The Dual Ownership Structure: a Model to Connect the Cooperative Model With Financial Markets

Davis Seung Rok Nam, Bucknell University

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Michael Johnson-Cramer

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Berhanu Nega

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Abstract
In business literature, the conflicts among workers, shareholders and the management have been studied mostly in the frame of stakeholder theory. The stakeholder theory recognizes this issue as an agency problem, and tries to solve the problem by establishing a contractual relationship between the agent and principals. However, as Marcoux pointed out, the appropriateness of the contract as a medium to reduce the agency problem should be questioned. As an alternative, the cooperative model minimizes the agency costs by integrating the concept of workers, owners and management. Mondragon Corporation is a successful example of the cooperative model which grew into the sixth largest corporation in Spain. However, the cooperative model has long been ignored in discussions of corporate governance, mainly because the success of the cooperative model is extremely difficult to duplicate in reality. This thesis hopes to revitalize the scholarly examination of cooperatives by developing a new model that overcomes the fundamental problem in the cooperative model: the limited access to capital markets. By dividing the ownership interest into financial and control interest, the dual ownership structure allows cooperatives to issue stock in the capital market by making a financial product out of financial interest.

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As a business model the cooperative enterprise has a different strategic purpose to that of an investor owned enterprise. The coop is focused on the maximisation of member benefits rather than the maximisation of shareholder returns. It seeks to target the greatest areas of member need rather than the most lucrative market opportunities. A
supply chain encompasses the upstream and downstream linkages that connect the business to its suppliers and customers. Effective supply chain management is now one of the most critical aspects of business operations. In the first model, investors acquire ownership rights in a separate legal entity wholly or partly owned by the cooperative. In other words, outside investor capital is not directly introduced in the cooperative, but rather in trust companies, strategic alliances, or subsidiaries. In investor-share cooperatives, investors receive ownership rights in the cooperative in addition to the traditional cooperative ownership rights held by member-patrons.