y pocas veces se lo saben. Los maleteros que, aunque es un grupo pequeño en el aeropuerto y que ahora se están diversificando a otros servicios, pero muy pocos saben que son cooperativas."

("They [the motivators] are seen mainly in the financial sector. In all of those, it has been replicated well. In the Cooperative Circuit, etc., to provide new services, technological ones. In the diverse sector I see it faintly in one or another. And that is what I mean, the new services in the financial sector are what would help the diverse sector, which has most of the industry, to be solid in that sense. Because sometimes everything but financial cooperatives is forgotten, but if cooperatives from other sectors were stronger, that could have an impact. For example, gas is shipped via a transportation cooperative but just a few know about it. Baggage handlers, although only a small group in the airport, are now diversifying to other services and just a few know they are a cooperative.")

Growth has been practiced mostly among financial cooperatives, which happen to be the wealthiest sector. However, this motivator seems to be affected by a competition among cooperatives and an outdated view of what growth is nowadays and how it defines success.

### *Government Regulations*

This is one of the few factors that without a doubt is a motivator. All participants from integrated groups and complementary interviews affirmed government regulations definitely have been a motivator. Most of the examples provided referred to the same event, a protest in 2014:

“... eso sí nos integra. Podemos hacer un frente común cuando quieren meterse donde no les corresponde, como la fabulosa marcha de 2014...”

(“...that integrates us. Whenever they meddle themselves where they have no business to, we can present a common front, like the fabulous march of 2014...”)

“Yo creo que es más fuerte que los demás [factores]. ...porque ahí ya, yo cooperativa, como yo me veo afectado pues yo me integro.”

(“I think it is the strongest [factor] of all ...because when the cooperatives are being affected, then we integrate ourselves.”)

“...definitivamente, porque a veces que te ataquen como grupo hace que la gente se junte. Ciertamente eso ha tenido un efecto. Hay amenazas, como la legislación de los ganaderos, 5000 y pico de personas que les metimos frente al capitolio. ...era que querían pagar el fondo de RICO con unos fondos de COSSEC, el fondo de la

industria de los ganaderos de leche, querían pagarlo con los fondos de COSSEC ¡imagínate!”

(“...definitively, because sometimes these attacks to the group make us cooperatives unite. It has had an effect. There are threats like the cattle rancher law, we brought over 5,000 people in front of Capitol Hill. ...they wanted to make some payments with funds from COSSEC, to the milk industry, they wanted to pay it with funds from COSSEC—imagine that!”)

“...cuando tuvimos la situación de los bonos, cuando hicimos la alianza cooperativista, cuando también se hizo el G25...”

(“...with the bonds situation, we created an alliance of cooperatives. Also the G25...”)

“El movimiento sí se ha unido cuando se ha querido enmendar leyes que afectan.”

(“The movement has united when they try to make amendments to laws that have effects.”)

It is interesting to observe that all examples provided illustrate responses to threats. No one mentioned a case where cooperatives joined without an immediate threat. It has happened, though. Cooperatives have joined to push some amendments to laws and to

participate in legislative public hearings. The fact that only examples from threats were provided shows that integration is somehow conceived more as a reaction than as a proactive activity. As stated by a participant from complementary interviews, integration to deal with government regulations has occurred,

“...no por diseño. No porque la integración sea una integración de principios de formular un proyecto social.”

(“...not by design. Not because integration among cooperatives is an integration of principles to formulate a social project.”)

### *Joint Ventures*

Fifteen participants believed the realization of joint ventures has motivated integration, but again most of them mentioned the same project:

“...un proyecto para hacer unas viviendas a bajo costo. Entonces se creó una alianza de varias cooperativas donde participa Humacao, Naguabo, Las Piedras, Yabucoa, Juncos...”

(“...a low-income housing project. Then, an alliance of several cooperatives was created, Humacao, Naguabo, Las Piedras, Yabucoa, Juncos...”)

“Bueno, en el este es donde mejor se ha dado ese ejercicio. Ellos han hecho viviendas de interés social, han hecho proyectos en conjunto. Pocas cooperativas

se han unido. A veces es una o dos para dar un préstamo comercial grande. Pero yo te diría que donde más se ejemplifica esa integración es en el área este de Puerto Rico. Ellos tienen el programa de radio Alianza Cooperativa del Este, que lleva mucho tiempo y eso propicia también que tengan un espacio adicional para hablar y crear proyectos en conjunto.”

(“Well, it has occurred more in the east. They have created low-income housing, done some projects together. Few cooperatives have joined. If at all, a couple of financial cooperatives join to provide a large commercial loan. But I think that kind of integration occurs more on the eastern side of Puerto Rico. There, Alianza Cooperativa del Este has a radio program that’s been around a long time and it facilitates an opportunity to develop projects together.”)

Other participants mentioned Circuito Cooperativo as an example, but recognized cooperatives are not taking advantage of this type of integrated commercial activity.

Complementary interviews reported another example:

“Por ejemplo, las cooperativas de seguros con las cooperativas de ahorro y crédito. Se establecen acuerdos de colaboración, Joint ventures, en que ambas logran beneficios a través de esa integración. Y creo que ese podría ser un buen ejemplo de un Joint venture entre tipos de cooperativa.”

(“For example, insurance cooperatives with financial cooperatives. They have collaboration agreements, joint ventures, where both attain benefits through that integration. I think that could be a good example of a joint venture among different types of cooperatives.”)

As in many other activities reported, all examples provided have financial cooperatives as the protagonist.

### *Coproduction*

Ten participants believed the production of a good or service by two or more cooperatives has been a motivator. However, many of the activities reported are agreements, not coproduction activities: a commercial loan given by a group of cooperatives, an agreement in which a financial cooperative sells coffee from an agricultural cooperative, and a fair to sell new and new cars through cooperatives' loans.

The only example that could be considered close to coproduction is Coop24, an ATM service provided by several cooperatives:

“...Coop24, pudiera más o menos tener algo que ver con eso, que las cooperativas se unan para crear ese producto, que no haya cargo por servicio y que todo el mundo haga uso y disfrute del mismo.”

(“...Coop24 could be somewhat like that: cooperatives join to create that product, there is no service charge, and everyone can use and enjoy it.”)

### *Administration Agreements*

Eleven participants thought administration agreements have been motivating integration. A few examples were provided: sharing human resources, some technical support, and the case in which a financial cooperative performed as the administrator of another financial cooperative.

Another participant reported to have a collaboration agreement with other financial cooperatives to deal with a possible failure of their system:

“...firmamos un acuerdo colaborativo con [otra cooperativa financiera]. En aquella época teníamos el mismo sistema y el acuerdo era que en caso de una falla catastrófica en una de las dos cooperativas, la otra tenía acceso al sistema...”

(“...we signed a collaborative agreement with [another financial cooperative]. At that time we had the same system, and the agreement stated that in case of a catastrophic failure the other cooperative would have access to the system...”)

A participant said that administration agreements occur in ASEC but could not mention a specific example. The statement, however, seems to refer to collaboration and not to formal agreements:

“Se hacen; a través de la asociación de ejecutivos (ASEC), se hace. Se hacen muchos trabajos en equipo.”

(“It has been done; through the Executives Association (ASEC) it has been done. There has been a lot of teamwork.”)

In fact, another participant said most agreements were informal.

Complementary interviews provided, as an example, a financial cooperative administrating another financial cooperative.

### *Research Agreements*

Only eight participants affirmed that research agreements motivate integration. However, they referred to business studies:

“Nosotros como tal, hemos hecho también algunas investigaciones, pero es ...hacer estudios entre nuestras cooperativas para ver qué servicio les podemos ofrecer. Otros servicios, pues podemos llegar a la cooperativa y que la cooperativa se lo puede ofrecer al socio.”

(“We have done some research, but it consists of... conducting studies among our cooperatives to see what service we can offer them. Other services, they are offered to members through the cooperative.”)

“Eso no lo hacen mucho las cooperativas. Casi siempre lo hace seguros múltiples, que es la que más tiene poder adquisitivo para hacerlo, para así sus socias dueñas, que son cooperativas base, pues ver que ellos son rentables y que tienen dinero. Lo mismo lo hace el banco.”

(“Cooperatives don’t conduct too many research studies. It is almost always done by Seguros Múltiples, who has the most purchasing power to do them. And so, its members, which are first-degree cooperatives, benefit from it. BANCOOP does the same.”)

“... investigaciones que se hacen son actuariales y se hacen internamente con el actuario. O sea, las investigaciones son para determinar si un seguro, las primas o tarifas...”

(“...the research that we do is actuarial studies, done internally. Our research is to determine something about insurance, premium costs or rates...”)

Other participants affirmed research was not a motivator, but they were referring to academic research:

“...esa es la pata que cojeamos todos. Y es una de las funciones de nuestra organización. Cuando aparece en el presupuesto chavitos o escenarios de oportunidad, como ley 52, traemos los recursos. Y si no lo traemos, hacemos acuerdos de investigación, porque si no investigas, ¿cómo vas a echar adelante si tú no investigas tanto los logros como los fracasos? Pero sí tengo que reconocer que pocas veces nos centramos en eso que para mí es fundamental.”

(“...that’s something we’re missing. And it’s one of the functions of our organization. When the budget and opportunity allow it, we bring the resources. Otherwise, we make research agreements because if not, how will we move forward without researching both the successes and failures? But I have to recognize we don’t focus on that too often, which for me is fundamental.”)

“Nosotros tenemos la herramienta del Instituto de Cooperativismo. Soy egresado de allí y es lamentable lo que ha vivido el Instituto en estos días. No sé si has estado al tanto. La Escuela de Comunicación Pública sufrió daños y ellos les cedieron el espacio. Entonces quedaron sin un lugar. Logramos una reunión con el presidente actual [de la Universidad de Puerto Rico], Sr. Harold. Y el movimiento cooperativista, o no lo entiende... la importancia del Instituto como un mecanismo de investigación, de educación, de incubación y yo se lo he dicho al personal del Instituto. O sea, nosotros no los hemos defendido a ustedes como se merecen. Eso es para que el movimiento cooperativo estuviera allí en la universidad reclamando

el espacio que le corresponde al movimiento cooperativo en un país donde el cooperativismo es lo que mantiene el país funcionando. Entonces uno dice, “si no defendemos lo nuestro, ¿quién lo va a defender?” Y hace falta investigación, yo sé que la Liga, en un momento dado, tuvo también un joven que estaba dedicado a la investigación y se hicieron una serie de encuestas. Pero también, te doy el ejemplo, nosotros hicimos encuestas cuando el tema de reforma laboral, hicimos encuesta con nuestros ejecutivos y los primeros que protestaron fue la Liga, porque todo eso les corresponde a ellos.”

(“We have the Institute of Cooperativism as a tool. I am a graduate from there and it is unfortunate what has happened to the Institute lately. I don’t know if you are aware. The Public Communication School (PCS) suffered damages and the physical space of the Institute was given to PCS. So, the Institute was left without a space. We had a meeting with the president [of the University of Puerto Rico], Mr. Harold. The cooperative movement does not understand the importance of the Institute for research purposes, education, and assistance to new cooperatives. I have told the Institute that we have not defended them as they deserve. The movement should be at the University demanding the space that belongs to the cooperative movement in a country where cooperativism keeps the country running. Then, you think, “If we don’t defend our space, who will?” We need research. I know the League had someone before doing research and they conducted some surveys. We also have conducted surveys regarding labor reform, and the League objected it, because they said that is their job.”)

“...necesidad de investigación, yo reconozco que hay mucha. Y ahora más, con la situación que está atravesando la Universidad de Puerto Rico, el propio movimiento y la economía social en Puerto Rico. Creo es que hay una oportunidad valiosísima de recursos, talento, acceso a información, investigación...”

(“...I recognize there is much need of research. Now more than ever, with the current situation of the University of Puerto Rico, the cooperative movement, and the economy in Puerto Rico. I think there is an invaluable opportunity for resources, talent, information access, research...”)

Actually, a participant referred to this research and how useful it would be:

“...a mí como participante del cooperativismo, como socio de una cooperativa, como líder, que yo pueda beneficiarme de ese proyecto, que yo pueda hacer referencia, que yo pueda usarlo de plataforma para uno incidir en la medida que fuera.”

(“...as a participant of the movement, as a member of a cooperative, as a leader, I want to benefit from that project, I want to use it as reference, I want to use it as a platform to influence as much as possible.”)

A participant from complementary interviews distinguished the type of study some groups made:

“...lo que ellos llaman investigación no es otra cosa que satisfacción del cliente, este tipo de estudios.”

(“...what they call research is nothing more than satisfaction surveys to clients, that kind of study.”)

#### *Summary and Analysis of Motivators for Integration*

Looking at the charts that contain participants responses, it seems all factors motivate integration among cooperatives. The ones that motivate most are government regulations, joint ventures, and risk distribution.

It should be noted the motivators identified by participants before they were provided the list of factors are not exactly commercial motivators. The motivators first identified were the current structure cooperatives have, threats to the movement, networks created, specific needs, prestige achieved, and examples of other integration activities. Except for the factor needs, which involves to some degree economic activities or budget issues, none of the other motivators has an inherently economic objective. As said before, beyond economic aspects, social purposes drive cooperatives (Puentes et al. 2010). It could be said these motivators are based on a common view that cooperatives have about themselves. To some degree, they see themselves as a group and a movement, both

qualities of a cooperativist mindset. This finding shows an antagonistic dichotomy with a previous one that found a strong capitalist mindset is present in cooperative behavior.

On the other hand, motivators identified by strategic alliance literature are closely linked to economic and commercial activities. These are legitimate motivators for integrators, but in the case of cooperatives they are only linked to some purposes for integration. That is why the scale created for this research, shown in a following section, includes some other aspects of integration applicable to cooperatives, besides purely commercial ones.

Another observation is that there were frequent comments that although these factors somehow promoted integration, a large variety of activities were not reported. In fact, there was some confusion among interviewees about some motivators. In addition, it was also frequently mentioned that activities motivated by these factors were conducted mainly by financial cooperatives. These observations are addressed in the scale analysis to allow more accurate conclusions.

The only factor seen as a motivator by unanimous consent is government regulations. Strategic alliance literature also considers this as a major motivator (Todeva and Knoke 2005); thus, this finding is expected. However, integration has occurred only as a reaction to threats, instead of a planned joint action to have more control, or influence over the cooperatives' environment. Cooperative philosophy suggests they should be more proactive (Parrilla Bonilla 1971).

The rest of motivating factors are shadowed by some of the obstacles mentioned before. Exchange of technology is limited to a view of consumption, not production. Limited competition is seen as a desirable effect, but not a purpose. Scale economies are way behind what participants would like to see. Risk distribution, joint venture, and coproduction seem to be exclusive practices for the financial sector. Growth is being affected because of a competitive view. Administration and research agreements are scarce. Considering participants' responses on obstacles like individualism, competition, and capitalist view, these are negatively affecting possible developments and activities among cooperatives. This again confirms de la Rosa's (1994) critique about cooperatives behaving like capitalist enterprises. It is interesting how these behaviors are not being self-corrected by the cooperatives' democratic and inclusive nature as espoused by Bretos and Marcuello (2017). But to be fair, if it is considered that education in cooperatives is being limited to marketing activities (Aranda 2015) or conducted with non-appealing approaches (Figarella García 2019), no complete (or even real) education is happening that promotes democracy and consciousness among members. Thus, as stated by Parrilla Bonilla (1971), "Las instituciones no cooperativas pueden subsistir sin educar; los cooperadores se mueren si no educan." ("Non-cooperative institutions can survive without education; cooperators die without education.") (Parrilla Bonilla 1971, p. 113). Again, education is tied to integration, and both are needed for success.

Being aware of these motivators could help endeavors to promote integration through education. For example, an educational activity may incorporate Parrilla Bonilla's

(1971) teachings to address issues like individualism and selfishness, while it informs cooperatives' members about the varied opportunities integration offers.

### **Activities Conducted**

Before presenting the constructed scale to participants to identify integration activities, they were asked about activities conducted in general. Those activities that qualified were included in the scale discussed next. However, the responses before presenting the scale were few. Many could not provide examples, responded vaguely, or referred to something irrelevant.

Some reported that in collaboration with other cooperatives they have conducted networking activities (mainly among executives), publicity campaigns, and coordinated educational activities for members. Other activities reported were the existence of Grupo Cooperativo and Multimortgage. These are indeed formal structured integration activities, however, only a few participants mentioned them. Also, when the interviewer asked participants to list current activities mentioned by other participants, frequently their answers were negative, showing a lack of communication among cooperatives.

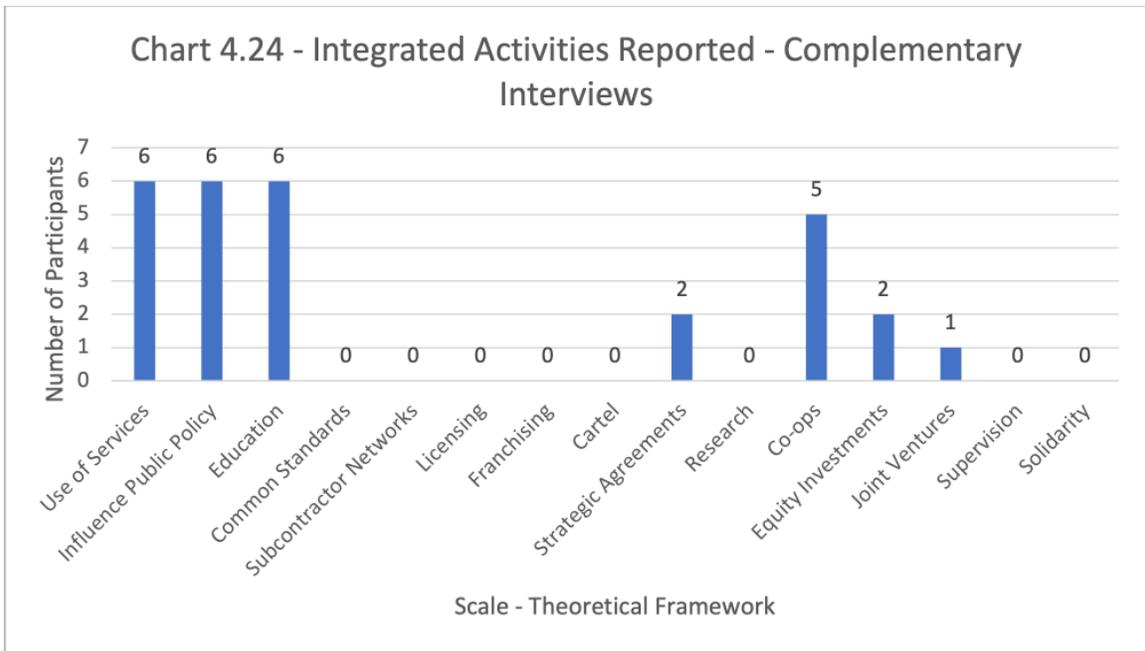
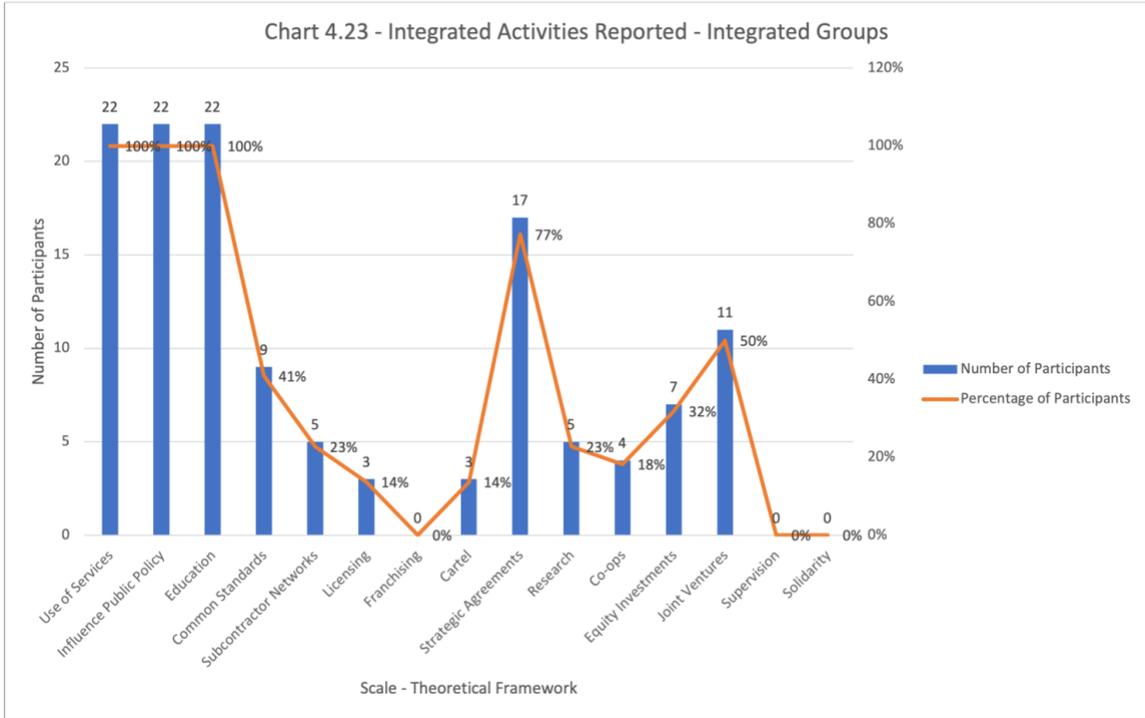
The vague answers included: "assistance to other cooperatives," "openness to make deals with non-financial cooperatives," "promotion in other cooperatives' assemblies," "allow cooperatives to know each other." These answers lead one to infer that there is not much awareness about what integration looks like.

It is interesting to note that some cooperatives are forming alliances with non-cooperative organizations, and the results are reported to be successful. These are not alliances among cooperatives, thus are out of the scope of this research, but it could serve cooperatives as an example of the general benefits of alliances. In other words, if capitalist corporations, which have profit as their main concern, can form alliances and recognize their benefits, cooperative organizations, which put solidarity above profits, should do it automatically and instinctively. However, that has little chance of happening unless there is a complete understanding of integration, which according to the findings of this research, is not the case.

Of the participants that mentioned some conducted activities, only a few could elaborate on the results observed and their responses were limited: "...we have seen higher interest from councils in integration..." "...I think it is growing," and "...they raised problems or needs that cooperatives may have." Others said some interest emerged in creating new cooperatives and increasing the use of services from other cooperatives. No document was produced by any group that informs about results. This demonstrates a lack of formal evaluation about their initiatives.

### *Scale of Integrated Activities*

Most, if not all participants, showed interest in all the listed integration activities and hoped they could be real someday. The reported initiatives currently conducted are presented in chart 4.23 for integrated groups and chart 4.24 for complementary interviews. Then, all activities are discussed and analyzed.



Integrated groups and participants from complementary interviews identified low-level activities easier. Complementary interviews did not report as many medium-level activities as integrated groups did. On the contrary, participants from complementary interviews reported more high-level activities than integrated groups. This illustrates that information about integration activities at medium and high-level are not well diffused among all actors involved, specifically between integrated groups and other supporting actors, including the government.

### **Low-Level Activities**

#### *Use of Services*

Every single interviewee answered affirmatively for the first three items in the scale, including use of services. Many gave examples of cooperatives trying to sponsor the products of other cooperatives, like coffee, textiles, office supplies, craftsmanship, pieces of art, etc. Also, for their savings and checking accounts, as well as other financial services, they reported they use financial cooperatives. Some of them mentioned that despite these sponsorships, use of services should be more prevalent, meaning that there are so many more services cooperatives could provide and that cooperatives could sponsor more of the services of existing cooperatives.

In the same vein, as previously quoted in this study, a participant said the use of services among cooperatives has been decreasing:

“...[antes)] ...ni el 1% de las cooperativas estaban aseguradas con otra empresa que no fuera Seguros Múltiples. Hoy en día hay muchas cooperativas que están aseguradas... con otras organizaciones.”

“...[before]... not even 1% of cooperatives were insured with companies other than Seguros Múltiples. Nowadays, there are many cooperatives that are insured... with other companies.”)

About this, a participant said they would like to acquire insurance from Seguros Múltiples, but it is too expensive for them. On the other hand, another participant put sponsorship over price:

“Tratamos de tener [en sus actividades] lo que es el café Ciberales [café producido por una cooperativa]. Posiblemente nos pueda costar más que un Yaucono [marca comercial común] o lo que sea, pero simplemente el tratar de auspiciar algo que tenga referente al movimiento, que ayude a integrar esa cooperativa a mis servicios y que ellos también sean beneficiarios de lo que yo pueda hacer en mis servicios.”

(“We try to have [at activities] Ciberales coffee [coffee produced by a cooperative]. It maybe costs more than Yaucono [common commercial brand] or others, but we simply try to sponsor something referring to the movement, to help integrate our services that we all benefit from.”)

It is a difficult decision, especially if cooperatives think in a capitalist way and their main criteria is the price. However, part of the cooperative philosophy is to provide services and products cheaper than other commercial alternatives.

### *Influence Public Policy*

Although all participants agreed cooperatives are integrated to influence public policy, the most cited examples were the protests in 2014 to oppose government intentions to use the funds of COSSEC and the groups created to deal with government's bonds. This illustrates, as noted before while discussing the motivators, there is some integration to deal with government public policy, but only as a reaction to a threat. There is no specific agreement; they act case by case.

### *Education*

Education was another integrated activity all participants agreed is happening:

“...somos parte del grupo que ofrece talleres a través de la Liga para las cooperativas de ahorro y crédito y que puedan cumplir con sus horas de educación.”

(“...we are part of the group that offers courses through the League for financial cooperatives and allow them to comply with law requirements.”)

“...en el Banco, nos auspicia talleres para que las cooperativas puedan salir adelante. Igual Seguros Múltiples. Ellos hacen una parte para cooperar y ayudar a las cooperativas, a las comisiones y a los organismos.”

(“...BANCOOP provides courses for cooperatives so they can succeed. Seguros Múltiples does the same. They contribute and help cooperatives, Commissions, and central organizations.”)

“...cada vez que surge un reglamento nuevo, una ley nueva, pues tratamos de educar. Cuando hay un issue relevante, también nos enfocamos en educar.”

(“...every time there is a new regulation, a new law, we try to educate. We also try to educate about new relevant issues.”)

However, many mentioned its focus of education was mainly on technical training and not in philosophy education. Regarding the question of social, cultural, and technical education, many participants pondered a response. Although all of them confirmed they conducted this activity, their answers showed social and cultural education is something secondary, while technical education is first.

“...procuramos dar por lo menos un seminario en cada consejo, con algún recurso que nosotros cubrimos y la facilidad de que sea más conveniente dentro de cada

área, pero ahí sí los temas suelen ser más técnicos, el recurso que se suele llevar es más técnico.”

(“...we try to provide at least one seminar to each Council, hiring a resource that we pay for and the ease that it's convenient for every sector, but topics tend to be more technical, the resources that we hire more technical.”)

“Mayormente, proveemos educación técnica. Porque entran muchos directores nuevos y siempre se le da educación continua, que es un requisito de ley y buscamos la manera de conseguir los seminaristas y darle los seminarios.”

(“Mainly, we provide technical education. Because there are many new directors and we provide them continuing education, which is a legal requirement, and we get the guest speakers and provide the seminars.”)

In the best of scenarios, courses combine technical and philosophical education:

“nosotros tenemos el programa de liderato, que está dirigido a líderes de cooperativas de base, un programa de 6 semanas, cada sesión cada sábado está diseñado a tocar un tema particular dentro del cooperativismo como filosofía, la responsabilidad social que eso conlleva, más también tiene elaborado, sí unas partes técnicas dentro de los roles que cada uno ejerce dentro de sus cooperativas de base, recursos humanos, de gerencia, estados financieros, responsabilidad social, vamos

a discutir principios cooperativistas, cómo lo vamos a integrar, la dinámica junta con el ejecutivo y distintos módulos de esa manera.”

(“...we have a leadership program, aimed at the leaders of first-degree cooperatives, a six-week program. Each Saturday there is a session about a specific topic regarding cooperativism like its philosophy, its social responsibility, and some technical topics that apply to the participating cooperatives, like human resources, management, financial statements, cooperative principles, how to integrate them, and others.”)

However, as mentioned during the discussion of motivators, attention to philosophy may have been neglected and needs new approaches—hopefully holistic as espoused by Parrilla Bonilla (1971)—to successfully promote integration activities. Because of this, the findings of this research about what integration means must be considered. An incomplete conceptual understanding of integration suggests education about this topic must be revised. Otherwise, any educational effort towards integration could reproduce this incomplete conceptualization.

As put by a participant from complementary interviews:

“...aunque se han mejorado mucho los programas educativos dentro de las cooperativas, todavía no podemos hablar de que en el movimiento cooperativista

existe un sistema educativo integrado precisamente, porque esa es parte de la falta de integración.”

(“...although educational programs have improved a lot in cooperatives, we still do not have an integrated educational program, that’s the part missing of integration.”)

### *Common Standards*

Nine participants answered affirmatively to the use of common standards. But some clarified that it is only happening in a few instances and is limited to financial cooperatives. Some examples provided:

“Estándares comunes— bueno, los lineamientos, no tanto de producción— pero son estándares comunes para ellos a nivel administrativo.”

(“Common standards—well, the Cooperative Congress Agreements, not so much production—are common standards for administrative purposes.”)

“Con profundidad no creo. Inclusive, se está tratando de crear un código de ética en las cooperativas, pero por las razones que fuera es difícil imponerlo.”

(“Not at large, I think. Actually, we have been trying to create an ethics code in the cooperatives, but for some reasons it is difficult to implement.”)

Also, some of the responses show confusion, like the following that seems to refer to some government regulations:

“Ese es un reto que tenemos, porque las reglas las establece el regulador. Si tú verificas, esas reglas no se revisan hace años de años.”

(“That is a challenge we have, because the rules are established by COSSEC. If you check, those rules have not been reviewed in many years.”)

Others could not provide a specific example of common standards.

## **Medium-Level Activities**

### *Subcontractor Networks*

Only five participants answered that this was an activity performed by cooperatives in an integrated group. An example provided was:

“El banco cooperativo tiene la valija. Entonces, la contratación del servicio de valija, igual que la contratación de Evertec para hacer las transacciones ACH, el banco cooperativo contrata con... la valija se trabaja a través de Ranger American, transporta todo lo que es el fondo de cambio. Se transporta en Ranger American, pero es a través de una contratación del banco cooperativo como representante de las cooperativas de ahorro y crédito que va enviando ese fondo de cambio.”

(“BANCOOP has the money transport service. This service, as well as Evertec for ACH transactions, is contracted for everyone. The money transport services are done by Ranger American, which is contracted by BANCOOP as representative of all financial cooperatives.”)

Nonetheless, most of them recognized this activity was not common.

### *Licensing*

Only three participants said the authorization of licenses was an activity performed. However, the only specific example of this activity suggested the intent to apply for a patent, but prohibit its use by other cooperatives through integration agreements:

“Tengo duda, porque quien estaba en camino de patentizar algo Marcoop, que es una iniciativa que surgió en el área este. En su inicio estuvo financiada por FIDECOOP y es dirigida a producir ciertos tipos de moldes plásticos, para la industria, tengo entendido que tenía algo para patentizar.”

(“I have doubts, because there was some licensing effort by Marcoop, an initiative in the East. In its beginning it was financed by FIDECOOP and aimed to produce plastic molds for the industry. I understood they had to apply for a license.”)

Another participant referred to the purchase of a software license among several cooperatives to save money, which is actually a scale economy activity.

## *Franchising*

Establishing franchises is a commercial activity that cooperatives in Puerto Rico do not engage in, according to the input from interviewees. Every participant agreed on this. One of them said it is incongruent with cooperatives, though the focus in the statement was financial cooperatives:

“La franquicia no es muy natural con el movimiento cooperativo. Son dos modelos distintos. Yo no estoy seguro de que en el área de ahorro y crédito se permita. Es probable que eso se impida.”

(“Franchises are not very natural to the cooperative movement. They are two different models. I am not too sure it is allowed in financial cooperatives. Probably, it is prohibited.”)

However, as noted before, any organization that becomes a cooperative in Puerto Rico in general enjoys a good reputation. Therefore, part of the benefits of being a franchise (name recognition, expectation of similar product, quality of service, etc.) is already in place just for being a cooperative. Regarding this, one participant said:

“Es una forma de ver, que todos somos una franquicia. Mirándolo desde esa perspectiva, ese sí sería un evento de integración, usar esa marca (Co-op). No todo el mundo la está usando con la misma intensidad, pero sí, nos une, nos integra.”

“It is one way to look at it, that we are all a type of franchising. From that perspective, that would be an integration activity, using the brand (Co-op). Not everyone is using it in the same way, but it does unite and integrate us.”)

Maybe, that is one of the reasons why this commercial activity has not found its place yet among cooperatives. Nevertheless, it could be considered for future opportunities, to take advantage of other benefits (standard production, standard rules, more specific brand, etc.). In fact, a participant described the expectations of franchises for one cooperative’s product:

“En un momento dado yo pensé que Cibales, la cooperativa agrocomercial, iba a entrar a incursionar en el área de franquicias. Ellos sí incursionaron en un coffee shop... lograron montar bajo la cooperativa un coffee shop en los bajos del edificio de la asociación de empleados. Estuvo ahí y una presencia, nada que envidiar a ninguna de estas marcas, Starbucks, etc. Un buen local, una buena taza de café, buenos baristas. Y me parece que eso es un área que en el ámbito de franquicias todavía pudiera retomarse.”

“Sometime ago I thought Cibales, the agribusiness cooperative, was going to get into franchises. They had a coffee shop in their building on the lower floor of the employee associating building. Nothing to rival other brands, like Starbucks, etc.

A good spot, good cup of coffee, good baristas. And I think that is something within the scope of franchising that could be revisited.”)

### *Cartel*

Three participants shared this activity has been performed, but in a limited way. Some indicated it happened in the insurance sector only, showing limited integration:

“Sí, a nivel de seguros, a nivel individual, pero no a nivel de movimiento...”

(“Yes, at the level of insurances, at an individual level, but not at a movement level...”)

“Eso puede ser que se haga en un momento dado con COSVI y con Múltiples.”

(“That could be done at some point with COSVI and Múltiples.”)

Some expressed frustration because it has not happened:

“Eso me encantaría. ... Pero la realidad en esencia, cuando fundaron esto esa era su visión, [dominar el negocio] en todo Puerto Rico. Se conformaron posiblemente con el éxito que tenían en el área metro y no se siguió aquella visión que hubo en algún momento.”

(“I would love that. ... But the reality, when this was founded that was the vision, [to dominate business] for all Puerto Rico. They possibly settled for their success in the metropolitan area and did not follow the original vision.”)

“Nosotros hemos sido lenientes. Aquí entraron las Cooperativas Federales y ya se han ido cada día apoderando del mercado. Y nosotros los recibimos con una visión de que ‘ellos tienen un mercado distinto al nuestro, ellos quieren los clientes excelentes’, estamos en esas. Ahora tenemos mucha presencia de cooperativas federales en el área metropolitana. Ya pronto va a abrir una en el área norte. Se habla de que van a abrir otra en el área oeste. Allá en el oeste hay cooperativas federales, cuando vengamos a ver, se quedaron con el kiosco. Y nosotros deberíamos ir mirando hacia el continente [U.S.A.] porque muchos puertorriqueños están allá y yo estoy seguro de que eventualmente vamos a cruzar hacia allá.”

(“We have been lenient. Federal financial credit unions came to Puerto Rico and each day dominated the market more. We keep thinking they have a different market than us because they only want excellent clients. Now, there is a huge presence of federal credit unions in the metropolitan area. A new one is coming to the North area. It has been mentioned another one is opening in the West area. By the time we wake up, they will be dominating everything. And we should be looking towards the continent [U.S.A.] because there are many Puerto Ricans there and I’m sure eventually we will be there.”)

This last statement shows competition with federal credit unions, which not only had no impediment in entering in the market, but their growth threatens the continuance of financial cooperatives.

A participant raised the question if what they were doing is legal:

“Eso es un delito, eso no se puede hacer.”

(“That`s a crime, that cannot be done.”)

But one of the leaders interviewed said it was allowed, though currently cooperatives do not have enough power to do things like this:

“...nuestra ley dice que las cooperativas pueden ser reguladoras de precio. ...las cooperativas pueden servir como reguladoras de precio. Fíjate que, en el sistema capitalista de la oferta y la demanda, el precio lo determina la oferta y la demanda. Y se supone, dentro del sistema capitalista, de que uno no le establezca control a eso, que esa es la gran lucha, ¿quién viene de alguna manera muchas veces a regular los precios?, el Estado. ...en el caso de las cooperativas, no tienen poder político para regular precios. Lo hacen dentro del sistema del mercado de la oferta y la demanda. ...pienso en, siguiendo el caso nuestro que es más común, de ahorro y crédito, pues mira, la tasa de interés. Como las cooperativas, al establecer las tasas de interés más bajas, pueden ser una especie de regulación de precios. Porque si

llevan el mercado a un nivel..., si controlan... si hacen un control, vuelvo y digo, de precios, en términos de tasas de intereses, los demás se van a ver obligados a bajar. Porque si no, pues entonces van a entrar a una desventaja competitiva.”

(“...our law states cooperatives can regulate prices. ...they can serve as price regulators. In the capitalist system, prices are determined by supply and demand. It is presumed nobody establishes control over it. Yet, who comes and establishes regulations on many occasions? The state. ...in the case of cooperatives, they do not have political power to regulate prices. They do it from inside the market of supply and demand. ...I think in the case of financial cooperatives, look at the interest rates. Cooperatives, upon establishing the lowest interest rates, somehow regulate them in the market. So yes, cooperatives control the market to a certain extent. When cooperatives establish low interest rates the other financial institutions are forced to lower them too. Otherwise, they would be in a competitive disadvantage.”)

A participant understood financial cooperatives are not controlling prices consciously, but it might be happening:

“En términos generales, nosotros hemos sido un controlador de precios, no hay duda de eso. Y lo digo porque, por ejemplo, [alguien de] la banca comercial... [me comunicó que] ‘cuando se reúnen allí, ellos les tienen pánico a ustedes [cooperativas]’...”

“In general terms, we have been a price regulator, there is no doubt about it. And I say it because, for example, [someone] from the commercial banking system... [told me that], ‘when cooperatives meet together, they are very afraid of you [cooperatives]’...”)

### *Strategic Cooperative Agreements*

Seventeen of the 21 interviewees from integrated groups, more than 3/4s, indicated that strategic agreements currently occur. Among the activities mentioned were: car sales fairs, an agreement between two insurance cooperatives to increase sales, creation of groups to deal with government bonds, a social interest housing project, the administration of a cooperative by another cooperative, an agreement to use over 200 ATMs without charges, and the League’s strategic plan. Besides the strategic plan developed by the League and the agreement between two insurance cooperatives, all other activities have only financial cooperatives as participants.

Interviews from leaders show they also mentioned the Cooperative Circuit as a strategic agreement. Also, one of them talked about an agreement in development:

“... [tres cooperativas de ahorro y crédito] ahora mismo estamos haciendo una evaluación para hacer un préstamo de tres millones de dólares a otra entidad. Y entonces nosotros estamos en conjunto contratando personal, haciendo unas

evaluaciones, y entonces un documento, que, por ejemplo, el servicing lo va a hacer [una de las cooperativas], pero en partes iguales.”

(“... [three of us financial cooperatives] are currently doing an evaluation to give a three million dollars loan to another entity. So, together we are hiring personnel, doing evaluations, and then dividing task—for example, servicing is going to be done by [one of the cooperatives].”)

### **High-Level Activities**

#### *Research and Development*

Five participants from integrated groups responded that research and development have been undertaken as an integrated activity. Two of them referred to research for specific business inquiries. Although the other three mentioned the League conducting research, representatives from the League said that is not happening.

A participant confused donations with research, maybe because such donations were given as an assistance to the Cooperative Institute in the University of Puerto Rico:

“Pues lo hacemos con el instituto de cooperativismo. Se colabora mucho con el instituto de distintas maneras. Hace un tiempo atrás se les dio un equipo que necesitaban para un salón, se coopera mucho con la maestría de cooperativismo, y así en distintas áreas que pueda surgir siempre se busca estar en colaboración con el instituto.”

(“We do it with the Institute of Cooperativism. We collaborate with them in different ways. Recently, we gave them some equipment they needed for a classroom, we cooperate a lot with their master’s program and in different areas we are always looking to collaborate with them.”)

Another participant recognized their limitations:

“Realmente aquí no hay mucha investigación de parte del movimiento cooperativo, a no ser que la Liga o el Instituto lo haga. Pero a nivel de cooperativas persé es algo que nos hace falta hacer.”

(“We don’t really have a lot of research collected by the cooperative movement, unless it is conducted by the League or the Institute. But that is something we need to do with cooperatives.”)

As put by a leader during the interview:

“Yo te diría que eso es casi inexistente.”

(“I would say it is almost non-existent.”)

## *Cooperatives*

Four participants mentioned there is some talk about forming new higher degree cooperatives, but nothing concrete yet:

“En la reestructuración de la Liga se está promoviendo... de abrir la posibilidad de que vengan otras cooperativas de segundo grado. Por ejemplo, de agricultura, proyectos de electrificación.”

(“It is being promoted in the restructuring of the League... to open the possibility to create other second-degree cooperatives. For example, agricultural, electrical.”)

“...hay unos esfuerzos en FIDECOOP para crear una cooperativa de seguros agrícolas.”

(“...there are some efforts in FIDECOOP to create agricultural insurance cooperatives.”)

A participant said the law did not provide space to create additional higher-degree cooperatives. Another argued that such function belongs to the League:

“...esas cosas están bajo lo que es la Liga y se le lleva entonces a través de los consejos, donde las personas tengan el interés para crearla. Se canaliza casi siempre a través de la Liga.”

(“...those issues are tasks for the League and then it goes to the Councils, where people have an interest in creating them It is almost always channeled through the League.”)

However, a participant from complementary interviews noted new second-degree cooperatives have been created, specifically centrals.

“...hay cooperativas que han creado cooperativas de segundo grado. No se conocen mucho porque son muy pequeñas. Pero sí hay más de cuatro.”

(“...there are some second-degree cooperatives recently created. They are not very well known because they are small. But there are around four of them.”)

Documents acquired about the incorporation of two of them, USICOOP and Comercioop, demonstrates the law did not impede their creation and that they could be formed without the direct involvement of the League.

A participant from integrated groups recognized the creation of new higher-degree cooperatives is something that should have continued:

“Creamos Seguros Múltiples, COSVI, FIDECOOP. Debería haber sido una meta del movimiento seguir creando otras cosas.”

(“We created Seguros Multiples, COSVI, FIDECOOP. That should have been a goal of the movement, to keep creating others.”)

It is notable how the responses from complementary interviewees had a higher proportion of positive answers for this question. Five out of six, more than 80%, answered and gave examples of second-degree cooperatives formed in recent years. A difference between these recent second-degree cooperatives and the previous ones is that the recent ones are closed to only a few members, while older second-degree cooperatives are open to any first-degree cooperatives that want membership. However, this illustrates the lack of communication between cooperatives. In a country where historically there have only been four second-degree cooperatives, the creation of new ones should be documented and communicated, even if they are closed.

### *Equity Investments*

Seven participants responded there are equity investments among cooperatives. The examples provided were all similar: The League, FIDECOOP, COSVI, BANCOOP, and Grupo Cooperativo. Contributions to the first two are mandatory, according to the financial results of each cooperative. Participation in the other three is voluntary, but these are the traditional higher-degree cooperatives known to everyone.

A participant said there has been equity investment or capitalization of non-financial cooperatives, but could not provide a specific example:

“...también hay ejemplos de cooperativas que han ayudado a capitalizar cooperativas de 239, porque le compran acciones, también eso se da.”

(“...there are also examples of cooperatives capitalizing other cooperatives under Law 239, because they buy stocks, it happens too.”)

Another way to accomplish equity investments is through preferred stocks, but a participant explained it is complicated to proceed with their emission:

“Las acciones preferidas es algo que está en la ley. Creo que ahora hay una cooperativa que está emitiendo acciones preferidas con obligaciones de capital. Pero es algo que también el regulador pone sus condiciones especiales y es un poco cuesta arriba también hacerlo.”

(“Preferred stocks are something allowed by the law. I think currently there is a financial cooperative issuing some preferred stocks with capital obligations. But that is something with many special conditions from the regulator, which makes it very hard to do.”)

### *Joint Ventures*

Eleven participants said there are joint ventures conducted among cooperatives. However, the only two examples that qualify under this activity are Multimortgage and

Circuito Cooperativo. Other activities mentioned are a housing development for low-income families and auto fairs, best classified under strategic agreements.

Multimortgage is a subsidiary of Grupo Cooperativo and its purpose is to collaborate with financial co-ops that could not offer mortgages by themselves.

### *Supervision*

None of the participants said an activity with supervision purposes or autoregulation has been done. Nonetheless, according to participants it has been contemplated and is something some would like to see materialized in the future:

“...como organismo que cree en la auto regulación, nosotros siempre tenemos que levantar esa bandera, de que eso es posible. Ahora, requiere un apego a un rigor ético y ahí tenemos todavía que trabajar bastante.”

(“...as part of a movement that believes in self-regulation, we have to raise the flag about it, it is possible. However, it requires an ethical rigor to complete and we still need to work on that.”)

“Siempre se ha hablado en el movimiento cooperativo de autorregularnos. Pero el Gobierno siempre ha tenido reservas en qué las cooperativas están representadas en la Junta de Directores de COSSEC porque se entiende que los regulados estarían regulándose.”

“It has always been mentioned in the movement, self-regulation. But the government always had objections to cooperative representatives being on the board of COSSEC because it is seen as self-regulation.”)

Some have doubts about the capability of the cooperative movement for this:

“No sé si estamos a un nivel de madurez, nosotros en esta etapa, para aspirar a una autorregulación.”

“I don’t know if we have the maturity, at this moment, to aspire to self-regulation.”)

A participant believed it is not allowed:

“No, porque las cooperativas no se pueden vigilar por sí solas, por ellas mismas.”

“No, because cooperatives cannot supervise themselves.”)

This last statement shows a limited understanding of the cooperative model, which proposes self-supervision as part of its structure. All cooperatives have an Oversight Committee.

But a participant from complementary interviews explained the main reasons it has not happened:

“El problema es que, en Puerto Rico, por lo que habíamos hablado anteriormente, de ese concepto del paternalismo gubernamental, se creó, desde los años 30 se crearon estructuras de regulación y de fiscalización de las cooperativas, y no solamente desde la industria, sino desde el modelo cooperativo. El Estado se abrogó la función de fiscalizar el modelo cooperativo. Entonces, el Estado fiscaliza el modelo cooperativo y fiscaliza la industria. Entonces, yo creo que actualmente hay una mayor concientización de que el Estado deje de regular el modelo cooperativo y que esa regulación del modelo cooperativo esté en manos del movimiento, ya sea a través de la Liga de Cooperativas, ya sea a través de federaciones.”

(“The problem is that in Puerto Rico we have had government paternalism since the 1930s when regulation and oversight structures were created. The state took for itself the role of regulation. Thus, the state regulates the cooperative model and the industry. I believe there is now more of a growing awareness for the state to stop regulating cooperativism and leave it to the movement itself, either through the League or through federations.”)

“Por otro lado, te digo que, lamentablemente, el movimiento cooperativo no ha sido del todo proactivo en ese proceso. Debería de ser más proactivo.”

(“On the other hand, it is unfortunate the movement has not been very proactive in that process. It should be more proactive.”)

Nonetheless, a participant believes this is something that will happen sooner or later:

“...yo creo que va a llegar un punto en que el Estado, ya sea por iniciativa propia o ya sea por presión del movimiento cooperativo, va a dejar de regular el modelo cooperativo y va a haber una transferencia de esa función, al igual que las de la [función] promoción.”

(“...I think there will come a time when the state, either by their own initiative or forced to by the movement, is going to stop its role as regulator and will transfer that function, as well as the promoting [function].”)

“...el Estado actualmente está en una crisis económica tan fuerte, que poco a poco va a ir soltando funciones, ya sea al sector privado o al sector de organizaciones sin fines de lucro. Va a empezar a soltar estas funciones para aliviar su carga fiscal o presupuestaria.”

(“...currently, the state is in such an economic crisis that eventually it will slowly abandon functions, either to the private or non-profit sector. It is going to drop those functions to ease the fiscal and budgetary burden.”)

One of the leaders interviewed thought the cooperative movement is afraid to try to change current regulations. Such fears have roots in the traditional paternal behavior enacted by government and accepted by cooperatives:

“Yo lo que creo que hay es temor para hacer cambios a la ley o a crear una nueva ley. Hay temor en el movimiento cooperativista. Y el temor se basa en que tradicionalmente el gobierno ha impuesto a los líderes del cooperativismo a manera de chantaje condiciones, ‘si ustedes hacen esto, nosotros, por el aspecto contributivo, te vamos a agredir a ti; si tú cambias el estatus jurídico que existe promovido por el sistema y por el gobierno de alguna manera, te vamos a afectar’. Eso es chantaje.”

(“I think there is fear of making changes to the law or to creating a new law. There is fear in the movement. Such fear is due to the blackmail government traditionally uses against cooperative leaders, ‘if you do that, we will eliminate the tax exemption; if you change the judicial status established by the system and government, we will affect you.’ That is blackmail.”)

### *Solidarity*

Solidarity, the final activity in this scale, is the highest form of integration identified for this study. No formal or written contract was identified by any of the interviewees. That does not mean there is no solidarity at all. In fact, many of them mentioned how after

Hurricane Maria, cooperatives united and offered their resources to other cooperatives (and even non-cooperative organizations) to allow them to function and provide services, without any condition. That is, it was pure solidarity. As an example, the League offered its site and resources (electricity, internet, and other utilities) for other cooperatives to establish and coordinate their operations from there. This was spontaneous solidarity. Some statements regarding the phenomenon were:

“Cuando vino María, el agua le llegó al techo en la sucursal y no podían ni siquiera abrir la bóveda, ni abrir nada, perdieron todo. Entonces se hicieron gestiones, todo el mundo participó, se les llevó equipo, consiguieron plantas eléctricas, hicieron aportaciones, un rescate. Y eso no solamente se hizo allí, sino en otras cooperativas afectadas y en todas hubo un esfuerzo colectivo.”

(“During Hurricane Maria, the branch office had water up to the roof and they could not even open the vault, they lost everything. So then, efforts were made, everybody chipped in to get them equipment, electric generators, contributions, a rescue effort. And not only there, but there was a collective effort to help other affected cooperatives.”)

“...por lo menos en el huracán, ahí fuimos una unidad. Es como te decía al principio. Cuando la cosa esta difícil, cuando es de vida o muerte, ahí nos unimos. Pero esa visión de prepararnos de tener ya las cosas por escrito es algo que se debería dar.”

(“...at least during the hurricane, we were united. It is like I was saying in the beginning. When things are difficult when it is a life-or-death situation, we unite. But that vision of having everything prepared and written beforehand is something that should happen.”)

“...la de gasolinera... no tenía ningún acuerdo con ninguna cooperativa, sin embargo, fue hasta Comerío [una municipalidad] y le llevó gasolina y vino a la Liga y trajo gasolina, diésel porque era lo que necesitaban.”

(“...the gas station cooperative... it had no agreement with any cooperative, but it went to Comerío [a municipality] and brought them gasoline, came to the League and did the same, diesel in our case.”)

“...podemos tener diferencias y cada cual está en lo suyo, pero cuando ocurren eventos como el que pasó de María, todo el mundo se une y esta isla y su gente ha demostrado que es un comportamiento natural. Que inmediatamente todo el mundo necesita ayuda, todos estamos ahí. Y entonces, todas las diferencias se olvidan, pero son procesos temporeros.”

(“...we can have differences among us, but when events like Maria happen, everybody unites, and it this Island and the people have demonstrated that it is our natural behavior. As soon as everybody needs help, we are all there. In that moment, differences are forgotten, but those are temporary processes.”)

When asked about acts of solidarity outside catastrophes like Maria, participants responded there have been some but not in the same proportion:

“Se da. No en la proporción que uno esperaría que se diera, pero se da. Y te puedo poner un ejemplo. Cooperativas que en un momento dado han necesitado liquidez. Cooperativas que en un momento dado han necesitado recursos técnicos. Cooperativas que en un momento dado han necesitado recursos profesionales, que se les ha facilitado. Y son aspectos que, en la mayoría de estos casos, pasan desapercibidos, porque se quiere que pase desapercibido. ¿Por qué? Porque es una solidaridad de una colaboración para subsanar una situación que, si trasciende, se puede manejar incorrectamente y puede causar más daño que bien. Si yo necesito una liquidez extraordinaria, pues eso se subsanó acá, nadie se tiene que enterar. Si mi sistema colapsó y tienes que proveerme apoyo, como ha ocurrido en algunas cooperativas, por eso obra sin necesidad de tener nada escrito. Es más bien de una. ¿Debe estar formalizado? Pues claro que sí, debe estar formalizado. Pero esto es como el amor que uno le tenga a los hijos, a los papás, no lo tienes que tener escrito. Si tú practicas lo que es la cooperación, en teoría, según uno quiere a su familia tiene que poner de su parte.”

(“It happens, not as much as one would hope, but it happens. I’ll give you an example. Financial cooperatives that have needed cash flow, technical resources, professional resources, it has been provided to them. Many of these cases go

undetected. Why? Because it is a contribution to a need that cannot be made public or it could hurt the cooperative. If I needed cash flow, I could get help from another cooperative, but nobody would need to know. If my system collapsed, other cooperatives would help without having a written agreement. Should it be a formal agreement? Of course, it should. But it is like the love we have for our children, for our parents; it does not have to be written. If you practice cooperation, you contribute.”)

“Sé de algunas regiones que hay cooperativas que se han apoyado, que han suscrito colaboraciones dentro de sus planes de contingencias, de apoyarse unos a otros.”

(“I know about some regions where cooperatives have supported each other and signed collaborative agreements for contingency plans.”)

“Nosotros hemos logrado un acuerdo, pero es de cooperación entre cooperativas. Por ejemplo, y esto sí lo hemos hecho mucho, estamos en la mesa y dicen ‘mire señores, tenemos una necesidad de liquidez, quizás momentánea en lo que pasa...’ y entonces nosotros, obviamente aportamos, transferimos liquidez para poder ayudar los compañeros. Fuera de eso no se me ocurre nada así más de momento.”

(“We have made an agreement among cooperatives. For example, and this we’ve done many times, if someone tells us they need some temporary cash flow, then we

obviously transfer some money to help them. Outside of that example, I cannot think of anything else.”)

Although these examples show spontaneous solidarity, which is important, they lack the assurance of high involvement and commitment needed in high-level activities. A one-time action does not ensure other cooperatives will be there to assist one another one when needed. Regarding this, some participants had opposing expectations when asked if that kind of solidarity will be present outside of emergencies or catastrophic situations:

“No lo veo; en este instante no lo veo.”

(“I do not see it; at this moment I do not see it.”)

“Va a haberla... el movimiento es como una familia, pelean, pero a la hora de respaldarse se respaldan. O sea, tenemos dificultades, pero en el momento de entrar porque hay un grupo que hay que cerrar brecha y enfilear los cañones, hay que hacerlo.”

(“There is going to happen... the movement is like a family, they fight, but when supporting each other is needed, they do it. We have difficulties, but when the time comes that we need to be there for each other, we do it.”)

Nonetheless, there is growing sentiment that a strong solidarity system would benefit the cooperative movement and society in general:

“Ese elemento te hace ver cómo es el puertorriqueño, la base la tenemos. Necesitamos crear estos espacios para que la gente se dé cuenta que la práctica de la solidaridad es mucho más beneficiosa que la práctica de la competencia.”

(“That element shows you how the Puerto Rican is, the culture we have. We need to create these spaces for people to see that solidarity is much more beneficial than competition.”)

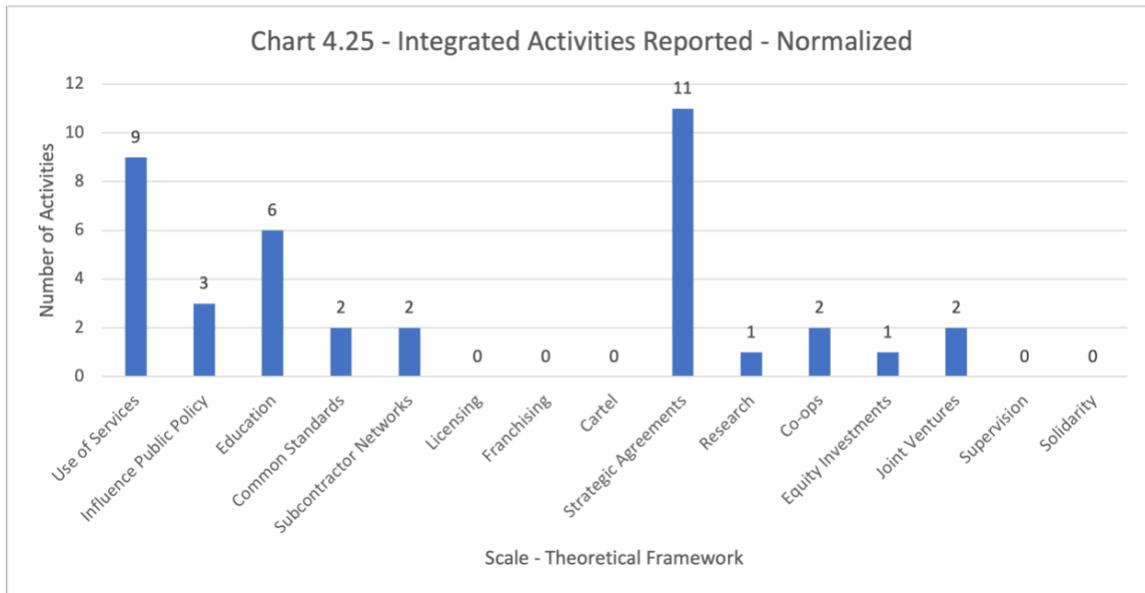
It must not be ignored that the reported spontaneous solidarity could establish the base for a more complex or formal solidarity commitment in the future.

### **Alternative Visualizations for Constructed Scale**

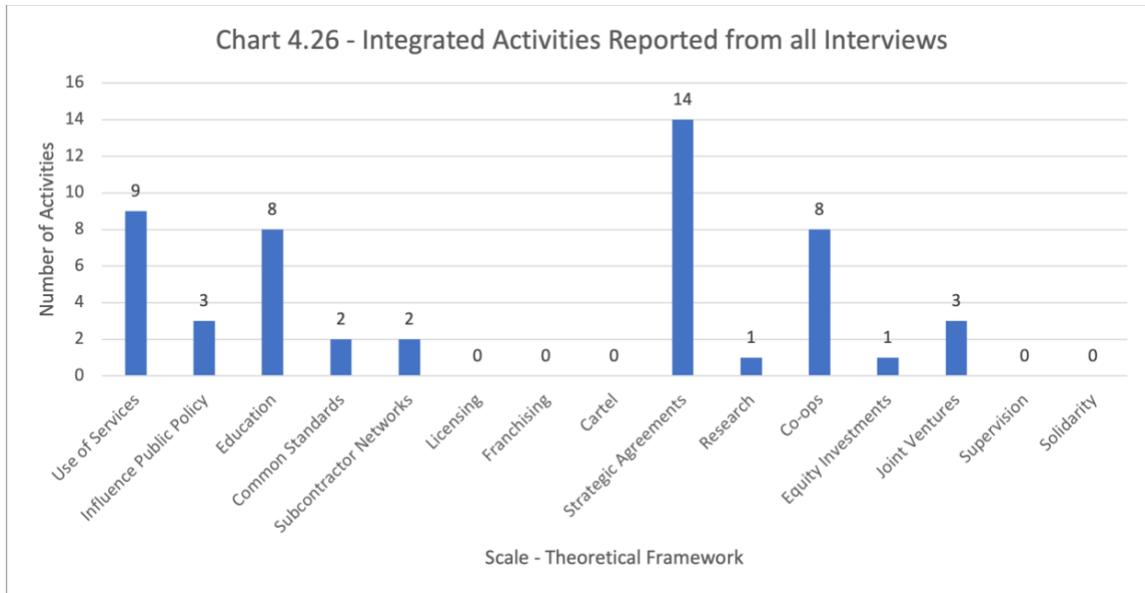
#### *Normalization*

To obtain a more complete understanding about the integrated activities reported, the scale was refined to normalize the data. This normalization addressed three aspects. First, duplicity: for some activities, many participants mentioned the same example, producing an artificial high bar in the chart that does not correspond with the variety of activities conducted. Second, specificity: in many instances, participants said an integration activity occurs, but could not provide any example of it. Third, relocation: some reported activities fit better under the categories of other activities than the one the participant

reported. Therefore, the next chart (chart 4.25) provides a visualization without duplicated activities, presenting only specific actions reported, and relocating examples to the proper category.

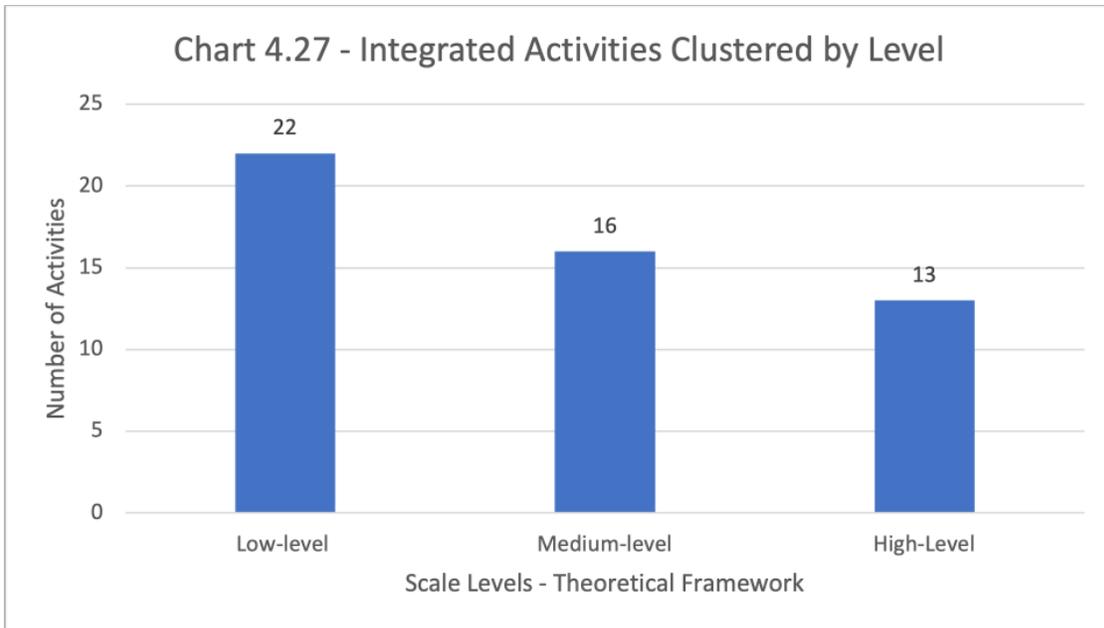


Compared to chart 4.24, the normalization in chart 4.25 shows a different image. While the former shows strength in low-level activities and many activities at medium and high-level, the normalized chart shows lower numbers in all activities, except those that were already at zero. However, chart 4.25 still shows only the activities reported by participants. Other activities were identified by complementary interviews and documents. The next chart (chart 4.26) shows the scale of integration activities with these added.

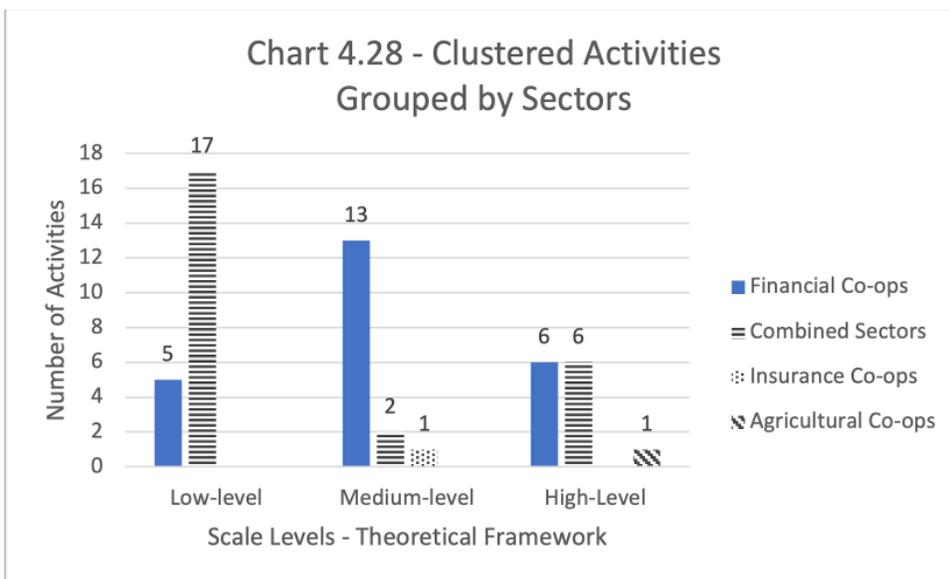


A variety of activities are illustrated under low-level, some under medium-level (mainly concentrated in one type of activity), and some under high-level (also concentrated mainly under one type). Clearly, cooperatives are not taking advantages of the many alternatives that integration offers. At the high-level section, there are no activities under the two categories (supervision and solidarity) in cooperatives' literature (Desrochers and Fischer 2005).

Another way to see the total number of activities reported is clustering all the activities from each level, as shown in Chart 4.27.

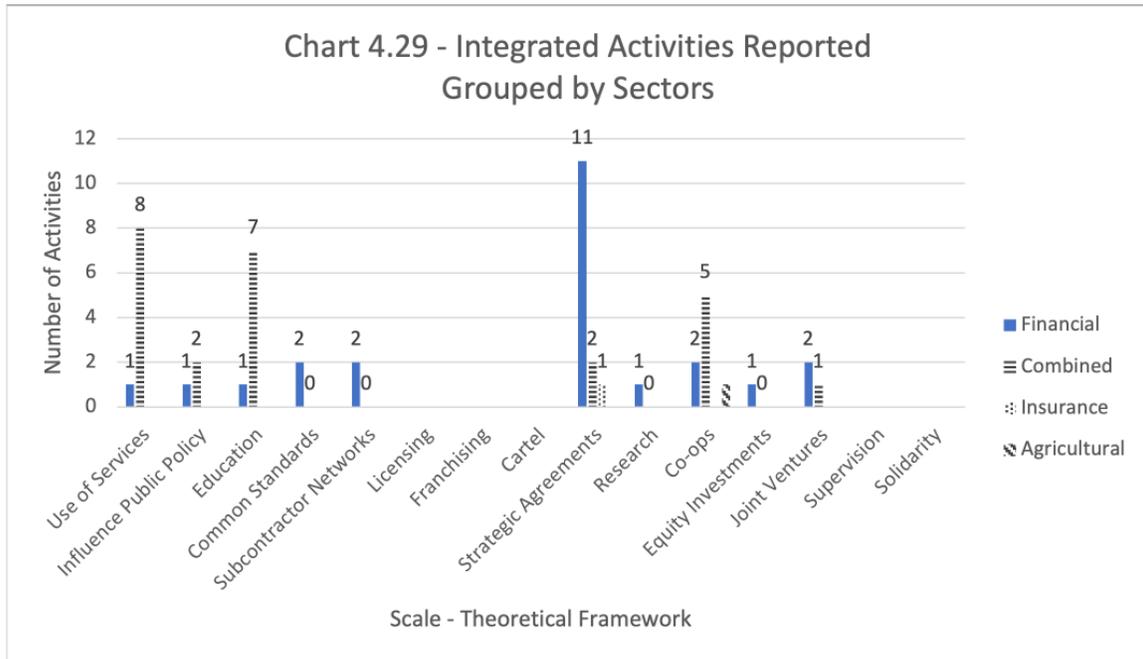


A constant observation during the analysis is that integration seems to occur more between cooperatives from the same sector, mainly financial. The next chart (chart 4.28) presents the same clustered activities grouped by sectors. It indicates if the activity is conducted exclusively by a sector (financial, insurance, or agricultural) or by combined sectors (any combination of sectors).



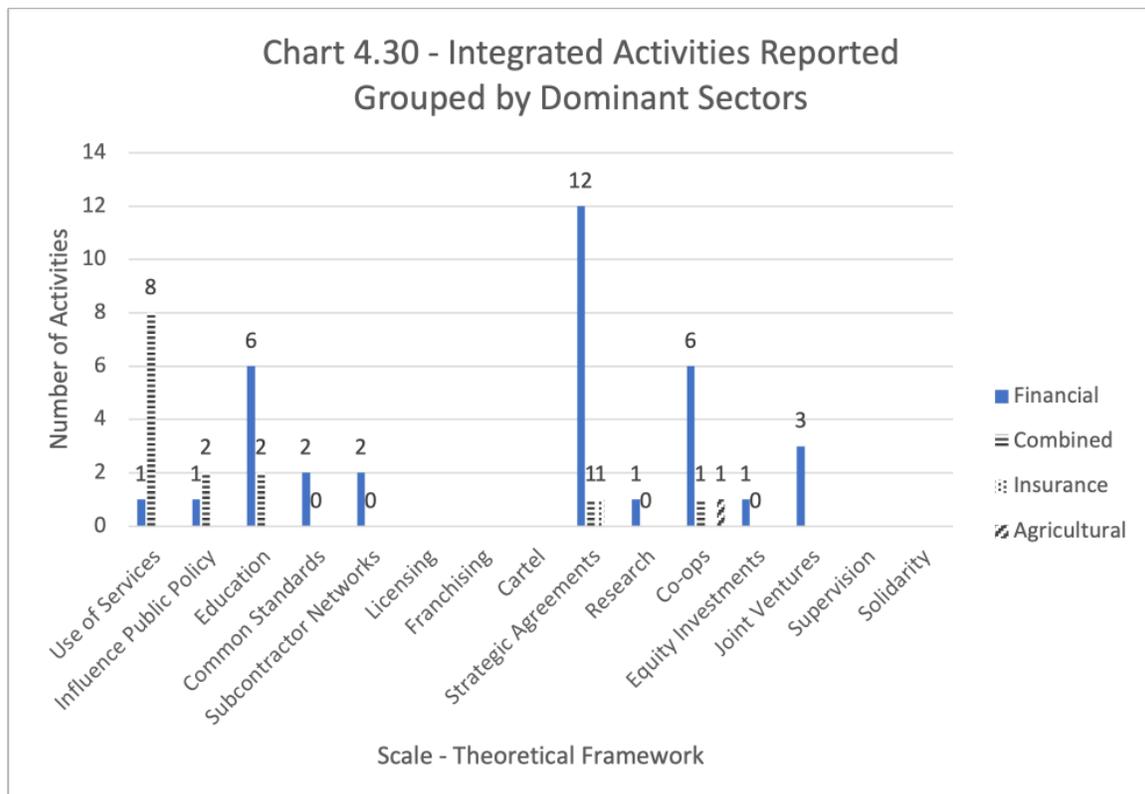
Low-level integration has more activities from combined sectors. However, medium-level integration is dominated by activities from financial cooperatives, supporting the perception that this sector is more integrated than the others, at least at this level. There seems to be a barrier to conduct integrated activities among different sectors at medium-level. Integration at the high-level shows an equal number of activities for financial and combined sectors. Insurance cooperatives have one activity at medium-level and agricultural cooperatives have one at high-level. But this perspective will change when previous findings in this research are applied.

The next chart (chart 4.29) presents the same grouping by sectors for all activities.



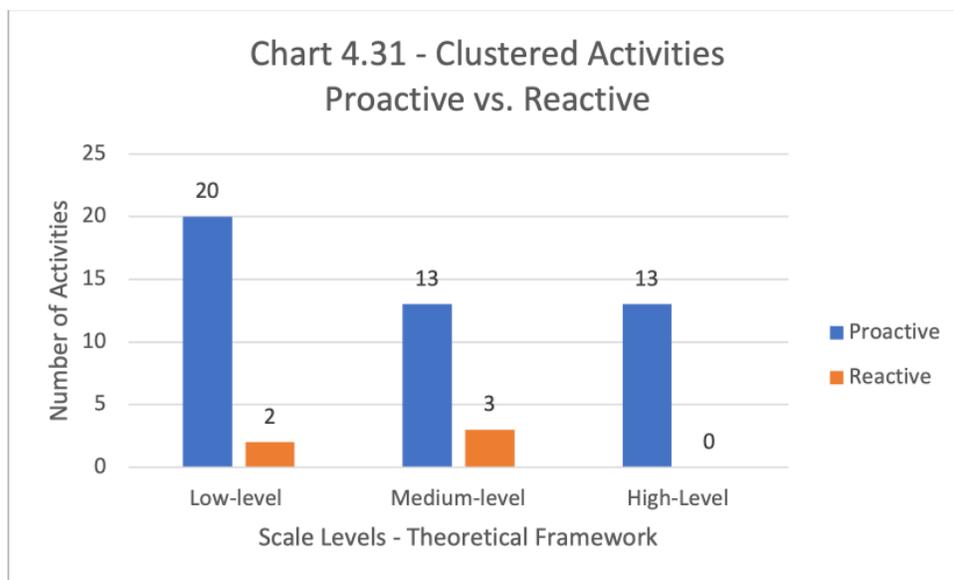
Numerous activities at the medium-level conducted exclusively by financial cooperatives are concentrated under the category of strategic agreements. At first sight, the

integrated activities of combined sectors seem to be well distributed among the different types of low-level activities and some of high-level. However, as previously demonstrated, most integrated groups are dominated by financial cooperatives. High-level activities consider the existence of these groups, under Co-ops and Joint Ventures, as initiatives that qualify under such level. Most initiatives under education at low-level activities are performed by the integrated groups dominated by financial cooperatives. Thus, many of these activities are determined mainly at the interests of financial cooperatives. It is dishonest to say they are initiatives performed completely by combined sectors. In fact, chart 4.30 shows the integrated activities reported grouped by dominant sectors.

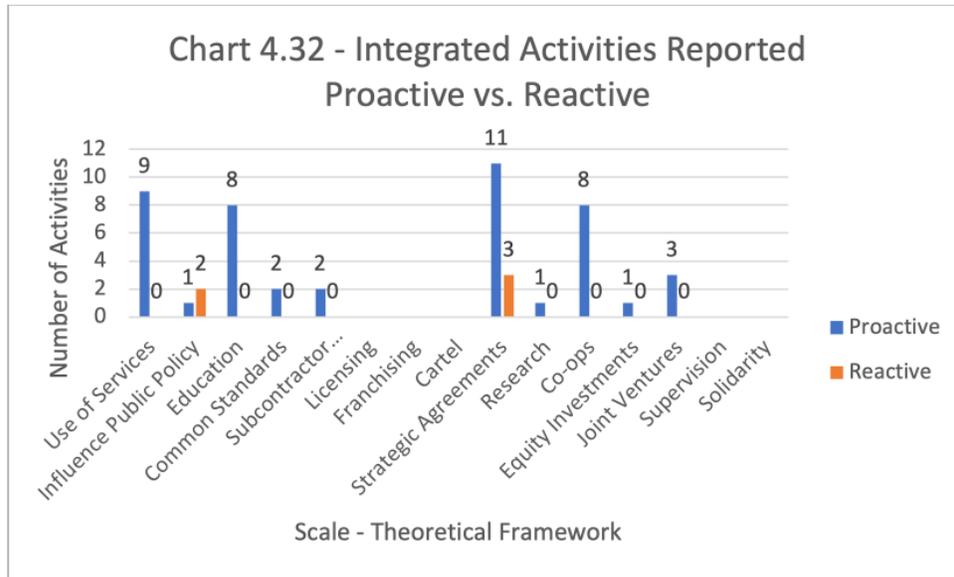


Looking at activities considering the dominant sector, financial cooperatives have the most in medium and high-level integration and dominate some categories at low-level. Use of services has a predominance of combined sectors because of its nature, since it means that a cooperative uses the services of another cooperative. However, the main actors are still financial cooperatives, being one of the two cooperatives involved in the transaction. Without a doubt, financial cooperatives are involved in more integrated activities than non-financial cooperatives.

Another observation that emerges from the analysis and several statements from interviewees is that many activities occur only as a reaction. Chart 4.31 divides clustered integrated activities into two groups: proactive, meaning initiatives plan how to address anticipated problems or needs, and reactive, meaning initiatives originated as a defense or reaction to an immediate threat.

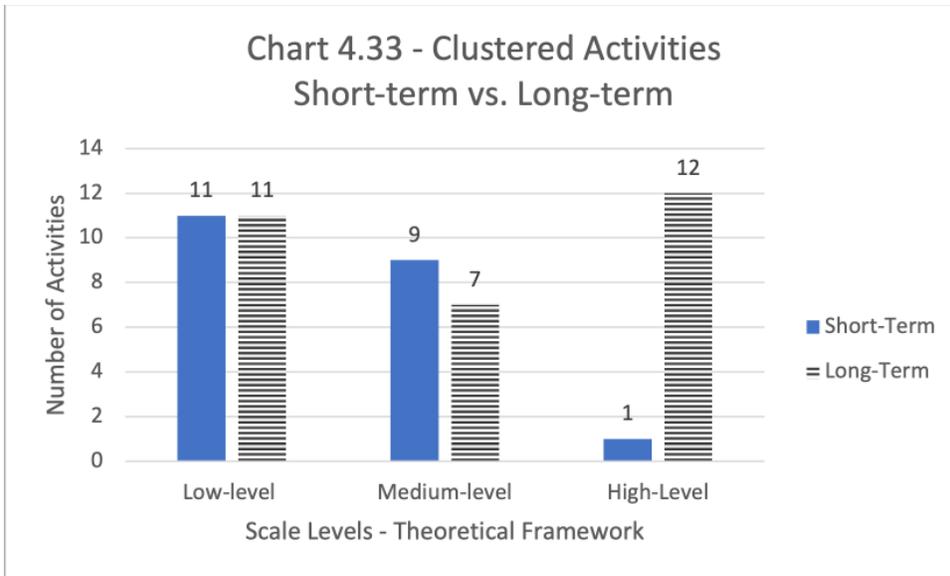


Examining proactive and reactive origins through a clustered form does not support the claim. However, chart 4.32 shows the same division for all activities.

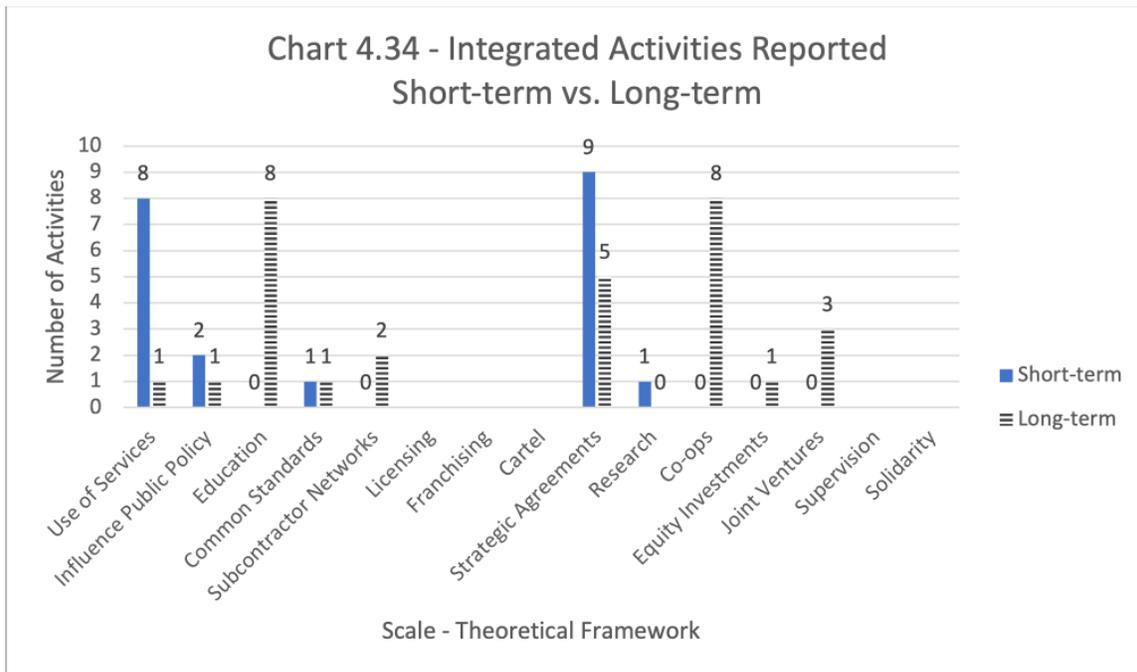


The activity “influence public policy” actually shows more reactive initiatives than proactive, supporting the claim only for that activity. “Strategic agreements” activities have reactive initiatives, but still show more proactive ones.

Another analysis to conduct is to differentiate those initiatives conceived for a short-term or one-time occurrence vs. those with a long-term or indefinite duration. Chart 4.33 shows this comparison for clustered activities.

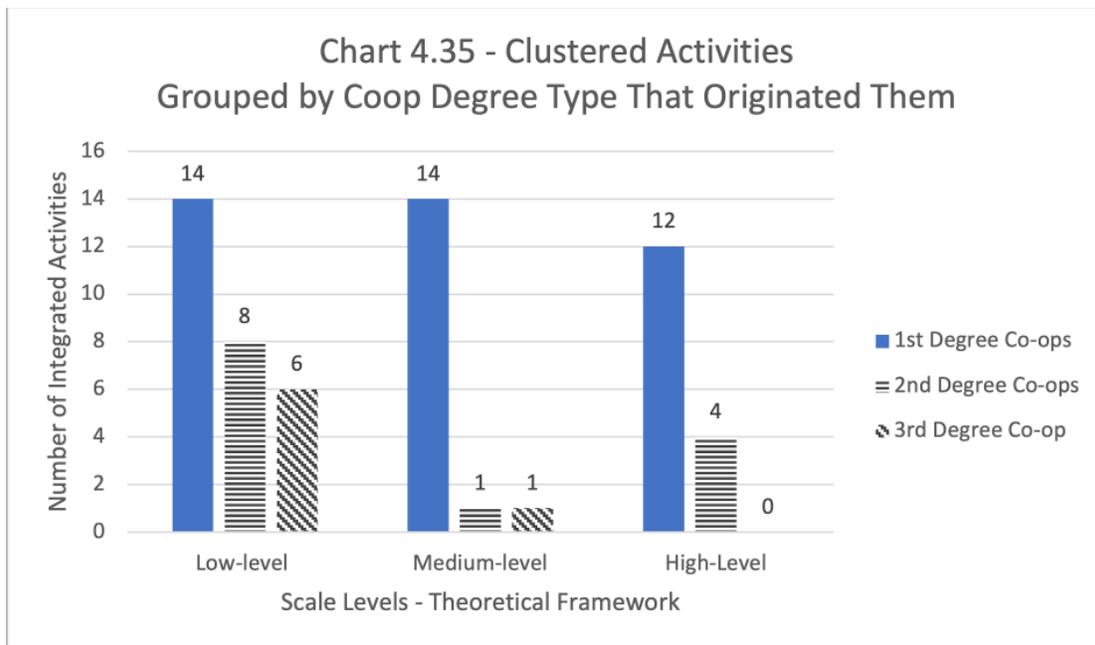


Low-level activities are equal among short and long-term initiatives. Medium-level have slightly more short-term activities and high-level have many more long-term activities than short-term. But looking at short vs. long-term independently by each type of activity (chart 4.34) highlights a slightly different view.

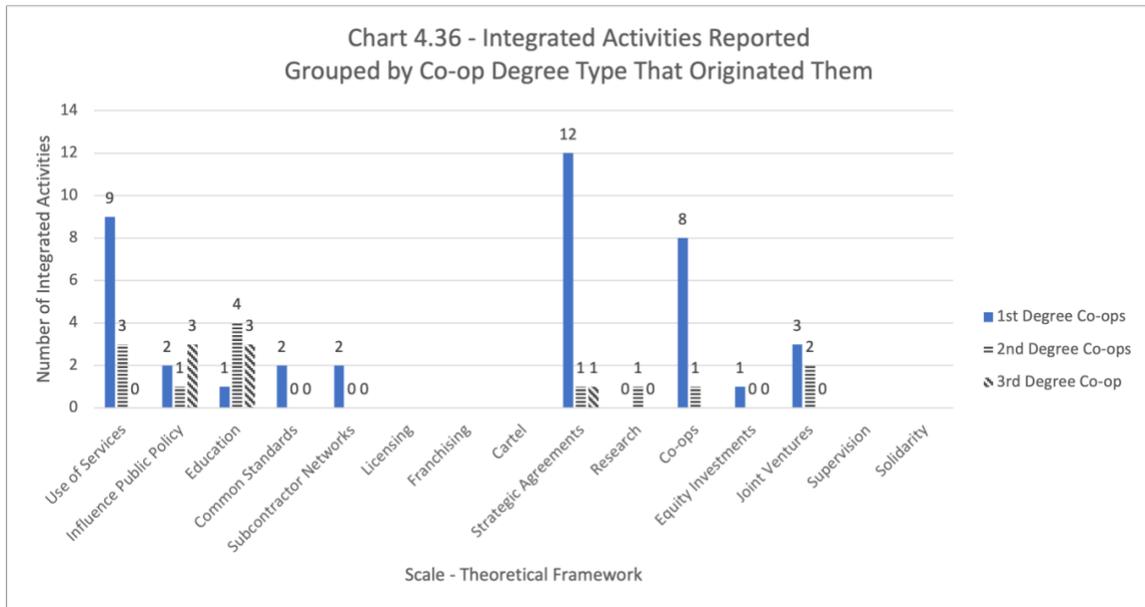


Low-level activities are by definition initiatives that do not require much involvement, resources or commitment. Thus, it is natural that many activities at this level are short-term initiatives. The case is different at medium-level. At this level, activities require some commitment and resources. However, initiatives located under “strategic agreements” activities have nearly double the amount of short-term actions.

Additional information can be obtained grouping initiatives by the cooperative degree type that initiated the activities. Chart 4.35 shows clustered activities indicating if they were originated by first, second, or third-degree cooperatives.



At all levels, most activities initiated by first-degree cooperatives at all levels. Chart 4.36 shows the same grouping for each activity.



The only third-degree cooperative, the League, leads efforts toward the influence of public policy. Second-degree cooperatives start more integrated educational initiatives. All other activities are mainly originated by first-degree cooperatives. However, it should not be ignored that the League created several integrated groups to foster communication and integration, which probably influenced these activities being conducted by first-degree cooperatives.

#### *Summary and Analysis of Activities Conducted - Scale*

In general, there is an interest to participate in diverse initiatives and economic activities, even in those that are not being currently practiced. Diverse integration activities are being conducted by several cooperatives and integrated groups. However, there is a lack of communication between integrated groups and other actors involved in integration efforts, like government, Instituto de Cooperativismo, and FIDECOOP.

Low-level integration activities are well-understood, but some aspects must be revised to achieve a more diverse participation and conduct a higher number of integrated activities. For example, activities under “use of services” might be affected by high costs. This factor should be addressed to design a formula where cooperatives can sponsor other cooperatives more frequently. Educational activities should be reformed to reach members in ways beyond traditional courses (Figarella García 2019) and include a holistic approach of integration (Parrilla Bonilla 1971).

Medium-level integration activities are less understood. No activities were reported for licensing, franchising, and cartels. Most activities at this level were limited to strategic agreements. Several participants showed confusion and mentioned unrelated activities as examples. If activities at this level are not totally understood, the chances to implement them are minimal—reducing possible opportunities.

High-level integration activities seem too hard to reach for many participants. Some business surveys are being administered, but there is no academic research. Most high-degree cooperatives have existed for more than four decades, and a few have been created recently but without the national scope that the older cooperatives have reached. Equity investment is practiced in those mandatory or traditional cases, but cooperatives are not taking advantage of the option to invest and capitalize through the preferred stocks of other cooperatives, strengthening the movement. The examples of joint ventures are few. No supervision or formal solidarity agreements are being conducted. However, several cases

of informal solidarity were reported, indicating there could be some capacity to formalize some activities.

Thus, to express the current situation according to Desrochers and Fischers' (2005) definitions of levels, cooperatives in Puerto Rico are implementing mostly integrated activities that require no formal ties, no general coordination, and a minimum pooling of resources; the economic rationale that could promote integration is limited; and there is a clear resistance to integration activities that require a high level of involvement and commitment from participants. This could be happening due to a lack of defined social purposes, as proposed by Catalá Oliveras (2004), or the understanding that cooperatives have social purposes beyond economic benefits (Puentes et al. 2010). As frequently pointed out in this research, education about these and other aspects are necessary to guide integration efforts.

After normalizing the data to make sense of it under different contexts, only some tendencies or claims from participants are supported. The division of reported initiatives by cooperative sector confirmed integration occurs more among financial cooperatives, except in low-level activities which have more participation from a combination of sectors. However, considering that financial cooperatives dominate the groups that originate most activities, it is clear that financial cooperatives have more involvement in integration activities at all levels.

The observation that integration occurs mainly as a reaction is supported, but only in activities related to “influence public policy.” Medium-level activities are dominated by short-term initiatives, not necessarily promoting a long-term relationship among cooperatives. Also, a division of activities according to the different degree-cooperatives (first, second, and third-degree) showed most initiatives come from first-degree cooperatives, while second-degree cooperatives conduct more integrated educational activities.

### **Fostering a Higher Level of Integration**

Participants were asked about what could be done to foster a higher level of integration. The factors that participants identified are presented in chart 4.37. These are: education, emphasizing philosophical understanding and that values practice and learning from example; communication via networks and social activities; introspection and self-evaluation of the movement’s situation and purposes; inclusion of new generations and gender diversity; data from more reliable statistics; and amendments to current legislation to allow more flexibility.

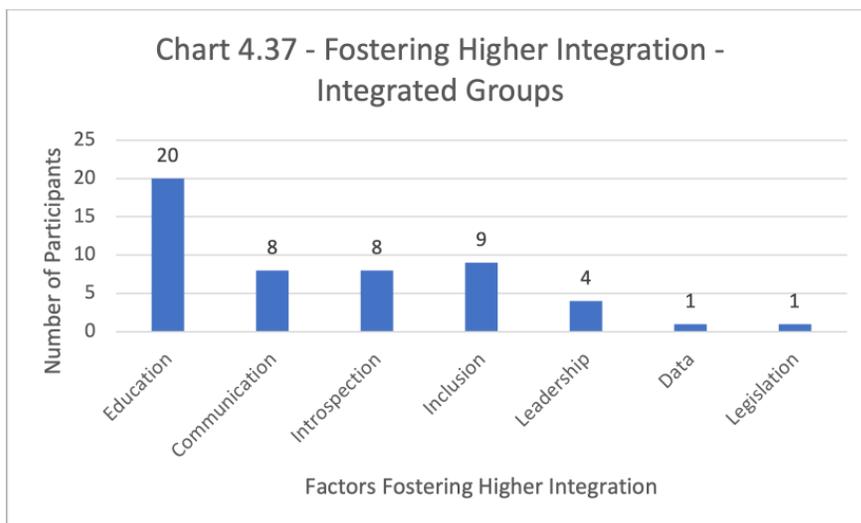
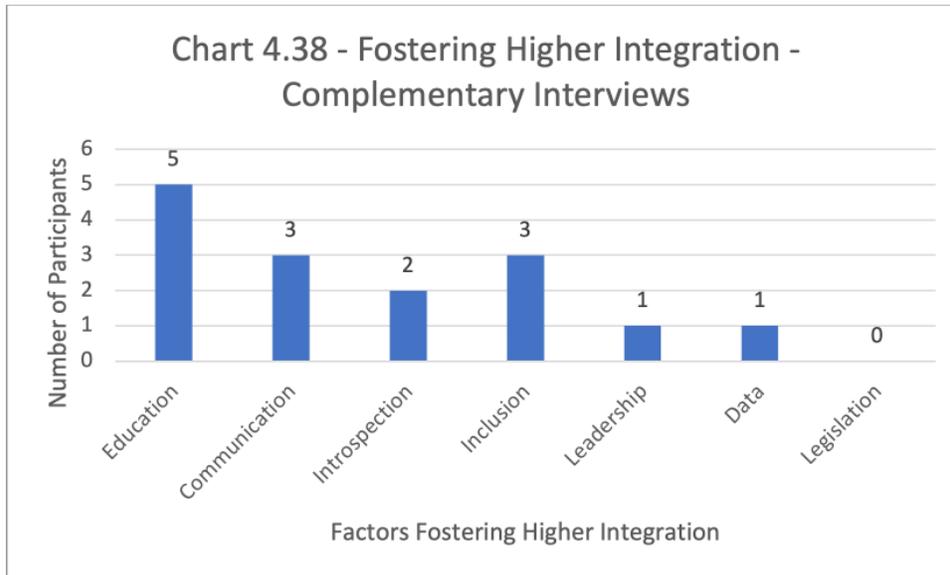


Chart 4.38 shows a similar pattern from the responses of complementary interviews.



### *Education*

Education was the most frequently mentioned factor, specifically the philosophical understanding of cooperativism. Participants believed it is necessary to create awareness about the philosophy and identity of cooperativism:

“...esto va a sonar bien fuerte y va a sonar bien cruel, pero muchas veces tenemos líderes que no son cooperativistas, que tienen sus aportaciones y son buenos líderes, por sus capacidades, por sus experiencias y lo que traen, nadie les quita eso, pero la visión macro de que somos un movimiento y de la integración que tenemos todos y como nos afectamos, el eslabón uno de otro, eso hay que fomentarlo y hay que nutrir el tipo de líderes que tenemos en las juntas de directores en ese aspecto, no

es solo en el aspecto profesional y capacidad que puedan tener, sino también en el aspecto de qué es el movimiento y cómo es el movimiento, la filosofía de vida, que nos mueve.”

(“...this will come off strong and cruel, but frequently we have leaders that are not cooperativists. They make contributions and are good leaders because of their skills, experiences and what they bring, nobody is denying that, but their vision is not of us as a movement, of integration and interconnection. Integration has to be promoted. We need to educate the leaders we have in our boards of this, not only in terms of their professional development or the skills they may possess, but also about what the movement is and its philosophy, what motivates us.”)

“Educarnos. No solamente en el cooperativismo, sino también hacer trabajos y con las necesidades de nuestro entorno, identificarlas, ya que somos organizaciones con vida propia, que en nuestras agendas de trabajo esté esa identificación para poder de alguna manera mover nuestras ruedas y abocarnos a servir y a integrar.”

(“Educate ourselves. Not only about cooperativism, but also working on projects according to the needs in our environment and identifying them. Because we are autonomous organizations, who use that identification of our own agendas to allow us to move our wheels to serve and integrate.”)

“Volver a dar el desarrollo educativo de cooperativismo como se daba antes en las escuelas. Como se daba antes, que te enseñaban los pinos juntos [simboliza unidad en el cooperativismo]. Vamos a concientizar sobre el apoyo social.”

(“Teach the development of cooperativism in schools again. Like it was before when they taught about the pine trees [symbolizes unity under cooperativism]. Let’s create consciousness about social support.”)

“...más educación y con más información y proyectos que lleven a eso, proyectos que sean permanentes que lleven a eso.”

(“...more education and more information and projects that lead to it, permanent projects that lead to it.”)

“Que la gente entienda en realidad lo que eso significa y cambiar paradigmas.”

(“That people truly understand what it means and change paradigms.”)

“Yo creo que la integración se aumentaría empezando por entendernos mejor y entender las realidades que nos rodean.”

(“I think integration would grow if we begin to understand ourselves better and the reality around us.”)

“...mayor educación, más sensibilidad y al final de cuentas conocer mejor lo que es mayor la identidad del movimiento cooperativo, el origen, donde nace.”

(“...more education, more sensibility, and to know better what the identity of the movement is, its origin, its beginnings.”)

“...tenemos que mejorar la capacidad de desarrollo de nuevo conocimiento de nuestras cooperativas, del sistema cooperativo de Puerto Rico.”

(“...we have to improve the capacity of developing new knowledge about our cooperatives, about the cooperative system in Puerto Rico.”)

This need of education is not limited to technical learning, but it suggests a holistic approach that includes philosophy, principles, values, and social purposes.

One cooperative principle, as explained in the literature review of this research, is education. Cooperatives recognize education is a major component of its operations. One way the cooperative movement has traditionally addressed it is through educational courses offered to members and leaders. A possible cause for this lack of philosophical understanding about integration, as previously discussed, resides in the emphasis made in current courses:

“La Liga de Cooperativas tenía unos programas de capacitación e ideológica... daban cursos y seminarios sobre ideología, principios, valores. Estaban los elementos necesarios para que tú estuvieses expuesto a lo que es ser cooperativista, eso antes se daba, ya no se dan. Hoy en día lo único que te dan es un curso de ética y un curso de principios y valores como parte de un curso general, lo que te dan son tres horas y en tres horas... yo puedo estar hablando solo de solidaridad en tres horas. Entonces, ¿tú vas a dar un curso de principios y valores de solo tres horas para unos líderes y unas personas que como consecuencia se conviertan en una concienciación, adquirir conciencia de lo que es y lo que están haciendo? No, no funciona. Tenemos que de alguna manera volver a entrar en capacitación ideológica y quien tiene la responsabilidad es la Liga. Pero la Liga, ¿qué está haciendo? Te están dando cursos, ¿qué cursos te dan?, los mismos de siempre, para pagar y para generar ingresos. Procedimiento Parlamentario, total, ¿para qué tiene todo ese proceso parlamentario? De redacción de actas, yo te puedo explicar cómo hacerlo en 10 minutos. O sea, como tú hacer un acta, cosas así, pérdida de tiempo.”

(“The League of Cooperatives had some training and ideologic programs... They offered courses and seminars about cooperative ideology, principles, and values. There were the necessary elements for you to be exposed to what it means to be cooperativist. They offered them before, but not anymore. Nowadays, all you get is an ethics section and principles and values section as part of a general course, which last three hours each... I can talk about solidarity for three hours. So, you are going to teach principles and values in a three-hour course and manage to create a

conscious group of leaders? No, it does not work. We have to go back to ideology training and the League is responsible for that. But what is the League doing? Providing the same courses to gain income. Parliamentary procedure, what is the purpose of it? Preparation of minutes? I can teach you how to prepare minutes in 10 minutes. That is a waste of time.”)

In addition, participants recognized these traditional courses might not be motivating new generations:

“...tenemos que buscar profesionales que nos digan, de la conducta humana, cómo es que debemos modificar nuestros talleres, nuestra manera de llevar el mensaje.”

(“...we have to get human behavior specialists to tell us how to modify our educational courses, our way to deliver the message.”)

“...tenemos que seguir estudiando sobre qué es lo que ellos [socios] quieren que les digamos y de qué manera queremos que se los digamos.”

(“...we have to keep studying about what they [members] want to learn about and how they want to learn it.”)

These statements support Frances Figarella’s (2019) suggestions about conducting educational activities with new, appealing approaches. Thus, other approaches besides

traditional courses are necessary. One approach suggested is giving an example for others to learn and follow:

“laboratorios de solidaridad. Practicar la solidaridad; crear los espacios. Yo no le quiero imponer a nadie que sea solidario. Yo le quiero demostrar a la gente que ser solidario es mejor que ser individualista.”

(“laboratories of solidarity. Practice solidarity; create the spaces for it. I do not want to force solidarity on anyone. I want to demonstrate to people that solidarity is better than being individualist.”)

“...dar ejemplo y crear espacios para que la gente practique la solidaridad, entendiéndola como tal.”

(“...lead by example and create spaces for people to practice solidarity, understanding it.”)

Some others pointed out the usefulness of practice and participation to learn about integration and the philosophy of cooperativism:

"Nosotros educamos mucho. Hablamos de valores, de principios, de los héroes del pasado. Pero a la hora de la verdad es como un mensaje hueco que no llega. Yo se lo digo a los organismos cuando especialmente estamos tratando de captar a los

jóvenes. El cooperativismo no se aprende en un libro. El cooperativismo se vive. Si tú quieres que un joven sea solidario, tú le puedes dar la definición más linda de lo que es solidaridad y él no la va a sentir. Pero si tú lo llevas a repartir comida a los deambulantes, si tú los llevas a limpiar una playa, pues eso le va a crear ese sentido de reconocerse y decir 'este es el camino'."

("We educate a lot. We talk about values, principles, heroes from the past. But at the moment of truth, it is an empty message that does not get delivered. I say this to the central bodies when we are talking about engaging the youth. Cooperativism is not learned through a book Cooperativism is lived. If you want a young person to have solidarity, you may teach the most beautiful definition of it but is not going to resonate. But if you bring that person to feed the homeless, to clean a beach, that will make him understand and say, this is the way.'")

"...vamos a educar a los socios, vamos a compartir en la asamblea esa información y conocimiento con los dueños. ¿No decimos que los socios son dueños? Con sus dueños y que ellos determinen o que, por lo menos, marquen y que uno pueda decir en un acompañamiento hacia dónde queremos mover la cooperativa."

("...let's educate members, let's share that information in the assembly with the owners. Don't we say that members are the owners? Then, they can determine where we want to move the cooperative.")

An important component in any educational effort is to establish a clear objective:

“Nosotros, para comenzar un proceso de educación, tienes que crear un diseño de ese proceso de educación, sobre qué se quiere educar. Esto no es un catecismo, de tú repetir la oración. En el buen sentido de la palabra, ese acercamiento, sí, sí, sí, sí, sí. Porque esto son cosas, pues, los aspectos dogmáticos están reservados a las ideologías religiosas. Porque aún en la política, cambian, evolucionan. La educación cooperativa debe trascender lo dogmático. Se debe saber sobre qué se va a educar. No es contratar, mira, no, no. Es que tenemos que tener claro hacia dónde, cuál es el proyecto social que nosotros queremos, para nosotros poder construir las instancias de educación. Es complejo, pero hay que empezar y hay iniciativas. Y en la marcha pues se tiene que seguir haciendo lo que está, porque tú no puedes ser un detente, sin tener... Y es un proceso de ir escalando, de ir escalando a eso. Y tener la capacidad de estar abierto a integrar a otros sectores de la economía social. Para mí, eso es fundamental. Hay una cosa que sí es dogmática, que es el acto cooperativo, lo que define lo que es una cooperativa. En eso no hay mucho más que inventar, porque eso está ahí. Ahora, ¿cómo nosotros educamos, añadimos pragmatismo a los principios, bajamos de las paredes, de los cuadros, los principios, de la misión, de la visión de una cooperativa, los pinos, los colores? Ese es el desafío. ¿Cómo nosotros con nuestro accionar representamos lo que tenemos decorando las paredes de las organizaciones y de nuestro propio proceder? Yo no creo que eso es difícil. Pero requiere un detente y unas personas que piensen sobre eso y que todos estemos en disposición de aceptar que necesitamos repensar esto y

estructurar un proceso. Lo miro y hasta las iniciativas de los certámenes de oratoria, lo veo, es repetido. No es aprenderte una poesía. No es lo mismo tener una oratoria de 10 minutos, que tú le digas a un joven, a un niño, a un adulto, “sobre esta idea, háblame tres minutos, no 10, 3 minutos” y que tú puedas hablarme. Eso es algo que a nosotros nos falta. A lo mejor se lo das a un nene de escuela elemental y, tal vez, te lo puede hacer. Pero necesitamos ayuda y reconocer que hay personas especializadas en eso, que tienen capacidades para eso. ... La educación es fundamental, pero ¿cómo se va a hacer la educación?, es que tenemos que tener claro cuál es el proyecto.”

(“To begin an educational process, you have to design such process, about what is going to be taught. This is not a catechism, of just repeating a sentence. Dogmas are reserved for religious ideologies. Because even in politics, they change, evolve. Education in cooperativism must transcend dogmas. It must be known what we are educating about. It is not just hiring someone, no, no. We have to be clear about where, what is the social project we want, so we can build it. It is complex, but we have to start and there are initiatives. We may have to continue with what we have because we cannot just stop without having... It is a long process. We need the capacity to integrate other sectors of the social economy. For me, that is fundamental. There is something that is dogmatic, the cooperative act, it defines what a cooperative is. There is not much more to create there, because it's already there. But how do we educate, add pragmatism to the principles, make principles and the mission and values into something living? That is the challenge. How do

we put into practice all the things illustrated in our paintings from our walls? I do not think that is difficult. But it requires us to stop and think about it. Look at the oratory contests. The point is not to memorize some poetry. It is not the same as saying to someone, talk about this issue for three minutes. It is something we need. We need help. And there are people specialized in educational issues that could help us. ... Education is fundamental, but how are we going to educate? First, we need to be clear about our whole project.”)

Participants of complementary interviews also identified education as a factor to address integration. They mentioned the need to emphasize the philosophy through a holistic approach:

“Lo que pasa es que los principios cooperativos muchas veces se quedan en una oración. Integración de cooperativas o cooperación entre cooperativas. Pero ¿qué hay detrás?, ¿cuál es el desarrollo filosófico y teórico detrás de ese principio? Desde mi lectura, es lo que va a sostener el sistema. Entonces, ahí, unidos al principio de educación, estaría la clave para movernos a un posible desarrollo de un sistema económico.”

(“The problem is that the cooperative principles often stay on paper. Integration among cooperatives or cooperation among cooperatives. But what is beyond that? What is the philosophic and theoretical development behind that principle? From my point of view, that is what will sustain the system. Then uniting under the

principle of education the key would be to move towards a possible development of an economic system.”)

“...educación vista como un proceso de transformación, en términos de que haya un reconocimiento de que como único el cooperativismo puede desarrollarse y como único nuestras instituciones cooperativistas a nivel individual y a nivel colectiva se puedan desarrollar, es a través de mecanismos de integración.”

(“...education seen as a transformation process, in terms of the recognition that the only way cooperativism and its institutions can be developed individually and collectively are through integration mechanisms.”)

“Desde mi punto de vista, [educación e integración] son los dos principios revolucionarios del cooperativismo.”

(“From my point of view, those [education and integration] are the two revolutionary principles of cooperativism.”)

“...la educación no es el contenido solamente, es todo. La educación es el lugar donde tú estás, es la instalación donde tú recibes esa educación, ... está los materiales, está el recurso [humano], la dinámica que se utilice, es un todo. No es el contenido, porque puede ser tremendo contenido, pero si hay otras áreas que no las trabaja...”

(“...education is not only the content, it is everything. Education is the place where you are, is the facility where you get that education, ... it is the materials, it is the [human] resource, the dynamic used, it is everything. It is not the content, because it could be the most excellent content, but if there are other areas unattended...”)

A holistic education should clarify the roles of leadership and expand possibilities:

“Cada cual está atendiendo su rol, pero no hay un plan de movimiento para insertarnos en unos desafíos reales.”

(“Each part is performing its role, but there is not a plan for the movement to deal with real challenges.”)

“Lo que pasa es que nos convertimos en una institución de ahorro y crédito nada más y las cooperativas tienen muchas otras cosas que pueden hacer.”

(“The issue is that we become just a financial institution, nothing else, and cooperatives have so many other things they can do.”)

The leaders interviewed also had something to say about this:

“Con la educación, pero no basta con la educación, porque si es una educación, que al igual que el movimiento cooperativista, está adaptado al sistema en sus principales guías, pues el movimiento cooperativista en lo más que se puede convertir es en un movimiento con cierta prosperidad y reformista. Pero de romper, depende de una educación cooperativa, científica y revolucionaria con una didáctica y una pedagogía en la cual haya educadores comprometidos con esa visión. En cada época los ha habido.”

(“Education, but it is not enough with education, because if it is education adapted to the current system like the cooperative movement is using, its highest aspiration is a reformist movement with limited prosperity. Going further, it depends on a cooperativist education that is scientific and revolutionary and with a pedagogy built of committed educators with that same vision. We have had these leaders in each period.”)

“...que el cooperativista de esas cooperativas que recibió ese seminario y que recibió su diplomita participe transmitiendo esos conocimientos, que sería una forma dinámica y proactiva de que ese líder cooperativista que se está educando desarrolle a su vez sus facultades como educador cooperativista.”

(“...for the member who received the seminar and got their certificate to participate by transmitting that knowledge, would be a dynamic way for that leader to develop faculties as a cooperativist educator.”)

“...toda gran formación total empieza por el cambio del individuo.”

(“...every grand transformation begins with changes in the individual.”)

“...integración educativa. La visión mía integral de la visión educativa es que la Liga de Cooperativas de Puerto Rico sea el máximo organismo centralizador. Que cada año la Liga de Cooperativas se reúna con los organismos centrales del movimiento y a base de las resoluciones y peticiones que haya en las asambleas de cooperativas de los socios, unifique esas cosas que vienen relacionadas con la educación, más las de ellos. Y que se haga un programa educativo nacional integral, en el cual sí se puedan distribuir las actividades entre la Liga, los organismos centrales, no hay problema, pero en una forma en la cual no haya repetición en las gestiones. Y que de ahí surja un banco cooperativo de recursos, que constantemente la Liga de cooperativas tenga actividades especializadas para ese banco cooperativo de recursos que va aumentando, que no los abandone, que los mantenga superando su formación. Entonces, ahí sería un sistema educativo como tú dices, con resultados. Y que, además, esas actividades se anuncien para las cooperativas, pero también la Liga de Cooperativas, el poder auspiciar que cada cooperativa de base pueda tener sus propias actividades cónsonas con las necesidades de la cooperativa de base y el pueblo, pero basándose también en el programa central para que asistan a esas actividades centralizadas, eso es un sistema educativo.”

(“...educational integration. My integral vision about education is to have the League as the leading organization. Every year the League should meet with central organizations from the movement and based on resolutions and petitions that emerge from assemblies, unify those aspects related to education with those proposed by them. Also, create an integral national educational program, which distributes activities among the League and central organizations without duplications. From there it might emerge a cooperative bank of resources, which will have specialized activities conducted by the League that will keep growing, that won't be abandoned, to keep improving its structure. Then, it would be an educational system with results. In addition, those activities should be promoted for the cooperatives, as well as for the League; promote that each first-degree cooperative conduct its own educational activities according to their needs, but also aligned with the central program, that's an educational system.”)

One of them made a specific proposal:

“...quizás por vía de la Liga o del Instituto de Cooperativismo, una escuela especializada para los comités de educación. ... Porque tenemos que estar hablando en el mismo lenguaje, tenemos que coger todo lo que tiene que ver con la parte filosófica y todo lo que implica también desarrollo, economía solidaria, todos esos temas. Debiera de haber una escuela especializada para que entonces tú puedas cambiar también el andamiaje cooperativo...”

(“...maybe through the League or the Institute of Cooperativism, a specialized school for educational committees. ... Because we need to speak the same language, we have to consider everything related to the philosophy as well as the development, solidarity economy, all those topics. There should be a specialized school so you can improve the cooperative structure...”)

As mentioned in the literature review, these claims are not new. The misdirection of educative efforts (Aranda 2015), deficient methods (Figarella García 2019), and poor conscience regarding cooperative acts still persist (Parrilla Bonilla 1971).

Education cannot be based on memorization or information shared as a prescription. Not just because it might not be appealing and significant to participants (Figarella García 2019), but because people will not be able to act when cosmetic differences appear. For example, if the cooperative movement “teaches” to sponsor cooperatives no matter what, people could just join any cooperative, even when such cooperative operates with a capitalist behavior and aggressively competes with other cooperatives. On the other hand, if the movement educates about understanding the meaning of being a cooperativist, people could decide for themselves when a cooperative is acting according to the principles then act to correct any misbehavior, as expected by Bretos and Marcuello (2017).

Also, the cooperative movement already has its myth, to use Harari’s (2015) term, very well constructed: principles, values, and social purposes. These myths are not reaching

their members, at least in Puerto Rico. Just to mention or keep repeating them do not make them significant or believable to members. The formal myth is not a simple catch phrase or a slogan; it is a whole story. Thus, the problem of the education factor is, how to make a significant and believable whole story, i.e., myth? Figarella García's (2019) suggestions of active participation, taking into account participants' backgrounds, interaction among subjects, and encouraging curiosity should create a difference in how the message is delivered.

Any educational effort towards integration should address the lack of understanding about integration, according to the findings in this research. As part of this, it must be emphasized that integration creates a system where members gain control of the economy (Parrilla Bonilla 1971).

### *Communication*

Communication is another factor that several participants believed important to foster integration. They explained that regular communication is possible through the existence of networks and requires openness and honesty:

“Tiene que haber una apertura al diálogo honesto y fomentar la confianza. La confianza es fundamental.”

(“There has to be openness to an honest dialogue and building of trust. Trust is fundamental.”)

“...compartir ideas o conocimientos, eso sí puede lograr más integración.”

(“...share ideas or knowledge, that could facilitate integration.”)

“...la comunicación ahí es importante, pero muchas veces, no sé si es que no se está llegando o no se está tratando de explicar lo que uno trata de hacer. Yo creo que la comunicación, nos hace falta más comunicación.”

(“...communication is important, but sometimes I don't know if we are not reaching people or what we are trying to do is not being explained. I think communication, we need more communication.”)

“...tienes que crear los canales de comunicación adecuados y permitir los foros suficientes y adecuados a su vez, para que todo el mundo esté informado de lo que está sucediendo, de las iniciativas que hay, de los planes que hay. Hay que compartir más información.”

(“...you have to create appropriate communication channels and conduct enough forums, so everybody is informed about what is happening, current initiatives, plans. There has to be more sharing of information.”)

Part of this communication should happen outside of formal structures:

“...sería bueno en un momento dado, este tipo de iniciativas, uno poderla discutir fuera de las estructuras. ‘Mira, vamos a tomarnos un café, vamos a encontrarnos en la Liga y llevamos el café’. Y que nos permita un espacio de tertulia, de diálogo, sin muchas pretensiones, sin muchos temas. Vamos a discutir tal día, vamos a conversar sobre tal punto y chocar ideas. Y tener una persona, un relator, sentadito por ahí. Y entonces terminamos a la hora o a la media hora. Yo creo que ese tipo de tertulias hace falta.”

(“...it would be good to discuss these kinds of initiatives outside of the structures. To say, ‘Let’s have a coffee, let’s meet in the League and we’ll bring coffee.’ And to have a space to gather, to dialogue, without too much expectation, without too many talking points. We’ll converse on this day about this topic and toss around ideas. And we’ll bring someone who serves as a rapporteur. It could take an hour or a half hour. I think that kind of gathering is needed.”)

Complementary interviewees agreed about this factor:

“...sentarse a hablar, compartir, establecer relación, comunidad y ahí se va descubriendo lo que necesitamos, qué tenemos en común y qué podemos resolver en común.”

(“...sit down to talk, share, establish a relationship, community, and then we will find what we need, what we have in common, and what can we solve together.”)

“...un movimiento, se supone, la propia palabra lo dice, que se mueva, que se desarrolle. Y como único nosotros podemos lograr eso es creando redes, creando alianzas, creando integración cooperativa. Pero para poder hacer eso, necesitamos primero conocernos, relacionarnos, ver quiénes somos, qué hacemos y no quedarnos en unos esfuerzos.”

(“...a movement, the very word expresses it, is supposed to move, to develop. And the only way to achieve that is by creating networks, alliances, cooperative integration. But to do that, first we need get to know each other better, see who we are, what we do and not just get stuck on some efforts.”)

Another way to prompt this communication is through assemblies:

“Establecer diálogos mucho más abiertos y menos centrado que las funciones de los comités, sino más relajado, yo creo que eso es importante. Más asambleas dirigidas precisamente a pensar la integración desde la base de la cooperativa, no es tampoco desde los cuerpos directivos. Convocar asambleas para presentar la integración como un asunto importante, como principio y como asunto importante que le corresponde a cada socio pensar, articular, comunicar, ¿qué vamos a hacer

con ese principio? Hay que crear esos espacios de diálogos y de foros para que los propios socios pensemos sobre la integración y no dejárselo a gente de la junta.”

(“Establish dialogues that are more open and less centered on committees’ functions, more relaxed, I think that is important. More assemblies to think about integration from the perspective of members, not only from the directive bodies. Call assemblies to present integration as an important issue, as a principle and as an important matter that applies to each member to think, articulate, communicate, what are we going to do with that principle? We have to create those spaces for dialogues and forums so all us members think about integration and not leave it to the board of directors.”)

Regardless of any effort made, it may not be easy to change how things have been done so far:

“No nos va a llegar nadie en la primera reunión, porque no lo hemos hecho nunca. Y eso no significa que no valga la pena, que es una pérdida de tiempo, eso no pueden ser las conclusiones. No van a llegar porque va a ser la primera vez que la cooperativa, seguramente, vaya a convocar a los socios.”

(“Nobody is going to come to the first meeting, because we have never done it before. And that does not mean is not worth it, or that it’s a waste of time, those

cannot be the conclusions. They are not going to come because it is going to be the first time that the cooperative will call on its members.”)

As noted, networks have been increasing among some groups in cooperatives, thus, it should not be difficult to espouse its benefits. An effort that combines this factor with others mentioned here will help to achieve the desired holistic approach towards integration.

### *Introspection*

Several participants made statements related to introspection, of the need to think, meditate about and acknowledge the current status of the cooperative movement and the objectives it wants to reach:

“...es un momento de introspección y de crecimiento y de educar cómo expandir dentro de lo que éramos y lo que podemos ser.”

(“...it is a moment for introspection and growth, of learning how to expand from what we were to what we can become.”)

“...aceptar que tenemos problemas. Y que, de la única forma de resolver esos problemas, es uniéndonos.”

(“...accept that we have problems, and the only way we can solve them is by uniting.”)

“Es de sentarnos, detenernos un momentico, reflexionar. Porque todo no es esto, aquello, el negocio. Hay otras cosas que son la base para que podamos entonces tomar otras decisiones.”

(“It is about sitting down, stopping for a moment, reflecting. Because it’s not all about this or that, the business. There are other things that are the basis so we can make different decisions.”)

“...buscando la manera de identificar en qué cosas pequeñas..., porque mira a veces en cosas pequeñas podemos lograr esa integración y de esas pequeñas, ir a unas un poco más grandes...”

(“...looking for a way to identify in little things..., because sometimes we can achieve integration in little things and from those, we can go for bigger things...”)

“...evaluarnos, ponernos a pensar. Muchas veces estamos en la locura de día y no tomamos tiempo para reflexionar, pensar dónde estamos y hacia dónde queremos llegar.”

("...evaluate ourselves and think. Often, we are so wrapped up with our day that we don't take time to reflect, to think where we are and where we want to go.")

"...tenemos que criticarnos; tenemos que vernos objetivamente, punto, honestamente, y ver qué cosas podemos mejorar, qué cosas podemos crecer, y que eso sirva también para la toma de decisiones de las cooperativas."

("...we have to criticize ourselves; we have to look at ourselves objectively, period, honestly, and see what we can improve, how we can grow, and use that for decision-making in cooperatives.")

This introspection should include non-elected leaders:

"No hemos dedicado el suficiente tiempo para pensar, fuera de los congresos, que son importantísimos los congresos que hace la Liga, fuera de ese congreso, porque el congreso agrupa a todos, pero no hemos tenido la ocasión de hacer... de reunir... Por ejemplo, ¿por qué no se puede hacer un congreso que reúna exclusivamente, seguros múltiples, banco, servicios fúnebres (que es el patito feo a veces se excluye de las reuniones de segundo grado), COSVI, para pensar de este tema de integración. Eso yo no lo he visto. Sí hay reuniones de los comités, de presidentes. Pero eso requiere mucho más, porque es que hay muchas personas mas allá de los que ostentan posiciones de elección, que tienen mucha capacidad, que pueden aportar. Hay mucho liderazgo, hay muchas personas que nunca han ostentado una

posición en una junta de directores que tienen una capacidad extraordinaria para aportar y nos podemos estar perdiendo de ese talento, de esa capacidad. Y el liderato se desgasta."

("We have not dedicated enough time to think, beside in the congresses conducted by the League, which are very important, we have not had the time to do... to gather...For example, why can't we conduct a congress gathering exclusively Seguros Múltiples, BANCOOP, Funeral Services (which is sometimes excluded from second-degree cooperatives meetings), COSVI, to think about integration. I haven't seen that. Yes, there are committee meetings, the presidents. But this requires much more, because there are more people beyond those who have an official position that have an extraordinary ability to contribute and we cannot lose that talent. Plus, the leadership burns out.")

"Hay que chocar ideas, más allá de..., hay que regresar al componente, a lo inicial, a lo fundamental, hay que integrar a la academia en esto, hay que traer pensadores de afuera también. No porque los de afuera sepan o tengan mejor calidad de información o destreza, es simplemente para que nos inviten a una mirada distinta."

("We must combine and share ideas, beyond... we have to get back to the basics, we have to bring academic thinkers, also outsider thinkers. Not because outsiders are better, it is so they can invite us to have a different perspective.")

At the end of the interview, one of the participants informed that answering the study's questions caused immediate thinking and introspection. Academic research and education are part of this introspection process. Again, any effort toward integration should be a product of a holistic approach.

### *Inclusion*

Nine participants mentioned the factor of inclusion. They understood generational replacement and gender equality must be addressed to foster integration:

“...llevar este mensaje a las nuevas generaciones, un mensaje cooperativo de esperanza.”

(“...get the message to the new generations, a cooperative message of hope.”)

“...es de suma importancia que las cooperativas promuevan la equidad de género. El movimiento tiene que continuar empoderando a las mujeres en todos los niveles.”

(“...it is of the most importance that cooperatives promote gender equality. The movement has to continue the empowerment of women at all levels.”)

“Tenemos gente, tenemos juventud, tenemos gente preparada, tenemos gente con ganas, pero necesitamos también inspiración. Necesitamos gente que nos inspire,

necesitamos realmente gente que inspire, personas que nos ayuden a desarrollar y a construir. No con los slogans que hay por ahí, sino a construir de verdad.”

(“We have people, we have young people, we have educated people, we have enthusiastic people, but we also need inspiration. We need people who inspire us, , people who help us to develop and build. Not just with slogans but help to build something real.”)

There is hope that new generations will be less egocentric and improve integration efforts:

“...hay unos sub-grupos protegiendo sus propios intereses. Y entonces, eso no logra que nos agrupemos. Ayer yo estuve en una reunión y ya estamos hablando de ‘vamos a hacer esto nosotros por acá porque no son los intereses nuestros’, ellos son otros intereses. Es algo que es lamentable, pero yo espero que a futuro las nuevas generaciones den esa apertura.”

(“...there are some sub-groups protecting their own interests. That does not allow us all to join. Yesterday I was in a meeting and there was already some talking about, ‘We are going to do this by ourselves because those are not our interests,’ they have other interests. It is something that’s sad, but I hope in the future new generations will be more open.”)

“... va a depender de los cambios de visión. Según van cambiando las generaciones, las nuevas cosas te van a obligar a cambiar, porque o te integras o desapareces, la integración va a ser obligatoria, no va a ser que yo la quiera, sino que va a ser obligatoria en un momento dado.”

(“...it is going to depend on the change of vision. As generations change, new issues are going to make you change, because either you integrate, or you disappear. Integration will become a requisition, it is not going to be something I choose, it is going to be a required at some point.”)

“...van a salir generaciones nuevas de empresarios jóvenes, que va a cambiar esto.”

(“...there are going to be new generations of young entrepreneurs that are going to change this.”)

However, there is a slow movement to achieve this and some leaders do not show too much confidence in them:

“Sí, porque muchas veces se habla, pero lo mismo, o sea hablamos de relevo generacional pero no... al momento de ceder los espacios, como que se le hace difícil a mucha gente cederlos.”

(“Yes, because it is discussed but it is the same. We talk about generational replacement but no... when the time comes for others to occupy the positions, it becomes hard for many people to give them up.”)

“Entonces tú tienes aquí una generación que quiere tener jóvenes en sus grupos, pero todavía en esta junta se discute si ahí se puede sentar un joven porque ‘¿qué va a decir un joven de 18 años?’”

(“So, you have here a generation that wants youth in their groups, but they are still discussing if a young person can be seated at the table because ‘What is an 18-year-old going to say?’”

“...existe un comité de jóvenes, pero yo creo que todavía falta que el sector aquí, que es bien mayor, entienda o confíe en los jóvenes.”

(“...there is a youth committee, but I think there is still lack of understanding or confidence in youth.”

“...estoy viendo muchos jóvenes entrando al movimiento. Buscando ideas, buscando cómo nuestra generación puede tal vez subsidiar y ayudar. Obviamente, es malísimo si entonces decimos, ya hablando de gerencia, ‘no, estos no sirven porque no tienen las mismas ideas de nosotros’. Tiene que haber un ‘average’ de todo...”

(“...I’m seeing a lot of youth entering in the movement. Looking for ideas, looking how our generation can help them. Obviously, it is very bad if we say, talking about management, ‘No, they are useless because they do not have the same ideas as us.’ There has to be an average of all [ages]...”

Another obstacle to achieve this is the lack of rotation among elective leaders:

“...aquí hay una gente que tú estás viendo que son reincidentes, por llamarlos de alguna manera, que vuelven y se integran en estos tres organismos y flotan de un organismo a otro y se identifican como los Dioses del olimpo, ustedes están allá, ustedes no saben lo que pasa aquí abajo y cuando llegas allá llegas a la meca y llegas a beneficiarte de dieta, del millaje, de los viajes, siempre están hablando de los viajes. Es esta distinción que el mismo movimiento crea entre “ustedes y nosotros”. Y sí, hay unos que se vuelven como que seguros en las sillas. Yo creo que es el mismo movimiento el que perpetua esas cosas y es algo que molesta.”

(“...there are people here that are repeating terms, they come back to enter these [higher degree] co-ops and go from one to another, they identify themselves as Olympus gods—you are there, you do not know anything of what happens down here, and you are up there just to get benefits from diet and mileage payments, always talking about travels. This same division, “you vs. us,” is created by the

movement. And yes, there are some that become very secure of their seats. I think the movement itself perpetuates these things and it's bothersome.”)

“...líderes a su vez que ya está es su segunda vuelta al sol, ya hicieron sus nueve años, y se fueron y regresaron y van nuevamente en el camino de otros nueve años y pasa en todos los organismos.”

(“...leaders in their second cycle, they've already done their nine years, left and came back and began another nine years, and it happens in all co-ops.”)

But one participant mentioned that one of the causes for a poor integration is precisely that the new generations do not have a complete cooperative formation and they carry an individualist behavior learned in other fields:

“No siento esa cuestión, de que somos un sistema de ayudarnos unos a otros, yo creo que eso puede venir por muchas razones diferentes. Yo creo que una de las principales razones debe ser los cambios generacionales.”

(“I do not feel we are a system where we help each other, and that could occur for many different reasons. I think one of the main reasons is generational replacement.”)

“Los ejecutivos de cooperativas, mayormente de ahorro y crédito, hoy en día, tienen una influencia enorme sobre las juntas de directores. Antes, los cooperativistas tenían, vamos a ponerle, más poder. Y como estas generaciones son nuevas y vienen de la banca, pues tienen mucha influencia.”

(“Executive employees in cooperatives, mainly financial, currently have a huge influence over the board of directors. Before, cooperatives leaders had, let’s say, more power. And, since these generations are new and come from the banking sector, then they have a lot of influence.”)

Therefore, just inclusion will not solve all the problems. A holistic approach is needed with education, communication, introspection, among other factors, to provide alternatives and solutions.

### *Leadership*

Three participants affirmed that a firmer direction and guidance is necessary from the League and higher-degree cooperatives. The following statements summarize this position:

“...la Liga como faro o como brújula que esté disponible para marcar las coordenadas en lo que debe ser el acto cooperativo. Pero de ahí hacia abajo, viene el accionar. Y las organizaciones de segundo grado, las cooperativas, ya sean del sector financiero, de seguros, pues también tienen un rol. Y tiene que haber también

ese grado de interconexión. Si aspiramos que haya interconexión de las cooperativas como unidades, pues tenemos que tener también claro que a nivel de los organismos de segundo grado tiene que haber esa interconexión. Ya las cooperativas, los líderes que participamos en organizaciones de segundo grado perdemos de perspectiva que ya las cooperativas base dieron el primer paso de esa integración si se unieron precisamente para que surgieran las de segundo grado. Ya ese trabajo y esa primera etapa difícil la superó el movimiento hace años. O sea, no miremos a las cooperativas como unidades independientes. Ya nos toca a los organismos de segundo grado, entonces, a actuar como entes de intermediación, interconexión, de integración.”

(“...the League should be the light or compass to establish the coordinates regarding cooperative acts. From there to the bottom come the activities. Second-degree cooperatives, either from the financial or insurances sector, also have a role. There has to be an interconnection. If we aspire to such interconnection among cooperatives, second-degree cooperatives should be included. Leaders that participate in second-degree cooperatives lose the perspective that first-degree cooperatives already took the first step in that integration when they formed a second-degree cooperative. They already overcame that first, difficult step years ago. We should not look cooperatives as isolated units. It our duty in second-degree cooperatives to serve as an entity of intermediation, interconnection, and integration.”)

“Liga con mucho más liderazgo, con capacidad y, sobre todo, comprometidos con la institución y con las cooperativas base. Eso tiene que ser esencial, que haya ese compromiso con las cooperativas base.”

(“The League with more leadership, with capacity, and committed to the institution and first-degree cooperatives. That is essential, the commitment to the first-degree cooperatives.”)

“...estamos a la espera de que la Liga sea quien dicte cómo se está visualizando el movimiento, qué se está buscando ayudar y nosotros ser esa mano de ayuda.”

(“...we are waiting for the League to dictate what the visualization of the movement is, what is going to be helped, and how we can help.”)

Another participant said it is necessary to form federations. These opinions present the expectation that the League and integrated groups must take initiatives toward integration.

### *Data*

One participant said it was necessary to improve the collection of data and produce reliable statistics so the cooperative movement can learn about themselves. This will help any integration endeavor. A participant from complementary interviews also mentioned this factor.

### *Legislation*

A participant believed amendments to current legislation are necessary to allow more flexibility to cooperatives in their integration efforts:

“...que se pueda legislar para que la agencia, para que nuestro organismo regulador (COSSEC) pueda ser más elástico en cuanto a muchas cosas.”

(“...it should be legislated so the agency, our regulator (COSSEC) can be more elastic regarding many aspects.”)

### **Responsibility to Foster Integration Among Cooperatives**

Nine participants answered the responsibility to foster integration resides in the League of Cooperatives. Thirteen participants said it is responsibility of all members, but many of them also said the League should have a prominent role coordinating such efforts.

These responses show there is a recognition of the League as the main integrative body for cooperatives. Thus, the League has an awaiting audience to impulse future endeavors of integration. Since the League is composed by representation from all cooperatives, they should also bring diverse interests and proposals.

## **Reasons for not Participating in Integration Efforts**

The participant interviewed that is currently not actively participating in integrated efforts said while they got initial information to incorporate their cooperative, integration was not explicitly presented:

“...la Liga no lo presenta como tú lo estás presentando. Ella sí te da ejemplos, pero yo creo que ella... como que no te dan esa apertura o no te dan esa idea, o a lo mejor no promocionan, no están desarrollándolo así. Ellos están conscientes de que es un movimiento grande de todo Puerto Rico, un movimiento en que la gente confía, que es importante, pero no hablan mucho de integración. No plantean algo tan básico y sencillo de hacerlo.”

(The League does not present it as you are presenting it. They give you examples, but I think they...like they do not give that openness or that idea, maybe they do not promote it, or are not developing it like that. They are aware the cooperative movement is large throughout all of Puerto Rico, a movement people trust, that is important, but they do not speak too much about integration. They do not pose it as being something so fundamental and easy to perform.”)

However, this new cooperative would like to be part of integration efforts as soon as they manage to solve some internal issues:

“Una vez que se coordinen esos detalles, pues sí, queremos integrarnos, nos morimos por integrarnos, deseamos eso...”

(“Once those details are addressed, yes, we want to integrate, we are eager to integrate, we want it...”)

Again, the individual concept, mentioned before, is presented where cooperatives believe integration is an activity to perform after individual issues are solved. The League and the Comisión de Desarrollo Cooperativo could include integration as a main part of their guides to new cooperatives. Perhaps by doing that, they could begin to change some of these individualist tendencies.

### **Suggested New Integration Activities**

A list of other possible integration activities was prepared based on activities participants suggested and activities inferred to resolve problems they expressed. All activities were located under their respective categories in the scale created for this study.

#### *Low-Level Activities*

##### Use of Services

1. Offer special loans to finance new small cooperatives.
2. Reduce prices for other cooperatives - to remove cost as an obstacle.
3. Produce and distribute a list of cooperatives and their services to promote sponsorship. Could include the creation of a platform to evaluate their services.

4. Grant electronic access to services - to facilitate sponsorship from other co-ops and clients.

#### Influence Public Policy

1. Nominate and support candidates from the cooperative movement to occupy public election positions.
2. Review and evaluate laws and bylaws frequently and regularly to recommend amendments.

#### Education

1. Form an alliance with the Cooperative Institute to promote the formation of new co-ops among students: provide examples, offer assistance, leverage the appeal of the integration of the movement.
2. Disseminate information about integration cases around the world to illustrate possibilities: energy, health system, food production, and others.
3. Facilitate introspection activities - evaluate and discuss common needs and possible joint actions.
4. Produce and modernize educational materials and promote their use by all cooperatives through textbooks (history of cooperativism, cooperative economy, sociology of cooperativism).
5. Establish mentoring programs - recently incorporated and existing co-ops to partner with co-ops in the formation process to assist (assign a mentor, invite to meetings, observe process).

6. Lead a campaign aimed at members to promote the investment of annual surplus (net economies) in other services or co-ops, instead of distributing it.
7. Include entrepreneurship education and development through the Cooperativism Institute, the League, or other specialized school created for this.
8. Produce and distribute journals with cooperative topics.

#### Common Standards

1. Adopt a common policy to use a partnering co-op's services as a first alternative .
2. Adopt a common compromise to offer lower prices to other cooperatives.
3. Adopt a common policy to recruit emerging cooperatives to become active members of integrated groups.
4. Establish additional networks for communication purposes.

#### *Medium-Level Activities*

##### Strategic Agreements

1. Create a disaster plan to provide services to other members in case of emergencies.
2. Create an agreement plan to explore new business and opportunities.
3. Offer specialized loans for productive endeavors: agricultural, cattle raising, and other new production co-ops.
4. Negotiate a common healthcare plan.
5. Create a marketing and publicity agreement.

6. Negotiate contract with professional services: lawyers, accountants, investment experts, parliamentarians, public relationists, and other professionals.
7. Negotiate common services: office cleaning, repairs and maintenance, equipment maintenance, construction projects.
8. Make joint purchases for cooperative needs: office materials, electronic equipment, etc.
9. Make joint purchases for member needs: house equipment, automobiles, electronic equipment, furniture, clothing.
10. Offer insurance packages to workers co-ops.

### *High-Level Activities*

#### Research

1. Contribute to and support the Cooperativism Institute's academic research.
2. Create a Business Research Fund in the League to conduct research that identifies needs, opportunities, disposition and capacity of co-ops to get involved, and other topics.
3. Support the Cooperative Institute and League to improve the collection and conducting of statistical analyses.
4. Study potential new activities from current structure to avoid duplicity.

#### Co-ops

1. Create a Financial Cooperatives Federation.
2. Create a Housing Cooperatives Federation.

3. Create a Workers Cooperatives Federation.
4. Create Financial Cooperative Centrals to obtain scale economies.

#### Equity Investments

1. Offer preferred stocks from diverse type cooperatives.

#### Joint Ventures

1. Create a healthcare system provider.
2. Create marketing and publicity organization for cooperatives.
3. Create professional service organizations: Lawyers, accountants, investment experts, parliamentarians, public relationists, and other professionals.
4. Create multiple services organization: Office cleaning, repairs and maintenance, equipment maintenance, construction projects.
5. Create production organizations: Office material, house equipment, automobiles, electronic equipment, furniture, clothing.
6. Create shopping and commercial mall center.
7. Create pharmacies.
8. Offer auto repair services.
9. Create agricultural organization.
10. Create cattle raising organization.
11. Create central information system organization to perform procedures for cooperatives.

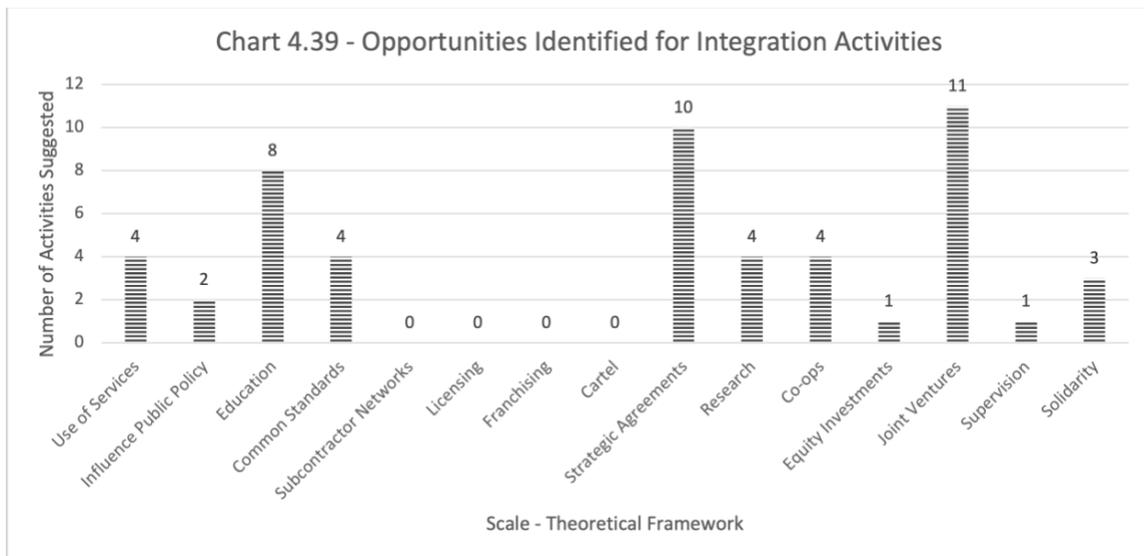
## Supervision

1. Create a trust fund to provide deposit insurance to financial cooperatives, making COSSEC irrelevant.

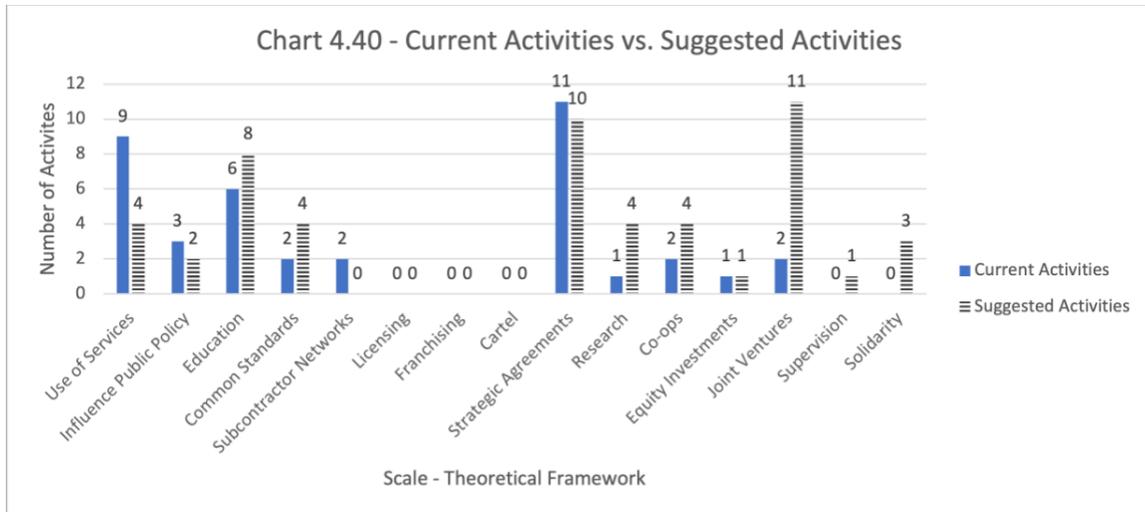
## Solidarity

1. Create solidarity fund - joint fund to assist cooperatives with financial issues.
2. Create assistance agreement to assist each other in case of emergencies, excess of employees, need of temporary employees, need of expertise assistance, and other cases.
3. Create support action plan among sectors - agreement to support defensive actions when a sector is under threat.

Chart 4.39 illustrates the number of activities identified under each category of the scale.

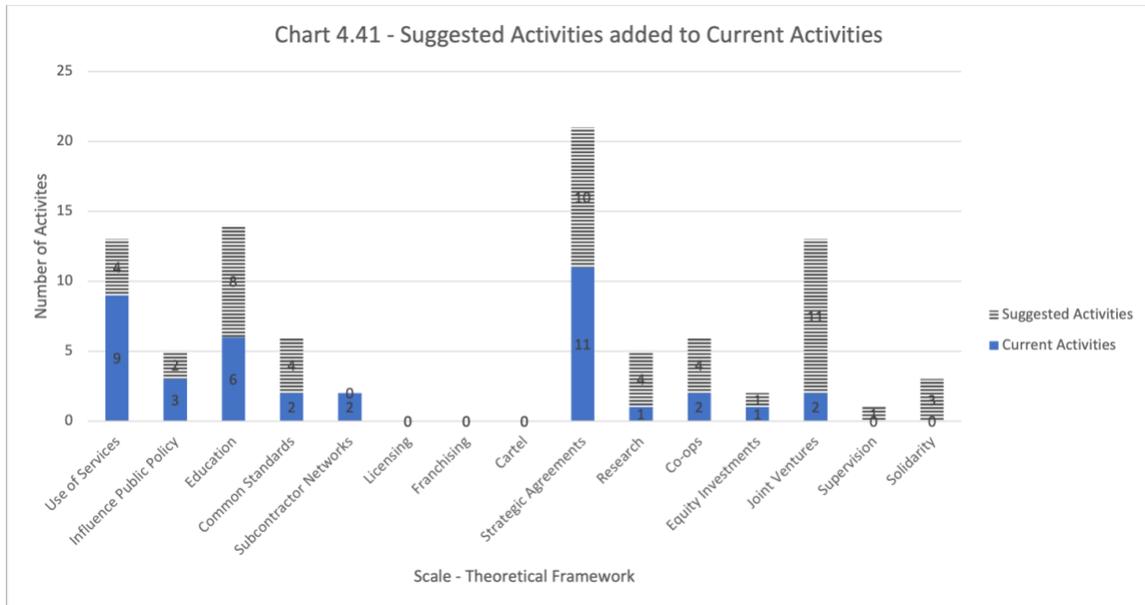


For comparative purposes, chart 4.40 shows current activities beside suggested activities. It shows a similar pattern in most activities, except for joint ventures, which shows a significant increase.



It must be noted also that there are some suggested initiatives under categories that currently show no activities, like supervision and solidarity.

The next chart (chart 4.41) shows suggested activities added to current reported activities to visualize how the scale would look if all the activities were conducted.



These suggested multiple initiatives demonstrate that the cooperative movement recognizes there are many other integration activities that could be performed. The comparisons observed in previous charts support opinions from participants that the current status of integration in Puerto Rico is between low and medium level.

### Summary of Findings

Several findings were presented in the analysis and discussion of the data collected. Here they are summarized:

1. There is an incomplete understanding about what integration means. While the meaning of integration includes five components (cooperation, services, structure, level, and change), most participants identified mainly the first two and could not mention more than two. Therefore, there is confusion about many aspects of integration, like what integration can achieve and how to achieve it.

2. The current status of integration has been led by the financial sector, which has a higher proportion of participation in integrated groups at all levels, since most non-financial cooperatives do not participate.
3. All the factors identified as obstacles for alliances are also obstacles for integration among cooperatives: loss of autonomy, inaction, ambiguity, group administration, control issues, lack of motivation, learning from each other, dependence, balance of information, distrust, executives, and standard rules. In addition, other possible obstacles identified were individualism, capitalist behavior, egocentrism, poor structure functionality, lack of education, lack of sponsorship, costs, and geography. Among these additional obstacles, the most mentioned are characteristics of a capitalist mindset.
4. All the factors identified as motivators for alliances also motivate integration among cooperatives: risk distribution, scale economies, exchange of technology, limit competition, growth, government regulations, joint ventures, coproduction, administration agreements, and research. In addition, other motivators outside of the commercial spectrum were identified: current structure, threats, networks, needs, prestige, and providing examples. Most of these additional motivators are characteristics of a cooperativist mindset.
5. There is a struggle between capitalist and cooperativist concepts and views in the cooperative movement. An antagonistic dichotomy emerged when obstacles and motivators for integration were analyzed. A strong capitalist conduct that imposes obstacles along with a cooperativist conceptualization of motivators is present in cooperatives' behavior. Since a capitalist economic system is opposed to the change

- in society that cooperative integration is supposed to foster, current mindset needs to change to achieve cooperative objectives.
6. There is lack of communication among cooperatives regarding integration initiatives, mostly for medium and high-level activities. This lack of communication is also present between the cooperatives and government-related entities. Some important activities are known by some but not by others. A possible reason for this is not necessarily because initiatives are not discussed in integrated groups, but because many cooperatives are not participating in such groups.
  7. There is not any comprehensive guidance for new cooperatives regarding integration to the movement and its benefits. Cooperatives that are forming go through different processes in the Comisión de Desarrollo Cooperativo (a government agency) and the League of Cooperatives, but among the initial guidance and information provided, integration is barely mentioned.
  8. The cooperative movement perceives itself below the standards of a successful integration status, as demonstrated by its own evaluations and awareness that there are more many activities that have not been conducted and benefits that have not been reached.
  9. As conceived by cooperativist philosophy, education in technical, social, and cultural aspects is inherently linked to integration. Without education there is no integration.
  10. There is a recognition that educational activities need to go beyond a traditional course and emphasize the philosophy of cooperativism. Future initiatives in this area should consider practical and holistic approaches.

## CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS

The main purpose of this dissertation was to determine the level and type of integration activities performed by cooperatives in Puerto Rico. The findings and analysis of the data collected in responses to the main and secondary questions are presented next. Secondary questions are addressed first, then the main question follow.

The current understanding of integration among cooperatives is incomplete. Although some components of integration are well known and better practiced, like cooperation and services, other components like structure, levels, and change are usually left behind. This incomplete conceptualization of integration leads to fragmented implementation and limited achievements.

Participants perceived the current status of integration between low and medium, mainly because there have been some interesting integrated initiatives in recent years. However, several findings negatively affected the results and led to being labeled low-level, like the financial sector dominance of integrated groups, lack of participation from non-financial cooperatives, non-systematic behaviors and actions, and an incomplete understanding of integration's purposes and practices

Characteristics of existing integrated groups illustrate what led to the current status of integration. Although some integrated groups were incorporated in the 1960s and 1970s, most were created after 1992 when movement's reformulation period began. The League

of Cooperative has spearheaded those efforts by fostering communication among cooperatives, but it has not resulted in as many integrated activities as possible. The most notable issue is the lack of participation from non-financial cooperatives, resulting financial cooperatives' dominance of integrated groups.

The factors that invite or impede integration are the same factors identified in the literature on strategic alliances, making this field study useful for future research about integration among cooperatives. The cooperative movement has other possible obstacles like individualism, capitalist behavior, egocentrism, poor structure functionality, lack of education, lack of sponsorship, costs, and geography. Most of these obstacles illustrate a capitalist mindset. In addition, motivators were also identified—including current structure, threats, networks, needs, prestige, and providing examples. Most of these present alternatives outside of traditional commercial motivators. A possible reason that cooperative integration and strategic alliance literature share the same obstacles and motivators could be because cooperatives are behaving according to many capitalist criteria. This behavior makes them indistinguishable from capitalist organizations, who tend to practice strategic alliances. This is consistent with Aponte García's (2014) observation that cooperatives are experiencing an identity crisis while resembling for-profit organizations. Also, capitalist factors that demotivated cooperatives' actions confirm what Rothschild (2009) find in the United States: this capitalist mindset makes people believe there is no better way to manage the economy, making it difficult for cooperatives to flourish.

The scale constructed for this study showed how each group fosters integration among cooperatives and allowed a more complete and organized perspective of current activities. Most groups foster low-level activities, like sponsorship and educational activities. Medium and high-levels initiatives are not well understood. Also, most activities are conducted by financial cooperatives, which shows a limited integration. This finding confirms that the cooperative movement is not well integrated and there is still much left to do to achieve efficient integration (Jordán García 1994; League of Cooperatives 2010; Martínez 2009).

To move forward and achieve a higher level of integration, several possible actions were identified. Educational activities need to change their current focus and methods to emphasize philosophical aspects and provide a holistic approach to integration and other cooperative topics. Integration is inevitably linked to education. As said by Parrilla Bonilla (1971), without education there will be no integration.

It is important to foster communication, either through networks or social activities, to strengthen social cohesion. Introspection will help to resolve the current situation and redirect efforts towards the desired goals. Promoting inclusion and diversity of age, gender and other identity markers will nurture the movement by adding other perspectives. Motivating and developing capable leadership will guide those efforts. Also, another recommendation is to improve data collection in order to produce reliable statistics and consider amendments to legislation that will facilitate integration through more flexibility.

Although integration efforts should be coordinated mainly by the League of Cooperatives, all cooperatives and leaders have a common responsibility to foster and prompt integration.

Many cooperatives are currently isolated from the movement and integration initiatives could be acting individually because of a capitalist mindset and a lack of knowledge about cooperatives' integration purposes. However, those cooperatives might be strongly motivated to participate if other factors, like communication and education, are addressed.

The main question this study aimed to answer was, "What is the current level and type of integration among cooperatives in Puerto Rico?" It is concluded that the current level and type of integration among cooperatives in Puerto Rico is low and fragmented. A combination of methods and findings led to this conclusion. First, there is an incomplete understanding of integration, which gives current integration activities a lack of direction. Second, current integration is low considering the cooperative movement's own expectations. Third, although integration activities from financial cooperatives may seem to be at a higher level when compared to other sectors, integration among same-sector cooperatives is an incomplete exercise of integration by its own definition. Fourth, cooperatives are not acting like an interconnected system, nor acting toward a clear and common purpose. Finally, current integration activities are more aligned with capitalist practices than cooperativist philosophy. All these issues show the movement is acting as a system incapable of responding to its environmental challenges and/or developing common projects with a unique vision for cooperatives. These findings illustrate that many of

Parrilla Bonilla's (1971: 1975) observations are still present in the cooperative movement and have not been overcome.

Considering the current status of integration among cooperatives, the findings of this study, and the reported interest to move it forward, the following recommendations for the cooperative movement are presented here:

1. Review current education activities to emphasize philosophical aspects and a holistic understanding of integration and cooperatives' purposes. This should address the complete meaning of integration with its five components (cooperation, services, structure, levels, and change), implementation strategies, possible benefits, examples of success and failure from around the world, obstacles and motivators, the interrelatedness of the principals, and others. Cooperatives need to examine the cooperative philosophy to find answers and possible solutions to their problems. The fact that some cooperatives believe they need to solve their own problems before they can join others in integrated groups, is an irony that reflects their philosophy has not yet been internalization.
2. The dichotomy in the movement between capitalist and cooperativist beliefs should be addressed through education. This education should not blindly establish mandates of cooperativist actions over capitalist ones. Instead, both the capitalist and cooperativist philosophies should be understood to contrast and analyze them with integration objectives in mind.

3. Some activities could be implemented to counterbalance capitalist obstacles. To better communicate the prevailing view about distributing surpluses, emphasize that any service provided to members and community is also a surplus and can be reinvested to provide more integrated services. Capitalist evaluation criteria—mainly imposed by the law and COSSEC, but also voluntarily adopted by cooperatives—could be the subject of educational campaigns aimed at cooperativists and lawmakers to illustrate the differences between it and cooperativist philosophy. To address competition as an obstacle, cooperatives should talk to each other and create joint efforts and activities, avoiding intrusion in another cooperative's area.
4. Expand educational activities beyond traditional continued education courses. These additional activities should be practical, foster continuous introspection, and use new strategies more appealing to new generations. This effort could be led by the Institute with the help of the League. Of course, insight from cooperatives must be taken into account.
5. Create awareness that education is a process that goes beyond a classroom and is related to everything happening in a cooperative. Everyday experiences, history, decision-making, needs, failures, mistakes, and many other moments present opportunities to educate about integration and cooperative philosophy. The current structure of the movement is an asset for this task, since there are lines of communications already established. The movement should use them to strengthen networks and transmit information.

6. Illustrate the benefits of integration to the movement and government. Among them: how democratic participation in the economy through cooperatives could improve democracy in the political sphere (Rothchild 2009); how cooperatives could positively distinguish themselves from other types of organizations; how integration could strengthen the movement and each cooperative by allowing their union to achieve more than just the sum of its parts; how strength allows them to occupy other economic sectors, improve their individual situation, and better defend against undesirable inference to the movement; how integration expands the liberation exercise that cooperatives are supposed to be and contributes to solving issues like current obstacles, divisions, lack of democracy, and even the colonial situation of Puerto Rico.
7. It is imperative to increase the number of cooperatives and sectors participating in integration circles. Do this by fostering the creation of new cooperatives and include integration benefits in the. As mentioned, any effort should be the result of a holistic approach. Then, for example, combine education with the motivators identified here so the movement is fully aware of what integration implies. At the same time, this should increase awareness about current practices and illustrate possibilities and benefits through existing examples. Also, participating in integrated groups is a practical educational activity.
8. The League should continue leading integration efforts by implementing these recommendations and fostering any independent intention of integration among cooperatives.

9. Disseminate information about current successful cases of integration among cooperatives to foster its practice.
10. Include information about integration as part of the orientation provided to groups that seek to incorporate a cooperative, according to previous educational recommendations.
11. Encourage cooperatives currently conducting or beginning an integrated activity to study and account for identified obstacles to help its prevention, and motivators to prompt its value and significance.
12. Observe the newly suggested new integrational activities presented in this study and explore possibilities to implement them and/or use them to illustrate the diversity of activities integration allows.

Some aspects that surprised the researcher were how vaguely integration is explained and defined in the literature in Puerto Rico and by the number of existing cooperative workers. In terms of the definition of integration, it has been covered in this work, but it is still surprising how cooperatives have been trying to practice it without having a clear picture of it. Regarding the workers' cooperatives, there are too many of them—76 to be exact—and no integrated groups, Commission, or Federation formed by them. Because it is a type of cooperative that provides income to its members, one would expect a more active initiative towards integration efforts, at least to provide support and promote sponsorship among the movement. That is something for the movement to think about.

Future research efforts could consider other angles of topics covered here. One could be obtaining data in a random sample from all types of cooperatives to test these findings regarding understanding of integration, lack of communication, and the struggle between capitalist vs. cooperativist mindset. Other topics could be related the response cooperatives' responses after Hurricane Maria. Participants described the spontaneous solidarity that emerged among cooperatives. This and cooperatives' role in coordinating and assisting their communities would allow them to learn from their experiences.

In summary, benefits of integration can be identified as reduced costs through scale economies, stronger businesses' competition against non-cooperative organizations and occupying more fields and economic areas. These will democratize the economy by giving citizens more control of it. At the same time, it will provide a support network to help and sponsor each other on a frequent basis.

In order to influence or guide the government to create laws favorable to the cooperative movement, it is necessary to make them understand the multiple benefits it would bring to society. This can be done through lobbying, pressure, protests, negotiations, and many more methods. However, it is necessary first for the movement to be truly integrated and see themselves as a system, so they have the strength and effective coordination to conduct any agreed processes and demand such changes.

## Appendix A

### Questionnaire

Interview questions:

1. What do you understand by integration among cooperatives?
2. Would you say the current status of integration among cooperatives in Puerto Rico is low, medium, or high?
3. Why do you locate integration among cooperatives in that position?
4. Why was your group formed?
5. How was it conceived?
6. What benefits were anticipated through this integration?
7. What benefits occurred through this integration?
8. Do all cooperatives that can belong to this group participate?
9. What challenges or issues have you encountered that present obstacles or challenges towards integration among cooperatives?
10. Do any of the following factors serve as obstacles or challenges? (List of factors attached)
11. What actions have you encountered that promote integration among cooperatives?
12. Do any of the following factors promote integration? (List of factors attached)
13. What specific integration activities has your group conducted?
14. What results have you observed?
15. Does your group engage in or want to engage in any of the following activities? (Scale attached). Please, explain how you conduct such activities or what it would take to make this happen.
16. What could be done to foster a higher level of integration?
17. Who should have the responsibility to foster integration among cooperatives?
18. Why is your cooperative not actively participating in the integrated bodies?
19. Is there anything you would like to add?

**Factors question # 10:**

Obstacles or challenges

1. Loss of autonomy – limited control over the alliance.
2. Become operationally active – real operation, avoid lack of action.
3. Ambiguity or varying expectations – several interpretations.
4. Differences over management styles – internal discussions about form of management.
5. General management or control issues – lack of balance among partners.
6. Maintain motivation – keep high interest.
7. Learn from other party – specific about what will be learned.
8. Depend too much on some people – people with responsibilities capable of delaying or interrupting activities.
9. Balance between shared/kept from alliance – avoid extremes of not sharing and sharing it all.
10. Lack of trust – not confident of partner’s capacity, integrity, or good faith.
11. Lack of understanding from the executive – executive direction not in the same place as the partners.
12. Ineffective control – lack of standard rules.

**Factors question #12:**

Promoting integration

1. Risk reduction – distributes risk among partners.
2. Economies of scale – lower cost through larger purchases.
3. Access and exchange of technologies – contributions achieve a superior result.
4. Reduction or limit competition – overcome competitors or impede entrance to the market.
5. Expansion and growth – at national or international level.
6. Overcome legal and regulatory dispositions – deal with government regulations
7. Joint ventures.
8. Coproduction activities.
9. Management agreements.
10. Research agreements.

**Scale question #15**

<b>Scale of Integration Activities</b>	
<i>Low-level Activities</i> - require no formal ties, no general coordination, or minimum pooling of resources	
1. Use of Services	market relations with other cooperatives without any further intention
2. Influence Public Policy	coordinated efforts among cooperatives for lobbying actions to influence public policy

3. Education	the integration group provides technical training as well as social and cultural education to participant cooperatives
4. Standard Groups	agreements for adoption of common standards in production and services
<i>Medium-level Activities</i> – focused merely on the economic rationale, like pursuing economies of scale	
5. Subcontractor Networks	a subcontractor for linked cooperatives negotiates with suppliers several aspects of their purchases, like prices, quantities, and delivery schedules
6. Licensing	allowing the use of a patented good in exchange of fees
7. Franchising	permitting the use of a brand, but keeping in control of aspects of markets under standard rules
8. Cartel	control of production or prices by several organizations to impede the entrance of a new competitor
9. Strategic Cooperative Agreements	cooperatives collaborating in activities with common objectives and shared responsibilities
<i>High-level Activities</i> – Involve a body that independently manages the resources contributed by members and require a high involvement and compromise from participants	
10. Research and Development	collaboration for research and development purposes
11. Cooperatives	cooperatives that combine and administer their resources through a second or third-degree cooperative organization
12. Equity Investments	buy shares from another cooperative
13. Joint Ventures	organizations created by cooperatives for a specific purpose
14. Supervision	oversight from a new entity over those cooperatives that created it
15. Solidarity	formal mechanisms and compromises to help other cooperatives

## Appendix B

### Consent Form for Participation in the Research

**Whom to Contact about this study:**

Principal Investigator: Urayoan Jordan Salivia  
Doctoral student  
Telephone number: 787-624-1505

**CONSENT FORM FOR PARTICIPATION IN THE RESEARCH:**

**Integration of the Cooperative Movement: The Case of Puerto Rico**

**I. INTRODUCTION/PURPOSE:**

I am being asked to participate in a research study. The purpose of this study is to determine the level and type of integration activities performed by cooperatives (coops) in Puerto Rico and identify the factors that influence its development. I am being asked to volunteer because I belong to a group that prompts integration among cooperatives. My involvement in this study will begin when I agree to participate and will continue until the end of the interview. About 50 persons from 26 cooperative groups will be invited to participate.

**II. PROCEDURES:**

As a participant in this study, I will be asked to answer questions about my observations and opinions. I will be asked to come to my office or the location most comfortable to me. My participation in this study will last for one hour during one visit. However, I can be contacted later to answer follow up questions. During the interview audio recording will be made with the purpose of transcribing it. No personal identifying information will be written with responses to the questions.

**III. RISKS AND BENEFITS:**

My participation in this study does not involve any significant risks and I have been informed that my participation in this research will not benefit me personally, but will benefit the cooperative movement, policy makers regarding cooperative matters, and scholars.

**IV. CONFIDENTIALITY:**

Any information learned and collected from this study in which I might be identified will remain confidential and will be disclosed ONLY if I give permission. All information collected in this study will be stored in a locked file cabinet in a locked room. Only the investigator and members of the research team will have access to these records. If information learned from this study is published, I will not be identified by name. By signing this form, however, I allow the research study investigator to make my records available to the University of Baltimore Institutional Review Board (IRB) and regulatory agencies as required to do so by law.

Consenting to participate in this research also indicates my agreement that all information collected from me individually may be used by current and future researchers in such a fashion that my personal identity will be protected. Such use will include sharing anonymous information with other researchers for checking the accuracy of study findings and for future approved research that has the potential for improving human knowledge.

Check if voice recordings are used during the research study:

Yes, I give permission to use my voice in scientific publications or presentations.

No, I do not give permission to use my voice in scientific publications or presentations

**V. SPONSOR OF THE RESEARCH:**

This research study is for a doctoral dissertation.

**VI. COMPENSATION/COSTS:**

My participation in this study will involve no cost to me.

**VII. CONTACTS AND QUESTIONS:**

The principal investigator(s), Urayoan Jordan Salivia has offered to and has answered any and all questions regarding my participation in this research study. If I have any further questions, I can contact Urayoan at 787-624-1505 - [urayoan.jordansalivia@ubalt.edu](mailto:urayoan.jordansalivia@ubalt.edu) or his faculty adviser, Dr. Wyatt-Nichol, at 410-837-6173 - [hwyatt-nichol@ubalt.edu](mailto:hwyatt-nichol@ubalt.edu).

For questions about rights as a participant in this research study, contact the UB IRB Coordinator: 410-837-6199, [irb@ubalt.edu](mailto:irb@ubalt.edu).

**VIII. VOLUNTARY PARTICIPATION**

I have been informed that my participation in this research study is voluntary and that I am free to withdraw or discontinue participation at any time.

*I will be given a copy of this consent form to keep.*

**IX. SIGNATURE FOR CONSENT**

The above-named investigator has answered my questions and I agree to be a research participant in this study. By signing this consent form, I am acknowledging that I am at least 18 years of age.

Participant's Name: \_\_\_\_\_ Date: \_\_\_\_\_

Participant's Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Investigator's Signature: \_\_\_\_\_ Date: \_\_\_\_\_

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