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How Large can a Co-operative Become and Still Remain Democratic: Case Study

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Indicator	Spreefeld eG Founded 2007	Berliner Bau- und Wohnungsgenossenschaft von 1892 eG
Membership	83 members	19,500 members
Governance	Direct	Representative
Meeting Frequency	Monthly	Annual delegate assembly; periodic informational meetings
Participation Rate	~30% monthly	Delegates: ~100% attendance (by duty); general member voting turnout in delegate elections: est. 20–30% 80 reps represent 19,000 members = 0.4% direct participation
Board election and voting	In-person, Informal vote or consensus-based at meetings, uncontested	Formal, Secret and online voting for delegates, delegates vote at assembly
Democratic complexity	Low	High

Summary of Governance Characteristics of the Two Cooperatives (Self-created table)

Motivation

Democratic governance and member-based collective actions are fundamental principles of co-operative organizations. They give each member a voice through the principle of one-member-one-vote. In practice, however, achieving effective democratic governance can become increasingly challenging as the co-operative's membership grows [5, 8].

Small cooperatives may enable more intimate, direct forms of democracy – every member can know each other, meetings can be held in person with active discussion, and consensus might be easier to achieve [3, 6].

While a large membership size achieves economies of scale, it also raises organizational costs. Such organizations become more bureaucratic, with power concentrated in the hands of a few [4], and collective decision-making becomes complex as consensus is harder to achieve. Moreover, this enlargement leads to rational apathy. It means, each member recognizes their single vote has little impact on outcomes, reducing their incentive to contribute to a public good and collective action [5]. This dynamic increases the risk of unchecked managerial power as insufficient member oversight and weakens managerial accountability, leading to increased agency costs [3].

Research Question

1. How does the membership size of a co-operative influence its democratic governance functions?

2. Is there an optimal membership size that best upholds democratic principles while ensuring organizational effectiveness?

3. Which governance adaptations do cooperatives adopt as they grow?

Methodology

- Qualitative comparative case study
- Literature review for theory
- Drawing on secondary data and open-source information available online (Including official co-operative publications, reports, and online reviews)
- Case selection is based on the same sector (housing) and same geographic context (Berlin). With a contrast in membership size (small and Large).

Case studies

1. Spreefeld eG (Small Cooperative) Founded: 2007 [7].

2. Berliner Bau- und Wohnungsgenossenschaft von 1892 eG (Large Cooperative) Founded: 1892 [1].

Results

Summary of Governance Adaptations:

1. Membership growth ceiling based on the co-op's capacity (housing units).

2. Regular newsletters inform members about financial results, upcoming projects, and governance matters

3. House Speakers localize representation, keep communication flowing bottom-up, and prevent the representative assembly from becoming too detached or "elite."

4. An elected Representative Assembly replaces direct member meetings with a representative system, ensuring governance remains manageable in size.

5. A Supervisory Board, elected by the representative Assembly, oversees management and acts as a check on the Executive Board.

Implications

Assess Governance Capacity periodically using indicators like low turnout, difficulty filling governance positions, and member apathy, and **adapt creative solutions or restructure** such as split into smaller Cooperatives or implement delegate systems.

Apply **Member Engagement Tools** such as Technology (secure online voting, interactive member portals) in combination with efforts to build community (meetings, events, two-way communication).

Provide **Continuous Education** on member rights and responsibilities through sessions for new members, delegate training, and transparent communication to ensure all members understand how to participate.

Monitor Participation Metrics like election turnout and the number of candidates for positions, as indicators of democratic health.

Conclusion

- The size of co-operative influences democratic processes. There is a trade-off: smaller size enhances democratic governance while larger size achieves economies of scale.
- There is no single optimal membership size. Strategic governance design can sustain democracy at larger scales.
- Small cooperatives: high direct participation, informal governance, strong member cohesion.
- Large cooperatives: lower direct member involvement, formal structures required, risk of democratic deficits, but greater stability and resource advantages.

Sources

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