ROUND HOLE, SQUARE PEG? SUSTAINING THE JOINT PURSUIT OF SOCIAL AND COMMERCIAL GOALS IN A COOPERATIVE BANK

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Abstract

This inductive study of a European cooperative bank over eight years examines how hybrid organizations can make decisions that enable them to sustain the joint pursuit of social and commercial goals, and how these decision-making processes unfold over time as tensions between demands grow stronger. We first unpack the mechanism of dual championing, according to which decision-makers were socialized into roles as champions of either social or commercial goals, while adhering to both social and commercial organizational values. Second, we reveal a collegial decision-making process—which we define as multilayer, iterative, and consensus-driven—where the champions of social and commercial goals respectively came together and heavily negotiated proposals in spaces of negotiation, until they met both social and commercial demands. Collegial decision-making combined with dual championing ensured that adopted proposals fit both organizational objectives. Third, we find that spaces of negotiation, when updated to reflect the actual scope of core activities and enacted by socialized participants who knew how to engage in collegial decision-making, enabled the organization to pursue multiple goals over time. Overall, this model of collegial decision-making opens the path to a new theory of the firm that accounts for the joint pursuit of social and commercial objectives.

Keywords: decision-making; dual championing; hybrid organizations; mission drift; multiobjective
In spite of major differences across theories of the firm (for reviews see Gavetti, Greve, Levinthal, & Ocasio, 2012; Zenger, Felin, & Bigelow, 2011), most share a common feature: the assumption that firms maximize on the single dimension of profit. Early organizational theorists warned of the challenge of attending to multiple organizational objectives due to decision-makers’ bounded rationality (Arrow, 1974; Cyert & March, 1963; Simon, 1955), which leads organizations to fail in the face of multitasking and tradeoffs (Garicano & Rayo, 2016). However, recent theoretical developments lay the basis for a multiobjective account of organizations (Jones et al., 2016; Mitchell, Weaver, Agle, Bailey, & Carlson, 2016; Ocasio, 2011). Notably, a fast-growing body of studies has examined how hybrid organizations deal with tensions inherent in their joint pursuit of social and commercial objectives (for reviews, see Battilana & Lee, 2014; Battilana, Besharov, & Mitzinneck, 2017).

Building on foundational research on organizations (Selznick, 1957; Weber, 1978[1921]), research on hybrid organizations has pointed to a variety of organizational processes and systems that can help manage such tensions, including hiring and socialization (Battilana & Dorado, 2010), selective synthesis of practices (Pache & Santos, 2013), pluralist management (Besharov, 2014), and the formalization and separation of competing demands, followed by collaboration among members (Ramus, Vaccaro, & Brusoni, 2017). Underlying all of these strategies is a decision-making process that balances social and commercial goals.

Yet, decision-making is a facet of hybrid organizing that has received only scant attention to date. This omission is both surprising and important because decision-making in hybrid organizations is likely to be especially complex, as these organizations combine multiple belief systems at their core. Such multiplicity is likely to generate tensions that may challenge the
pursuit of multiple goals. In this context, decision-making plays a critical role in enabling hybrids to sustain their multiple goals over time.

Research in decision science has shown that linear decision-making processes—defining goals before selecting and developing the means to achieve them—do not mirror the reality of how such complex decision-making unfolds in highly uncertain contexts. As a first step in handling that complexity and uncertainty, several recent studies building on Cyert and March’s (1963) foundational work suggest that sequential attention to goals and oscillating emphases over time can enable organizations to accomplish multiple goals over the long run (Ashforth & Reingen, 2014; Jay, 2013; Smith & Besharov, 2018). Disagreements between conflicting goals can indeed be overcome by separating them across space or time (Ethiraj & Levinthal, 2009).

However, by sequentially shifting support between competing demands and focusing organizational attention and resources on one goal over the other, hybrid organizations risk failure: if they lose sight of their social mission, they fail, and if they do not generate enough revenue to sustain their operations, they also fail (Besharov & Smith, 2014; Galaskiewicz, Bielefeld, & Dowell, 2006; Smith & Besharov, 2018). Interestingly, recent research suggests that attention to different objectives may not necessarily be sequential, showing that senior decision-makers can embrace organizational complexity by effectively engaging strategic paradoxes and embracing multiple, competing strategic demands simultaneously (Smith, 2014).

This study aims to better understand the decision-making processes upholding multiple goals in organizations where multiple belief systems come in tension. We address this question in the context of hybrids that combine aspects of typical corporations and typical charities which have historically been characterized by very distinct belief systems. These hybrid organizations jointly pursue social and commercial goals. We thus ask the following question: how can a hybrid
organization make decisions that enable it to sustain the joint pursuit of social and commercial goals, and how do these decision-making processes unfold over time as tensions between demands grow stronger?

To unpack this question, we undertake a longitudinal, inductive study of CoopBank, a European cooperative bank, over eight years. CoopBank provides an ideal case from which to build a theory of decision-making processes that sustain the joint pursuit of social and commercial goals in hybrid organizations for two main reasons. First, it is a rich example of a hybrid, pursuing the social mission of serving its customer-members and supporting the socio-economic development of the local communities in which it operates, while at the same time pursuing the commercial objective of running profitable commercial banking activities. Second, in 2003, in response to a competitive threat, CoopBank acquired a large typical commercial bank, FinBank. The FinBank acquisition brought a significant influx of about 40,000 new employees,¹ which led CoopBank to emphasize its profitability objective over its social mission. As a result, decision-making processes that sustained (or failed to sustain) both social and commercial goals were more visible at CoopBank than they might have been in other contexts (Eisenhardt, 1989; Pettigrew, 1990).

Our study contributes to research on hybrid organizations and strategic decision-making by identifying mechanisms to sustain the joint pursuit of multiple objectives. Our analysis of longitudinal data collected between 2002 and 2010 highlights a decision-making approach jointly accounting for social and commercial goals in a collegial decision-making process—which we define as multilayer, iterative, and consensus-driven. Intense negotiations among actors in the decision-making process resulted in the gradual morphing of proposals until they met both social

¹ Figure 2 provides the evolution of the headcount at CoopBank between 2002-2010.
and commercial demands and were unanimously accepted. Our study further reveals the mechanism of dual championing, according to which different groups of decision-makers were socialized—through a combination of on-the-job experience, training, and promotion—into the roles of champions of either social or commercial goals, while adhering to both social and commercial organizational values. Collegial decision-making combined with dual championing ensured that all adopted proposals fit both organizational objectives. Finally, our findings stress the importance of spaces of negotiation which, when updated to reflect the actual scope of the organization’s core activities, and enacted by socialized participants who knew how to engage in collegial decision-making, enabled the organization to pursue multiple goals over time and avoid mission drift. Overall, the model of collegial decision-making in hybrid organizations like CoopBank that we develop in this paper based on our analysis, contributes to further developing foundations of a new theory of the firm that accounts for the joint pursuit of social and commercial objectives.

THEORETICAL FOUNDATIONS

The Risk of Mission Drift

Organization scholars have long highlighted the difficulty of upholding multiple objectives in organizations and the risk of resulting intractable organizational conflict. In their seminal work, March and Simon (1993[1958]) opened the path for research accounting for how organizations deal with potential tensions associated with the pursuit of multiple objectives. In contrast, classical economic theories have tended to assume away multiple organizational objectives with singular focus on profit maximization, and elide multiple member motivations with singular focus on the employment contract (March & Simon, 1993[1958]).
Organization scholars have also pointed to the risk for organizations to abandon non-monetary objectives in their quest for survival and efficiency (Selznick, 1957; Weber, 1952[1904]), often referred to as mission drift (Ben-Ner, 2002; Jones, 2007; Weisbrod, 2004). Selznick (1957: 134) famously warned of the “cult of efficiency” that leaders need to transcend to “[create] a social organism capable of fulfilling [its] mission.”

Exploring mission drift, studies highlight internal and external tensions that may arise between multiple, competing objectives. The joint pursuit of social and commercial goals may entail internal conflicts of identity (Ashforth & Reingen, 2014; Besharov, 2014; Fiol, Pratt, & O’Connor, 2009) and resource allocation (Glynn, 2000). Patterns of financial dependency may also exercise external pressures on the organization and steer it away from its non-economic objectives (Ebrahim, Battilana, & Mair, 2014). Indeed, organizations tend to comply more readily with demands from external constituents on whom they depend for key resources, while they are more likely to resist demands from constituents on whom they do not depend (Oliver, 1991; Pfeffer & Salancik, 1978; Wry, Cobb, & Aldrich, 2013). Organizations jointly pursuing social and commercial goals accordingly risk systematically prioritizing the interests of revenue generators, such as funders and customers, over the interests of the beneficiaries they intend to serve (Minkoff & Powell, 2006).

**Organizational Strategies to Sustain the Joint Pursuit of Social and Commercial Goals**

Building on insights from the literature on paradox (Smith, 2014; Smith & Lewis, 2011) and ambidexterity (Andriopoulos & Lewis, 2009), the increasing body of research on hybrid organizations has highlighted two main types of organizational strategies to sustain the joint pursuit of social and commercial goals: integration and differentiation (Battilana et al., 2017). While integration strategies involve aligning social and commercial aspects on every dimension
of the hybrids’ structure (Ebrahim et al., 2014), practices (Pache & Santos, 2013; Mair, Mayer, & Lutz, 2015), and operations (Battilana & Dorado, 2010; Besharov, 2014), this approach may not be sustainable when hybrids combine very different workforces, incentive systems, and designs, as in the case of a hybrid like CoopBank acquiring a large typical commercial bank. In contrast, differentiation strategies assign responsibility for social and commercial activities to different entities within the organization, while relying on organizational processes and systems to ensure coordination and cooperation (Battilana, Sengul, Pache, & Model, 2015; Clegg, Vieira da Cunha, & Pina e Cunha, 2002; Jay, 2013).

While these studies have helped identify different organizational designs that hybrid organizations may adopt, they have surprisingly not systematically examined the decision-making processes that underlie the joint pursuit of social and commercial goals. For instance, Battilana and Dorado (2010) show how different belief systems were enacted in two cases of hybrids, which resulted in different priorities in hiring and promotion, but their study does not explore how selection and promotion decisions were made. Similarly, while Pache and Santos (2013) find that selectively coupling intact elements prescribed by each of the social and commercial logics helped hybrids maintain productive tensions between competing demands as they scaled their operations, their study does not examine the decision-making process generating those coupling decisions. In a study of a hybrid retail store, Besharov (2014) concludes that pluralist managers were the cornerstone of dealing with competing demands. Yet, we do not know how pluralist managers and others made decisions that upheld dual goals.

Overall, we know from past research that social and commercial goals may pull hybrids in opposite directions and that they can adopt different organizational designs to deal with these tensions. Yet, we still lack an in-depth understanding of how hybrids make decisions and how
these processes unfold over time as tensions between demands grow stronger. Our longitudinal study of CoopBank, before, during, and after its acquisition of the typical for-profit bank FinBank, helps fill this gap.

**SETTING**

The concept of cooperative banking dates back to 1775 in Europe. Uniting the role of owners with customers (Schneiberg, King, & Smith, 2008), cooperative banks aim to serve the interests of their customer-members. Unlike typical commercial banks that aim to maximize shareholder profit, cooperative banks pursue a social mission while also aiming to run profitable banking operations (Jaumier, Daudigeos, & Joannidès de Lautour, 2017). As a social mission, cooperative banks aim to bring financial protection to underserved consumers such as small-scale farmers (Richez-Battesti & Gianfaldoni, 2007; Schneiberg, 2011) to whom they charge lower fees and interest rates than their for-profit counterparts (National Credit Union Administration, 2016) and, more broadly, to support the socio-economic development of the communities in which they operate. As such, cooperative banks have long served as instruments of socio-economic development to reduce inequitable access to financial and banking services (Lomi, 1995; Schneiberg, 2011).

CoopBank began in the 1890s in Europe\(^2\) as a network of independent cooperative banks owned by their customer-members and united under a single brand. The network structure evolved over time. After World War I, the scattered independent cooperative banks needed help to facilitate financial coordination among themselves and created a central body, which we refer to as “CoopBank Inc.” CoopBank gradually expanded its customer base and range of activities to become a generalist banking service provider. In the meantime, it continued to offer affordable,

\(^2\) We omit the name of the country to respect confidentiality.
customized services to its customer-members, and to support the socio-economic development of the communities in which it operated. One former general director of CoopBank Inc. commented:

The cooperatives tend to distribute the profit in the form of discounts to the customer-members… Compared to the capitalist world that wants to maximize profit and incentivizes future investments, even at the cost of employees or clients, the cooperative world tends to favor customers and employees.

After building new business units in insurance, asset management, and credit, CoopBank started growing by acquisition in the 1990s in order to address the needs of its larger customer base and to continue supporting local socio-economic development. As growth begot growth, CoopBank started acquiring organizations in the sectors of consumer credit, private banking, finance, and investment banking. In 2001, CoopBank issued an initial public offering (IPO) of 46% of the stocks of its central organizational body. The 39 cooperative banks united under CoopBank held 54% of the capital of CoopBank Inc., by then a publicly listed entity. As the unifying organizational body, CoopBank Inc. undertook corporate functions such as finance, control, and risk management; the provision of support services such as marketing, communications, and office administration; and the management of subsidiaries. Yet, CoopBank Inc. did not wield hierarchical power over the 39 cooperatives. Instead, as the majority stockholders, the cooperatives had final say on strategic and operational choices. While becoming public, CoopBank made it a priority to maintain its focus on the joint pursuit of social and commercial goals. A president of a cooperative explained:

What is amazing… is that the IPO boosted our social values. During the IPO, we considered transforming the entire organization into a capitalist corporation. Eventually, this process enabled us to rediscover our difference. While other cooperatives were shrinking, we saw our cooperatives redynamize their customers’ membership, and reinforce the social mission and actions that support the development of the local communities.

Yet, over time, inherent tensions in the pursuit of social and commercial goals intensified as the organization grew, and culminated in the acquisition of the large commercial bank FinBank in
2003. Following the acquisition, CoopBank’s workforce almost doubled in size and brought in organizational members used to focusing solely on profitability. Additionally, due to the embeddedness (Granovetter, 1985) of the newly acquired corporation in networks of profit-driven stakeholders, the FinBank acquisition increased CoopBank’s sensitivity to such stakeholders’ demands. The culmination of these internal and external pressures thus favored commercial objectives over social ones, and led to mission drift. Overall, CoopBank thus provides an extreme case study of a hybrid organization struggling to sustain the joint pursuit of social and commercial goals, which makes the dynamics especially visible and thereby enables theory building (Pratt, 2000).

**METHODS**

We conducted a longitudinal study of CoopBank as it struggled to sustain its joint pursuit of social and commercial goals between 2002 and 2010. Our analysis covers the major inflections in CoopBank’s ability to balance dual goals as it grew and faced intensifying tensions and the threat of mission drift. We analyzed data using inductive qualitative methods and followed the canons of grounded theory (Corbin & Strauss, 1990; Glaser & Strauss, 1967), engaging in constant iterations between our data analysis and theory, until we reached theoretical saturation (Eisenhardt, 1989; Eisenhardt & Graebner, 2007; Miles & Huberman, 1994).

**Data Collection**

We relied on data from three primary sources: participant observation, semi-structured interviews, and archives. These complementary data allowed for triangulation, which increased the robustness of our interpretations (Eisenhardt, 1989).

*Participant observation.* One of the authors had been an organizational studies researcher for 11 years before joining CoopBank Inc. as a senior executive in 1999. While there, she
observed an organization whose functioning stood out from all others she had studied previously. In 2007, while still employed by CoopBank, she decided to conduct a formal study of CoopBank. Upon receiving authorization from top management, she set up a multi-year data collection plan. Her positions as the head of three core departments—direct banking, retail distribution, and industrial change—placed her at the heart of decision-making, which enabled her to capture and make sense of rich data that would otherwise be difficult to detect, access, and understand (Bartunek, 1984; Kellogg, 2009; Sanday, 1979). To establish and maintain professional distance with the field (Anteby, 2013), she took a sabbatical leave in 2008 for field research within CoopBank, and returned in 2009 in one of CoopBank’s foreign subsidiaries. In 2010, she was no longer an employee but continued to collect data. The period covered in our analysis runs from 2002 to 2010, the time during which she was a participant observer.

Based on direct observation and project documentation, the participant observer took field notes depicting the evolution from 2002 to 2010 of: CoopBank’s actors and their behaviors; their positions within the organization; their origins, education, and professional trajectories; their central concerns; the relationships between them; and what priorities they defended on a set of prototypical projects and how they did so.

**Semi-structured interviews.** The participant observer also conducted 114 semi-structured interviews of an average length of 90 minutes with 52 employees from the cooperatives and 53 from CoopBank Inc., interviewing some individuals multiple times. Using a theoretical sampling strategy, the interviews covered a variety of actors’ perspectives, including those of recent and longstanding decision-makers from the cooperatives, senior executives of CoopBank Inc., and employees of both, across the main functions of the bank—retail, corporate, and support. See Table 1 for the breakdown.
The interviews explored individuals’ professional trajectories, outside and within CoopBank, as well as their current functions in the organization, problems they faced, how they solved these problems, and the relationships they developed in their jobs. As the interview guide evolved (Strauss & Corbin, 1998), additional questions addressed interviewees’ motives for involvement in cooperative banking and personal background, the functioning of decision-making bodies and conditions to reach consensus, descriptions of prototypical projects, and controversies over social and commercial goals.

*Archives.* We also analyzed eight years of minutes of the plenary assembly, the primary decision-making arena at CoopBank. The minutes encompassed over 3,200 pages and reported all proposals discussed, as well as all decisions made from 2003 to 2010. The objective was to understand what was and was not debated at the assembly, and to track the evolution of the themes and nature of the proposals submitted.

**Data Analysis**

We analyzed decision-making at CoopBank in a three-step process, as shown in Table 2.

*Step 1: Identifying major overarching themes.* Through multiple iterations and constant fact-checking in accordance with grounded theory (Glaser & Strauss, 1967; Van Maanen, 1979), we identified key themes through an exploration of patterns in the data (Strauss & Corbin, 1998). We first performed open coding of the interviews and observation notes from which two pervading themes emerged: CoopBank’s peculiar decision-making process and the presence of specific groups of actors participating in the process. The decision-making process appeared to be

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3 We could not cover the entire time span of this study because CoopBank created the electronic database in 2003, one year after the start of our study.
central to the experience of all CoopBank employees, regardless of whether they belonged to the cooperatives or CoopBank Inc. Employees described decision-making as multilayer, iterative, and consensus-driven.\textsuperscript{4} To make a decision, participants engaged with multiple decision-making bodies, where they debated the proposals several times until reaching consensus.

\textit{Step 2: Unpacking the decision-making process at CoopBank.} Moving back and forth between our analysis and existing literature on organizational decision-making, it appeared that all testimonies, whether positive or negative, presented the multilayered decision-making bodies at CoopBank as spaces of negotiation, defined as arenas of interaction where organizational members exchange views and come to agreement, or not, on how to handle their daily social and commercial tradeoffs (Battilana et al., 2015). Spaces of negotiation thus became an anchoring theme in our analysis. Accordingly, we performed another analysis of our data that focused on how different group of decision-makers, both seasoned and newcomers, interacted in these spaces of negotiation. We compared them on four dimensions: their behaviors in the spaces of negotiation, the nature of the preparatory tasks they performed, their expectations from the spaces of negotiation, and their reactions after a decision was made.

Additionally, we also identified three distinct temporal phases in which the dynamics in spaces of negotiation varied: (1) 2002-2003, when CoopBank managed to sustain the joint pursuit of its social and commercial goals following decision-making processes and mechanisms developed over many years; (2) 2004-2007, when the acquisition of FinBank and associated significant influx of newcomers led to partial organizational paralysis and subsequent mission

\footnote{These three characteristics (multilayer, iterative, and consensus-driven) make the decision-making process at CoopBank peculiar. As we detail in our findings, the multilayer decision-making spaces offered many opportunities for discussion and debate over the submitted proposals, rendering the process highly iterative. Additionally, consensual decision-making was a requirement at CoopBank for any proposal that concerned core business, but it is not a general rule that prevails in all cooperatives.}
drift; and (3) 2008-2010, when CoopBank managed to balance social and commercial goals again. Across these three phases, we then examined the content of the proposals submitted and systematically coded who submitted them, and the scope of activities covered (retail banking, international banking, or investment banking). Finally, we systematically examined the links between the content discussed in the spaces of negotiation, actors’ behaviors in these spaces, and the outcomes of the decision-making process. This axial coding suggested a relationship between decision outcomes and who engaged in the spaces of negotiation, how they did so, and for what they vied while debating proposals.

**Step 3: Analyzing factors that influenced actors’ behaviors within spaces of negotiation.**

The information on actors’ biographies and roles from semi-structured interviews and participant observations led us to identify socialization—the set of organizational processes and systems that teach and reinforce desired behaviors and values in organizational members (Van Maanen & Schein, 1979)—as another major theme in our analysis. Echoing findings from existing studies on socialization (Ashforth, Sluss, & Saks, 2007; Feldman, 1976, 2002; Gomez, 2009; Jones, 1986; Saks & Ashforth, 1997), we identified actors’ selection, promotion, and training as the key factors that taught and reinforced desired values and behaviors. More importantly, systematic comparisons enabled us to analyze how differences in socialization led different groups of actors to enact specific roles in the spaces of negotiation.

We then combined data on the process, actors, and temporal phases in decision-making to generate patterns, going back and forth with existing literature. Figure 1 shows how we moved from first-order concepts to second-order themes to aggregate dimensions in our analytical process. The outcome of our inductive analysis is a model of collegial decision-making that upholds the joint pursuit of social and commercial goals in hybrid organizations like CoopBank.
2002-2003: SUSTAINING SOCIAL AND COMMERCIAL GOALS

Between 2002 and 2003, CoopBank sustained social and commercial goals through spaces of negotiation where decision-makers, intensely socialized into specific roles to play, made collective decisions that met both social and commercial demands. Representatives from CoopBank Inc. also participated in these spaces of negotiation. They could submit proposals and refine them. Yet, they had no decision rights.

Socialization of Decision-Makers and Dual Championing

The 39 cooperatives, as the majority stockholders, had final say on strategic and operational choices that concerned CoopBank’s core business activities. Specifically, two main groups had decision-making rights at CoopBank: the 39 general directors of the cooperatives oversaw the local level retail banking operations, and the 39 presidents of the cooperatives chaired the cooperatives’ board of directors. Eleven times per year, these 78 decision-makers gathered for a plenary assembly, during which they decided all important organizational matters. A third group of actors, who did not have voting rights but could submit proposals to decision-makers, were the senior executives of CoopBank Inc. in charge of the core business activities, i.e., retail banking which accounted for more than 80% of CoopBank’s revenue during phase one. Any proposal that concerned retail banking had to be submitted to the group of 78 decision-makers, who then decided the course of action during the plenary assembly. However, any proposal was intensively examined, discussed, and refined first.

While decision-makers all embraced CoopBank’s dual social and commercial values, our analysis shows that general directors and presidents prioritized different goals in decision-making.
Table 3 provides quotes that support our interpretations of the data in relation to the constructs that emerged from our analysis.

As a result of their different socialization through on-the-job experience, selection and promotion, and training, general directors championed commercial goals, whereas presidents championed social ones, which resulted in the dual championing of social and commercial goals in the organization.

**General directors as champions of commercial goals.** The socialization of the cooperatives’ general directors was closely intertwined with their membership in an elite community of CoopBank’s top managers, called the “elite corps.” Selection and promotion within this elite corps, of which all general directors were members, followed a long process. Candidate selection was based on performance in individual and collective tests that assessed their banking expertise, ability to collaborate, and adherence to CoopBank’s social and commercial values. Despite the high investment (CoopBank spent approximately €100,000 per candidate) and the fact that all candidates had worked in a cooperative bank in close proximity with cooperative members before applying, the failure rate averaged 50%. A candidate commented:

I have seen many brilliant people fail because they did not embrace our values enough. They were not team players, and they did not understand that we are part of a collective that goes well beyond a given cooperative. We have a mission to support the local community of all cooperatives.

Once accepted into the elite corps, promotion followed a long and highly selective process, on average over 10-12 years, in which candidates received extensive training and personalized coaching aimed at reinforcing their adherence to dual goals. Nevertheless, the failure rate to be promoted to general director was as high as 90%. Promotion criteria emphasized past achievement of business development, cost reduction, and profitability. A deputy general director explained:
What matters a lot to get promoted once you are in the corps is if your cooperative bank has gained market shares, if you cut costs, if you are making profit. That is why a deputy general director will never get promoted to general director of a cooperative if he has not been director of the finance or risk department.

Although members of the elite corps continued to show attachment to both social and commercial values, as indicated by their frequent references to the importance of proximity, territories, and local economic actors in their work, their on-the-job experience socialized general directors to prioritize commercial goals, expressed in statements such as: “what we need to do is to look at the profit and loss account” and “our focus is on financial results” (see additional quotes in Table 3).

Our analyses of the data indicate that when general directors assessed the relevance of projects, they most often considered business elements. Our observational data showed that general directors’ repeated concerns about the implementation of innovative proposals were costs and the loss or gain of market shares for their own cooperative, as well as consequences for the cooperative’s financial bottom line. Similarly, our interviews revealed that when discussing decision-making criteria, general directors tended to emphasize “profitability” and “financial results,” which led them to advocate for “closing agencies” and to “increase our prices” to sustain their operations.

**Presidents as champions of social goals.** As with directors, the socialization of the cooperatives’ presidents was also intense and lengthy. To be eligible, candidates first had to serve as a board member of a cooperative. After being invited to apply either by the president of the cooperative or by their local professional community, candidates were elected board members by the customer-members of the cooperative on the basis of their demonstrated commitment to the interests of the local community and their customer-members. A president recalled:

> Back then, I was a trade unionist in the farming industry. I became a board member to defend the interests of the agricultural cooperatives. When you are elected to that position, you are accountable to people who count on you to take care of their business and their community.
Once elected, board members undertook trainings to understand the technical aspects of cooperative banking and the importance of their role in making strategic and operational decisions that ensured CoopBank’s joint pursuit of social and commercial goals. Board members then elected the president of the cooperative from their midst. Presidents served one-year terms, but most were re-elected, with an average tenure of 10 years. Presidents, who dedicated at least a third of their work-time to CoopBank, gathered monthly as part of the Presidents’ Club, which offered conferences and workshops further emphasizing CoopBank’s dual values.

Despite their attachment to CoopBank’s dual social and commercial values, presidents emphasized social goals. The annual election system pushed presidents to remain loyal to local interests and social priorities. A president explained:

To be elected, board members have to trust you and think that you have something to bring to the table and that you will contribute to supporting the local community.

Our interview data and observations both showed the prioritization of social goals among presidents (see Table 3 for supporting quotes). For instance, presidents displayed very different reactions and behaviors than general directors when presented with innovative proposals. Their main concern was the customer-members’ perspective and satisfaction, as well as the local socio-economic development and employment rate.

In sum, both groups of decision-makers, general directors and presidents alike, went through intense socialization processes that led them to internalize CoopBank’s dual social and commercial values, as the quotes in Table 3 illustrate (cf. second-order theme titled “‘both/and’ agreement”). However, the combination of on-the-job experience, training, and promotion socialized different groups of decision-makers into the roles of champions of either social or commercial goals, a mechanism which we refer to as “dual championing.”
Socialization of Non-Decision-Making Participants in Spaces of Negotiation

As decision-makers, general directors and presidents not only decided on proposals but they also could submit proposals, and often did so on topics related to the cooperatives’ organization and local initiatives. Yet, they were not the only ones who could submit proposals. Indeed, our analysis of the proposals submitted over the 2002-2003 period indicates that it was the senior executives of CoopBank Inc. in charge of core business, who did not have decision-making rights, whose proposals usually dealt with critical strategic and operational issues pertaining to retail banking (54% vs. 15% for decision-makers). These included the launch of new products and services, changes in customer relationship management and the implementation of new regulations, notably in risk and control. In contrast, 63% of proposals submitted by decision-makers concerned the optimization of existing operations and processes meant to maintain continuity in the cooperatives. By proposing novel and innovative ideas to the decision-makers, non-decision-making senior executives of CoopBank Inc. played an important role in the organization. One senior executive explained:

We are here to initiate product innovations, to create new markets for the enterprise to position itself. Like that, just in a few years, we have managed to position ourselves well in a number of new market segments.

Another senior executive elaborated:

When we were launching a strategic project on liquidity management, we adopted a 3- or 4-year time horizon to evaluate how we were going to shift the balance between fundraising and credit… And what we expected wasn’t more than generating awareness! We threw it out there and waited for the shock waves… At first, the project naturally got blocked, but then it opened the path to new ideas. In the end, it served as a groundswell for this year’s strategic fundraising priorities.

General directors and presidents appreciated the crosscutting view of senior executives of CoopBank Inc., which they lacked at the cooperative level. For instance, customer attrition rates might have looked minimal at the local or regional levels, but a holistic look across the 39 cooperative banks revealed that the attrition was actually important and required change.
However, in contrast with decision-makers, senior executives of CoopBank Inc. received no formal training—two hours of orientation on the first day at most. Instead, on-the-job experience and frequent interactions with decision-makers served as the socialization mechanism for the senior executives of CoopBank Inc. At first, senior executives of CoopBank Inc. thus often experienced harsh remarks, opposition, and rejections when they submitted proposals. But as they repeatedly engaged in the decision-making process, they became increasingly aware of the decision-makers’ concerns and values. A senior executive of CoopBank Inc. explained:

I called [decision-makers] ‘death’s final hurdle!’ Not anymore, but the first time I presented a proposal to the general directors, their first reaction was: ‘Your stuff is sh**.’ And they were right! Anyways, when you face aggressive remarks, it means you have failed somewhere that you did not anticipate. Now, I know them. They are not death’s final hurdle anymore… I learned that at [CoopBank Inc.] you first have to show your file to the decision-makers. They mark it. You take their comments.

Table 4 provides a comparative summary of the socialization process and its outcomes for the three groups of participants involved in decision-making. As we detail below, the members of each of these three groups enacted the roles into which they had been socialized in spaces of negotiation, where they deliberated and then decided CoopBank’s strategic direction.

Multilayer, Iterative, and Consensus-Driven Decision-Making in Spaces of Negotiation

Among the multiple layers of decision-making arenas at CoopBank, the plenary assembly was the primary space of negotiation. Every decision about CoopBank’s core business of retail banking had to be made there. However, all proposals submitted were first reviewed by the relevant thematic committees that covered, for example, financial and banking policies, human resources, business development, and information technology. These committees each consisted of 12 representatives from the cooperatives’ 39 general directors and 39 presidents, who took turns sitting on the committees. The 12 committee members listened to and reviewed the
proposal, and decided on its admissibility based on whether it met both social and commercial demands, or at least did not harm either. Otherwise the proposal had to be improved before representation in front of the committees. In line with the respective roles into which they had been socialized, our observations point to committee members frequently raising contentious issues that threatened the joint pursuit of dual goals, including high implementation costs and inequitable profit sharing between the cooperatives and CoopBank Inc., mismatches with customer-members’ needs, and adverse consequences for local socio-economic development.

For example, in reaction to a proposal meant to improve customer mobility across cooperatives, general directors, in line with their role of champions of commercial goals, showed concern about their cooperatives’ market share and profitability. They were doubtful, gave negative feedback, and asked challenging questions. The participant observer repeatedly heard: “Show me that it works,” “Give us evidence that our profit margin is not going to be affected,” and “We need to see projections of customer loss and gain for our cooperative.” Conversely, presidents, concerned about the satisfaction of their customer-member base, pushed for proposal acceptance and, according to one president, “were surprised by the difficulty of making the proposal move to the next stage.”

When thematic committees raised objections, which almost invariably happened for a first submission, the proposal had to be revised. A proposal generally went through multiple presentations, each involving significant changes. In the process, senior executives at CoopBank Inc. often engaged representatives of local cooperatives to better understand their needs and, in some cases, even collaborated to pilot test the proposed change. Discussing this iterative decision-making process, a senior executive of CoopBank Inc. commented:

For the teams who work with this system… one needs qualities of a marathon runner. I think we went through 20 or 30 presentations before this proposal was validated at the plenary assembly.
On average, a proposal would be presented approximately five times in front of the thematic committees before reaching the plenary assembly. In addition, at CoopBank, all strategic decisions were made by strict consensus: no proposal was adopted at CoopBank unless all of the 78 decision-makers approved it. A president explained:

Decision is made by consensus, of course… There is a moment when there are no more questions. That means we agree. If there is not clear enough support, it is not ripe. We should not do it…We have to keep working on it.

Our analysis of observation data enabled us to understand further that the socialization of the three groups of participants in decision-making was a cornerstone in the effective functioning of spaces of negotiation. As a result of their socialization, each group of actors knew the importance of dual values and the rules of decision-making. Yet, they played different roles. Building on Weber’s (1978[1921]) definition of collegial structures—structures in which there is dominant orientation to a consensus achieved between the members of a body of experts who are theoretically equal in their levels of expertise but specialized by area of expertise—we characterize that the multilayer, iterative, and consensus-based decision-making at CoopBank was a form of collegial decision-making in which the dual championing of social and commercial goals by different groups of decision-makers ensured that both social and commercial goals were taken into account.

**Gradual Morphing of Proposals in Spaces of Negotiation**

Collegial decision-making combined with dual championing led to significant transformations of proposals over time. Table 5 depicts the gradual morphing of three prototypical proposals submitted by senior executives of CoopBank Inc. as they went through the decision-making process. For ease of understanding, we abstracted the multilayer, iterative process to its major milestones and only report the debates that took place at the plenary
assembly. Table 5 also illustrates various intermediate decisions (e.g., rejection, piloting) and final decisions (adoption or rejection) that came out of the collegial decision-making process.

<Insert Table 5 about here>

The duo saving project illustrates how iterations in the spaces of negotiation—when populated with socialized actors, including champions of social and commercial goals—led to the gradual transformation of the proposal until it met both social and commercial demands and received unanimous approval. However, the outcome of this process was not necessarily positive, as illustrated by the proposal to launch an internet service provider. As shown in Table 5, after piloting the proposal in five cooperatives and multiple feedback rounds, decision-makers were not convinced that it met both social and commercial demands, which led to the proposal’s rejection.

It is worth noting that decision-makers first rejected the proposal to acquire FinBank for being too costly and not appearing to meet social demands. However, after listening to senior executives of CoopBank Inc., decision-makers became increasingly convinced that not acquiring FinBank—and letting a typical commercial bank acquire it instead—would threaten CoopBank’s ability to continue to serve its local communities due to significantly increased competition. For instance, CoopBank could be forced to stop making loans to underprivileged and riskier customers, or making donations to local nonprofits. The decision-makers believed that such a scenario would have prevented CoopBank from achieving its social mission and thus eventually all voted in favor of the FinBank acquisition.

Our analysis of observation data further indicated that the roles of decision-makers as champions of social and commercial goals served as a buffer against personal conflicts as proposals were discussed and refined in spaces of negotiation. Indeed, each of the groups of actors involved in decision-making “knew which part to play,” as noted by the participant
observer. They also knew that others had to play their part too. As a result, when tensions emerged, they were less likely to deteriorate into interpersonal conflicts and more likely to be productive. The importance of roles as buffers was a recurrent theme in the analysis of the observation data. For example, a general director said, in response to a senior executive of CoopBank Inc.:

Oh, you know very well that it is not with us that you have problems. We do not always agree and we say it. But it is part of the game. We each defend our priorities! Everyone in the cooperative trusts you and your team. We work well together. If that was not the case, nobody would work with you and pilot test your customer relations project; you would not be able to interview and probe any general director nor president to know their thoughts.

While the combination of dual championing with collegial decision-making ensured the joint pursuit of social and commercial goals until 2003, the acquisition of FinBank marked a turning point in decision-making processes at CoopBank.

**2004-2007: SIGNIFICANT INFLUX OF NEW EMPLOYEES AND SUBSEQUENT PARTIAL ORGANIZATIONAL PARALYSIS**

A landmark event in CoopBank’s growth occurred in 2003, when CoopBank acquired the large commercial bank FinBank. As a result of the acquisition, CoopBank Inc.’s workforce tripled. As Figure 2 shows, while the size of CoopBank’s cooperatives remained constant at around 70,000 employees, CoopBank Inc.’s workforce went from 20,000 to 60,000 employees. The acquisition increased the relative size of CoopBank Inc. and its subsidiaries from 23% of CoopBank’s total headcount to 46%. By 2007, following the acquisition of additional commercial banks, the number of employees at CoopBank Inc. outnumbered those working for the cooperatives (54% vs. 46%). These changes in the composition of CoopBank Inc. significantly affected the effectiveness of spaces of negotiation in sustaining the joint pursuit of social and commercial goals.

<Insert Figure 2 about here>
Clashes in Spaces of Negotiation and Partial Organizational Paralysis

After the acquisition, former FinBank executives outnumbered incumbent senior executives of CoopBank Inc. by more than 2:1. Even though they were newcomers, the FinBank executives were highly respected, as FinBank was one of the three most prestigious banks in the country. Moreover, FinBank’s sizeable corporate and functional teams—which formerly served FinBank’s entire business—joined the corporate department of CoopBank Inc. As a result, incumbent senior executives of CoopBank Inc. became lost in the crowd of newcomers not socialized into dual social and commercial values nor into the rules of collegial decision-making prevailing at CoopBank. This discrepancy led to fierce clashes as newcomers entered the spaces of negotiation with mindsets and practices learned at FinBank.

Two major controversial proposals managed by former FinBank executives and ultimately rejected by the plenary assembly illustrate the tensions: the industrial project launched in 2005, and the risk and permanent control program that started in 2006. The industrial project aimed at implementing cost-rationalization and standardizing processes across CoopBank in all domains, including purchases, information technology, and human resources. The risk and permanent control program responded to a legal obligation for CoopBank Inc. to control the risks of all entities that composed CoopBank. Each project involved redesigning CoopBank’s organization to centralize decisions regarding the cooperatives’ customer-members, and to standardize services provided according to national-level performance criteria.

Unsurprisingly, decision-makers perceived that this reorganization did not fit CoopBank’s core social mission of serving its customer-members and supporting the socio-economic development of the local communities. The cooperative members liked that decisions were made
as close as possible to the locality, respecting unique local socio-economic needs. A former FinBank executive explained:

I believe in commercial proximity and that it needs to remain decentralized, but that the rest needs to be thoroughly industrialized and thoroughly centralized, with norms and discipline; and this is how we make our strength: cost synergies, which will reinforce efficiency and will reduce friction. Nowadays, we spend a lot of time talking for the sake of talking. There is a governance issue that we will have to solve. I think that central functions need to reaffirm their sovereign power.

Our analysis of both observation and interview data revealed that cooperatives perceived the centralization of decision-making resulting from these programs as an attempt to reverse the power structure at CoopBank, in which cooperatives had historically been dominant (see Table 3, second-order theme “complying with vs. deviating from the rules of collegial decision-making”).

Interestingly, in contrast with the dynamics we observed in phase one, increasing tensions in relation to both projects soon became personal. A clash between a general director and the industrial project leader (from FinBank) illustrates the personal nature of conflicts in this second phase. During a seminar at the peak of the industrial project turmoil, the general director said to the project leader: “You never tried to work with us on a shared scenario for this project.” The leader replied: “But you didn’t make me want to work with you.” This stood in sharp contrast with phase one, in which decision-making participants behaved according to roles that supported depersonalized and productive tensions between social and commercial goals.

In 2007 the tensions peaked, pulling CoopBank into intractable conflicts. A president recalled: “If CoopBank Inc. had continued, we would have gone to war.” While newcomers from FinBank pushed to rationalize CoopBank and transform it into a more typical and profitable commercial bank, decision-makers pushed back. Interestingly, presidents of cooperatives, who were the champions of social goals, were not alone in resisting. General directors, who were the champions of commercial goals, resisted too, for two main reasons. First, newcomers from
FinBank did not understand the importance of dual values. A general director of a cooperative noted:

The results of the industrial project are disappointing… We adopted the large groups’ centralized style, whereas we are a network of cooperatives that put the relationship with their customer-members and local development at the core of our mission. Cost reduction is not our priority.

Second, the prior socialization of former FinBank employees into typical commercial banking practices also affected their capacity to understand what happened when controversies intensified. They were accustomed to a typical pyramidal organizational hierarchy and expected vertical lines of accountability between CoopBank Inc. and the cooperatives. As a result, former FinBank executives entered spaces of negotiation expecting that their proposals would be accepted right away. Doing so, they violated the rules of collegial decision-making at CoopBank described in phase one and created a climate of distrust. In particular, they increased the decision-makers’ perception that CoopBank Inc. was trying to seize control over the cooperatives. Indeed, a former FinBank executive expressed that senior executives at CoopBank Inc. “should assert their power.”

Reacting to this kind of view, a general director of a cooperative said:

We are ready, on any issue, to build a solution. But bottom-up! For former [FinBank] executives, the problem is taken the other way around, and that is their issue. They think: how to convince? There has never been, in [CoopBank’s] history, projects that are successful without being endorsed by the cooperatives.

Under these circumstances, the clash between former FinBank executives and cooperatives’ decision-makers worsened over time and compromised the collegial decision-making process thereby leading to partial organizational paralysis. Indeed, the participant observer witnessed that the vast majority of the proposals made by senior executives of CoopBank Inc. between 2004 and 2007 were delayed or rejected. Describing the situation in 2007, a senior executive of CoopBank Inc. said, “All the proposals that we submit are received with suspicion. Paralysis is everywhere.”

Scope of Spaces of Negotiation and Risk of Mission Drift
While the partial paralysis that CoopBank experienced was of course costly for the organization, there might have been a silver lining if this partial paralysis had helped prevent the organization from mission drift. Yet, our detailed analysis of phase two revealed that this was not the case, suggesting that the mechanisms revealed in phase one (collegial decision-making in spaces of negotiation and dual championing) were thus not sufficient to prevent mission drift in phase two. Indeed, while decision-makers were able to oversee the decisions made in spaces of negotiation in phase two, they failed to update the content discussed in these spaces. Indeed, while the relevance of international and investment banking to CoopBank Inc.’s net revenue rose from 20% before the FinBank acquisition to 41% afterwards, these activities were not systematically discussed in spaces of negotiation, as they historically had not constituted core business activities at CoopBank.

Two factors contributed to this failure to update the content discussed in spaces of negotiation. First, because those activities were, until then, peripheral in comparison to the largely dominant retail banking activities in CoopBank Inc.’s net revenue, there was no process in place to discuss them in spaces of negotiation. Based on our systematic coding of the topics discussed in the thematic committees from 2004 to 2007, only 22 presentations pertaining to international banking and the evolution of CoopBank’s international network were formally discussed at the plenary assembly (4% of all presentations). Similarly, only 12 presentations were made about investment banking (2% of all presentations), mostly reporting on the progress of the merger or exceptional commercial opportunities. As such, between 2004 and 2007, the plenary assembly did not debate any strategic matter, financial results, or new product diversification related to investment banking.
Second, the decision-makers, both general directors and presidents, who were trained in retail banking, did not feel competent when it came to investment banking. As the new general manager of CoopBank Inc. and his new inner circle of senior executives were not socialized to participate in CoopBank’s collegial decision-making process or understand the importance of the dual social and commercial goals, they took advantage of the competence asymmetry to reduce the power of the cooperatives as majority stockholder. A president reported:

[Consensual decision-making] infuriated the general manager of [CoopBank Inc.] He [could] not stand the daily compromises, the bow and scrape game to make every decision go through. He did not want to tolerate the authority of people whom he considered as not very good.

A senior executive of CoopBank Inc. further commented:

At this time, the investment bank enjoyed incredible autonomy. Its general manager did not conceive of the investment bank as an instrument in the service of the cooperatives, not at all! All he wanted was to have his own clientele and make more profit!

This lack of oversight, coupled with financial analysts’ pressure to maximize profit, gave senior executives of CoopBank Inc. free rein to recruit technically competent people from competitive commercial banks to develop highly profitable activities, such as derivatives, and put them in charge. A senior executive of CoopBank Inc. in investment banking commented:

The guy just had to say: ‘On the financial markets, this is currently what does well,’ and if it produced good results, the idea would be approved within [CoopBank Inc.] without discussion in the assembly.

Unscrutinized, these senior executives engaged in subprime mortgage derivatives, deemed both risky and unethical by the cooperatives afterwards. Because of the fragile financial profile of their holders, such investments in speculative and toxic assets constituted mission drift for CoopBank.

2008-2010: REBALANCING SOCIAL AND COMMERCIAL GOALS

It was not until 2008, after the subprime mortgage crisis, that the cooperatives’ decision-makers realized their loss of control over CoopBank Inc.’s international and investment banking activities. As a result of this loss of control, far from being a bank different from all others,
CoopBank was now engaged in subprime mortgage derivatives and thus significantly affected by the crisis. CoopBank lost €6 billion because of the toxic investments decided by CoopBank Inc.’s international and investment banking executives, and the cooperatives had to recapitalize their public entity. In the midst of the subprime mortgage crisis in 2008, a general director commented:

Everyone is really shocked… Today, we are dealing with a disaster. A crisis… a very serious one! Our pride takes a blow. We feel angry, but feel even more ashamed. Shame on us, the decision-makers, for discovering the thing so late… not having seen it coming, not having put control mechanisms in place. We also feel bad for our employees and our members. We have to do something.

This “moral shock” (Jasper, 1998) led to intense emotional reactions that triggered actions to rebalance social and commercial goals and enable the cooperatives to regain control.

In subsequent years, decision-makers raised the cooperatives’ level of supervision over CoopBank Inc.’s international and investment banking activities in multiple ways. First, CoopBank created new spaces of negotiation and updated the content of what was discussed in both new and existing spaces to include international and investment banking. Second, to reestablish the multilayer, iterative, and consensus-driven process of decision-making, key decision-making positions, including leading positions in the international and investment banking branches, became occupied by organizational members socialized into CoopBank’s dual values, rules of collegial decision-making, and dual championing of social goals and commercial goals—which had supported the functioning of the spaces of negotiation in phase one.

**Knowing One’s Part to Play: Involving Socialized Directors in CoopBank Inc.**

Beginning in 2008, the organizational chart of CoopBank Inc. was completely revised. Former FinBank executives, who used to participate in the spaces of negotiation, were demoted from top management positions and replaced by socialized and experienced directors. Over 18 months, members of the elite corps of cooperative directors came to occupy the top decision-making positions at CoopBank Inc. and its subsidiaries. Former FinBank executives who had
been involved in the controversial projects were fired. Those not personally involved remained in lower-level positions, and a few of them were invited to enter the elite corps following the highly selective process and intense socialization that we described in the analysis of phase one. By 2010, socialized executives held almost all key positions at CoopBank Inc. According to a senior executive of CoopBank Inc.:

> Since directors who are familiar with our habits have reintegrated the leadership at [CoopBank Inc.], we have recovered our previous mode of functioning. And it works again! We have a terrific barometer—the thematic committees. We are congratulated, and our projects are validated. For six or seven months, the proposals have been approved again, and it is a real satisfaction. We do not feel in conflict anymore, while before it was terrible. No proposal was going through!

**Updating the Content of Spaces of Negotiation**

Starting mid-2008, a new strategic committee brought together the general manager and the president of CoopBank Inc., and one general director and one president elected by the cooperatives to represent them. This committee met monthly to discuss urgent topics and current affairs of CoopBank Inc., including international and investment banking activities. In 2009, CoopBank decided to devote two of the eleven annual sessions of the plenary assembly (18% of the plenary assembly’s time in the year) exclusively to the in-depth examination of subjects related to CoopBank Inc. In addition to these two annual sessions, from 2008 to 2010, the nature of the presentations related to both international and investment banking changed: top executives presented detailed reports to the plenary assembly on financial results, restructuring plans, employee compensation, and financial plans, which decision-makers could question and reject at any point, as depicted in Figure 3. The cooperatives thus regained significant control over CoopBank Inc.

<Insert Figure 3 about here>

Because of these measures, decisions concerning formerly isolated subsidiary activities soon realigned with the cooperatives’ ambition to pursue joint social and commercial goals. In the
following years, the cooperatives’ decision-makers also frequently and rigorously examined the portfolio of international banking activities, and CoopBank started selling its subsidiaries whose strategies could not align with CoopBank’s priorities, including a major company it had acquired.

Furthermore, CoopBank launched the 2010 Group Project, which contributed to rebalancing its social and commercial goals after the subprime mortgage crisis. It involved joint work between the cooperatives’ decision-makers and CoopBank Inc., and set priorities for the next decade, stressing the importance of the group’s local embeddedness, as well as its willingness to contribute to the socio-economic development of communities in which it operated.

**DISCUSSION**

Our longitudinal, qualitative study of CoopBank highlights that in order to make decisions that met both social and commercial demands, the organization relied on spaces of negotiation. While decision-making within spaces of negotiation had previously not been examined in the extant literature, our analysis revealed that decision-making in these spaces at CoopBank was collegial (that is, multilayer, iterative, and consensus-driven) and populated by actors socialized into dual championing. Indeed, our comparison of findings across phases summarized in Table 6 highlights that while the decision-making design may look the same (multilayer and consensus-driven), the actors who participate and the scope of what they discuss in these spaces of negotiation affects how the decision-making process is enacted and, as such, its outcomes.

<Insert Table 6 about here>

Phases one and three, when CoopBank balanced social and commercial goals, were characterized by the participation of socialized actors in spaces of negotiation. CoopBank instilled decision-makers into dual social and commercial goals, rules of collegial decision-making, and a specific role to play in these spaces—general directors as champions of commercial goals, and
presidents as champions of social goals, what we have referred to as “dual championing.”

Moreover, learning-by-doing within spaces of negotiation socialized the non-decision-makers into awareness of the same dual values while teaching them the rules of collegial decision-making.

In phase two, spaces of negotiation were still present and the multilayer and consensus-driven features of collegial decision-making remained the same. Yet, their effectiveness was threatened by the massive influx of former FinBank executives who had not been socialized within CoopBank. The newcomers did not understand the dual values and their importance for decision-makers, nor that they had to comply with the rules of collegial decision-making. By disrespecting the iterative feature of collegial decision-making and the dual decision-making criteria, they clashed with the cooperatives’ decision-makers in spaces of negotiation, which led to partial organizational paralysis.

While this partial paralysis suggests that spaces of negotiation were somehow effective in preventing the massive influx of newcomers from steering CoopBank away from its social goals, our analysis further reveals that spaces of negotiation were not sufficient to prevent mission drift. Indeed, in phase two, CoopBank failed to update the content discussed in these spaces to include international and investment banking activities, which went from less than 20% to more than 40% of CoopBank Inc.’s net revenue following the FinBank acquisition. This failure led to mission drift. In contrast, in phases one and three, the scope of proposals debated in the spaces of negotiation matched the scope of CoopBank’s business activities that accounted for the majority of its net revenue—mostly retail banking in phase one, and retail, international, and investment banking in phase three. Figure 4 depicts a model of collegial decision-making to balance social and commercial goals in hybrid organizations that emerged from our analysis.

<Insert Figure 4 about here>
Contributions

This study contributes to organizational research in several ways. First, while previous research suggests that hybrids may balance dual goals through sequential modes of decision-making that alternate meeting social and commercial goals through adaptive processes (e.g., Ashforth & Reingen, 2014; Jay, 2013) or through combining adaptive processes with stable organizational features (Smith & Besharov, 2018), our study highlights a different approach where the decision-making process jointly accounts for social and commercial goals. Specifically, our evidence suggests that two components were critical to balance social and commercial goals in decision-making at CoopBank: first, socialization led decision-making participants to understand and respect the dual values, and decision-makers to play the roles of champions of social goals and champions of commercial goals; second, the decision-making process was collegial—multilayer, iterative, and consensus-driven.

The collegial decision-making process, in which proposals were debated and negotiated in multiple instances and in which decisions had to be made unanimously, encouraged the different champions of the social and commercial goals to negotiate solutions that integrated both aspects of the dual demands. Together, dual championing and collegial decision-making reinforced each other and ensured that the decision-making process jointly accounted for social and commercial demands.

Second, our findings contribute to the literature on strategic decision-making by extending the literature on consensus. Building on Janis’s (1972) seminal work on consensus, research has showed through experiments that while pressures for early consensus and convergence among group decision-makers often lead to poor choices, consensus as an outcome of the decision-making process can be desirable (Priem, Harrison, & Muir, 1995). Desirable consensus generally
results from cognitive conflicts (i.e., confrontations of opinions), as opposed to affective conflicts that involve individuals and their relationships with others (Amason, 1996). Reasons underlying its desirability include increased cooperation, group cohesion and satisfaction, as well commitment to the final decision (Kellermanns, Walter, Lechner, & Floyd, 2005; Kilduff, Angelmar, & Mehra, 2000). While this idea of consensus as a desirable outcome is shared among researchers, there have been calls for research examining the processes enabling to reach consensus in organizations (Fan & Zietsma, 2017).

Consistent with Moscovici and Doise (1992), our study reveals that consensual decisions at CoopBank were the outcome of a collegial decision-making process characterized by no imposed timing nor obligation to reach an agreement, as shown by the several projects abandoned after long negotiations. However, while collegial decision-making was a driver of consensual decisions meeting multiple demands, it was not sufficient to sustain the joint pursuit of dual goals at CoopBank. To do so, CoopBank combined collegial decision-making with dual championing, through which decision-makers had a clear role to play and a clear goal to champion. Dual championing further maintained the conflict at the cognitive level, as roles served as a buffer against personal and affective conflicts during negotiations.

Third, the collegial decision-making model highlighted in our study departs from classic bureaucratic models favoring rapid decision-making and efficient administration (Weber, 1978[1921]). Our evidence suggests that while collegial decision-making may be both costly and time-consuming for the organization, it can help sustain the pursuit of multiple goals when combined with socialized champions of each goal. Collegial decision-making indeed offers extensive thoroughness in weighing administrative decisions and examining proposals from multiple standpoints, making conflicts productive and conducive of consensual decisions that
meet both social and commercial demands. This may be even more critical at times when the organization is challenged by internal and/or external dynamics likely to accentuate one of its goals (social or commercial), such as during organizational growth as was the case at CoopBank. As such, while Weber (1978[1921]) predicted the disappearance of collegial decision-making in organizational contexts, the rise of hybrid organizations that jointly pursue social and commercial goals may be associated with a revival of collegial decision-making in organizations (Battilana, Fuerstein, & Lee, forthcoming).

Finally, by examining the upholding of multiple organizational goals in a post-acquisition context in which the two merging organizations pursue different sets of objectives, this study delves into the emergence, evolution, and management of post-acquisition conflict (Graebner, Heimeriks, Huy, & Vaara, 2016). As such, it is one of the very first studies to explore the implications of acquisitions for hybrid organizations and how they can manage them. Our findings show how collegial decision-making combined with socialization into dual values and roles helped CoopBank rebalance its social and commercial goals after it updated the content of what was discussed in its spaces of negotiation. In doing so, our study extends prior work on spaces that offer organizational members the opportunity to collectively build agreements (Battilana et al., 2015; Kellogg, 2009) by identifying the conditions under which such spaces can help hybrid organizations to sustain the pursuit of social and financial goals even in the face of increased tension between social and financial demands as was the case following the acquisition of FinBank.

**Limitations and Future Research Directions**

Our study opens multiple future research avenues. First, our analysis is based on a unique case study of an organization pursuing social and commercial goals in a given institutional
environment. We thus call for future study of the contingencies of the decision-making mechanisms within hybrids across sectors, legal forms, and geographies other than banking, cooperatives, and Europe. Moreover, this study highlights that, at CoopBank, socialization helped key actors learn to play distinct roles that guided their behaviors in collegial decision-making taking place in spaces of negotiation. Future research is needed to investigate the generalizability of these roles, and their respective influence on the functioning of spaces of negotiation.

One particular aspect of our study is the fact that some non-decision-makers were active participants in spaces of negotiation by proposing new ideas and making innovative proposals to be negotiated with decision-makers. While such constant influx of innovative proposals enabled CoopBank to continue to thrive in phase one and late in phase three, future research should address questions such as whether non-decision-maker participation is necessary for making decisions that align with dual values and sustain the balance between dual goals. To what extent do non-decision-makers participating in collegial decision-making reinforce dual championing? Indeed, one might posit that frequent interactions in spaces of negotiation between decision-makers could diminish the effectiveness of dual championing over time by favoring homogeneity among them. In that case, is the role of non-decision-makers necessary to sustain the balance between dual goals by stimulating productive conflicts? Future research may help answer these questions.

Additionally, even though our study points to the importance of collegial decision-making at CoopBank, such an approach can be time-consuming and thereby costly for organizations. Future research may further examine the conditions under which such an approach is effective and viable. Relatedly, while collegial decision-making combined with dual championing is one approach to decision-making in hybrids, recent research suggests that sequential modes of
decision-making in which social and commercial goals are met on an alternate basis represent another kind of approach (Ashforth & Reingen, 2014; Jay, 2013; Smith & Besharov, 2018). Future research may examine when these different approaches are more likely to be used and with what consequences.

Furthermore, the relationship between emotions and conflict in group decision-making in hybrids warrants further examination. Whereas the literature warns that affective conflicts can diminish the quality of the decision (Amason, 1996), our study shows that the roles inculcated through dual championing served as a buffer against personal conflicts during negotiations as decision-makers were socialized into roles that involved distinct and complementary cognitive contents (i.e., values, goals, priorities), as well as the awareness of the necessity of these complementarities.

Finally, future research may also explore the role of emotions in safeguarding against mission drift. In phase three of our study, an emotional shock spurred CoopBank decision-makers to refocus their attention and actions on neglected social goals. Whereas in the context of social movements (e.g., Goodwin, Jasper, & Polletta, 2009; Jasper, 1998), an existing body of research documents how emotions can be conducive to social action (Wettergren, 2005), this question is unexplored in the context of organizations aiming to jointly pursue social and commercial goals. For example, while extant research tends to treat negative emotions as a liability in post-merger integration, our study suggests that, under certain circumstances, they can be an asset. Indeed, at CoopBank, decision-makers’ negative emotions led them to better understand their roles within the post-acquisition organizational boundaries, and to take actions to rebalance social and commercial goals. Future research may unpack these important issues.
CONCLUSION

At a time like now when an increasing number of corporations are expected to pursue not only financial but also social objectives, we need more research on the decision-making processes that uphold the joint pursuit of social and commercial goals. Hybrid organizations, such as CoopBank, constitute a very rich laboratory to understand how organizations can sustainably engage in such a joint pursuit. Our longitudinal, inductive study of CoopBank sheds light on the mechanisms that helped rebalance social and commercial goals after the organization drifted away from its social mission. Based on our analysis, we developed a model of collegial decision-making to balance social and commercial goals in hybrid organizations like CoopBank. In doing so, our study contributes to advancing our understanding of decision-making processes in hybrid organizations and to further developing foundations of a new theory of the firm that accounts for the joint pursuit of social and commercial objectives.
REFERENCES


### TABLE 1

**Interview Breakdown**

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<td>Employees</td>
<td>18</td>
<td>21</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>52</td>
<td>53</td>
</tr>
<tr>
<td><strong>Functional domains</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail</td>
<td>12</td>
<td>16</td>
</tr>
<tr>
<td>Corporate</td>
<td>11</td>
<td>24</td>
</tr>
<tr>
<td>Support</td>
<td>5</td>
<td>13</td>
</tr>
<tr>
<td>Management</td>
<td>24</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>52</td>
<td>53</td>
</tr>
<tr>
<td><strong>Socialization</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FinBank’s commercial banking values</td>
<td>-</td>
<td>17</td>
</tr>
<tr>
<td>CoopBank’s social and commercial values</td>
<td>52</td>
<td>36</td>
</tr>
<tr>
<td>Elite-corps members</td>
<td>24</td>
<td>17</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>52</td>
<td>53</td>
</tr>
</tbody>
</table>

* Note: the dashes represent the fact that senior executives of CoopBank Inc. had no decision-making rights; only general directors and presidents of cooperatives did.
## TABLE 2
Data Analysis: Stages of the Analytical Process

<table>
<thead>
<tr>
<th>Step</th>
<th>Analytical activities</th>
<th>Outputs</th>
</tr>
</thead>
</table>
| **1. Identifying major overarching themes in our interview and observation data** | - Open coded 114 interviews.  
- Explored patterns in the observation notes (more than 200 pages) and personal archives (about 500 pages).  
- Identified key themes.  
- Incorporated the extant literature.  
- Returned to raw data to confirm emerging insights.  
- Analyzed language used by the different groups of actors in decision-making to describe processes and interactions.  
- Analyzed professional background and trajectory of actors. | - Emergence of **two pervading themes**:  
1. CoopBank’s **peculiar decision-making process**, central to the experience of all CoopBank employees.  
   - Identification of recurring **keywords to describe decision-making at CoopBank**: multilayer, iterative (i.e., multiple decision-making bodies, in which proposals were debated and negotiated multiple times before reaching decision), and consensus-driven.  
2. The presence of **specific groups of actors**.  
   - Identification of **two main, yet heterogeneous, groups of actors**: decision-makers, composed of the 39 general directors of cooperatives and the 39 presidents of cooperatives; and non-decision-makers, composed of the senior executives of CoopBank Inc.  
   - Identification of a **subgroup of actors within the senior executives of CoopBank Inc.**, also highly heterogeneous: seasoned senior executives of CoopBank Inc. vs. newcomers. |
| **2. Unpacking decision-making at CoopBank:** | - Moved back and forth between our analysis and existing literature on organizational decision-making processes.  
- Compared the three groups of actors identified in step 1: general directors of cooperatives, presidents of cooperatives, and senior executives of CoopBank Inc., both seasoned and newcomers, on four dimensions:  
  1. **Engagement in the decision-making bodies**,  
  2. **Nature of the preparatory tasks they performed**,  
  3. **Their expectations from the decision-making process**, and  
  4. **Their reactions after a decision was made**. | - Emergence of a ubiquitous theme: **spaces of negotiation**: All testimonies, whether positive or negative, characterized the multilayered decision-making bodies at CoopBank as arenas of interaction where organizational members exchanged views and came to agreement, or not, on how to handle their daily social/commercial tradeoffs. |
| (a) Analyzed data to elicit decision-making bodies and actor engagement | - Systematically coded submitted proposals along two main lines:  
  1. Who submitted proposals for discussion: decision-makers or senior executives of CoopBank Inc., and  
<p>| <strong>(b) Analyzed data across phases</strong> | | |</p>
<table>
<thead>
<tr>
<th>Step</th>
<th>Analytical activities</th>
<th>Outputs</th>
</tr>
</thead>
</table>
| (c) Analyzed decision-making outcomes | - Examined the content of the proposals submitted across phases.  
- Axial coding of a sample of projects selected for their prototypical character: Systematically examined the links between the content discussed in the spaces of negotiation, actors’ behaviors in these spaces, and the outcomes of the decision-making process (adopted, rejected, or to be reworked). | - Suggestion of an association between decision outcomes and who engaged in the spaces of negotiation, how they did so, and for what they vied while debating proposals. |
| 3. Analyzing factors that influenced actors’ behaviors inside the spaces of negotiation | - Coded actors’ biographies and roles collected during semi-structured interviews and observations.  
- Reviewed existing studies on socialization and analyzed socialization of each groups according to these criteria: selection, promotion, and training.  
- Systematically compared data across three groups of actors. | - Identification of actor socialization as another major theme.  
- Emergence of dual championing as a key mechanism in the decision-making process:  
1. General directors as champions of commercial goals, and  
2. Presidents of cooperatives as champions of social goals.  
- Suggestion of a relationship between differences in actor socialization and these actors’ respective roles and associated behaviors enacted in spaces of negotiation. |
### TABLE 3
Data Supporting Interpretations of Second-Order Themes

<table>
<thead>
<tr>
<th>Aggregate dimension</th>
<th>Second-order themes</th>
<th>Representative quotes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Collegial decision-making in spaces of negotiation</strong></td>
<td>Multilayer</td>
<td>“On average, a proposal would be presented approximately five times in front of the thematic committees before reaching the plenary assembly. Once a thematic committee deemed a proposal ready, it was put on the agenda of the plenary assembly.” (A general director)</td>
</tr>
<tr>
<td></td>
<td>Iterative</td>
<td>“For the teams who work with this system… one needs qualities of a marathon runner. I think we went through 20 or 30 presentations before this proposal was validated at the plenary assembly.” (A senior executive of CoopBank Inc.)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>“But at [CoopBank], one does not always share the same vision, and that is okay… Because even though the group has never functioned through aligned decision-making, consensus still emerged through repeated debate and experimentation.” (A general director)</td>
</tr>
<tr>
<td></td>
<td>Consensus-driven</td>
<td>“When we decide on a proposal, we all work with common sense and, as a president, I defend the pursuit of social goals… If opposite opinions are expressed, we discuss until a consensus slowly emerges.” (A president)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>“Decision is made by consensus, of course… There is a moment when there are no more questions. That means we agree. If there is not clear enough support, it is not ripe. We should not do it… We have to keep working on it.” (A president)</td>
</tr>
<tr>
<td><strong>Management of contradictions in spaces of negotiation</strong></td>
<td>Tensions between distinct goals (social/commercial)</td>
<td>“Embracing social and commercial values is the art of dealing with contradictions! The enterprise needs to be profitable, whatever one thinks, because if we do not have the means to invest millions of euros in the investment fund or the social fund, well, we will not do it.” (A president)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>“We have to reconcile contradictions. We have a social mission towards the local communities, but for all that, we cannot let them do whatever they want. The borrower needs to be trustworthy, otherwise soon we will not be able to do our job.” (A president)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>“Presidents will oppose whatever goes against the members’ interests. They pay attention to cost for the customer and the quality of service. They defend farming, local industry, strong professions in their region. [As general directors] we look at the management side, and everything that is operational and business development. We do not support proposals that downgrade profitability.” (A general director)</td>
</tr>
<tr>
<td></td>
<td>Inescapable negotiation</td>
<td>“A proposal for a project that does not generate any revenue and that is costly cannot go through. As general directors, it is our role to make sure that business imperatives are accounted for. If there is disagreement, we then discuss with each other.” (A general director)</td>
</tr>
<tr>
<td></td>
<td>“Both/and” agreement</td>
<td>“If one looks at a sphere, one may only see half of it. But if one takes two people, one will get the global view of the sphere! Our viewpoint is different [from the general directors’] on the same reality. What matters to me is accountability towards the local communities… We are responsible for our communities’ livelihood.” (A president)</td>
</tr>
<tr>
<td>Aggregate dimension</td>
<td>Second-order themes</td>
<td>Representative quotes</td>
</tr>
<tr>
<td>---------------------</td>
<td>---------------------</td>
<td>-----------------------</td>
</tr>
</tbody>
</table>
| Variety of roles and practices | Decision-makers vs. non-decision-makers | **CoopBank Inc. senior executives’ role as non-decision-makers**  
“We are there to initiate product innovations, to create new markets for the enterprise to position itself. Like that, just in a few years, we have managed to position ourselves well in a number of new market segments.” (A senior executive of CoopBank Inc.)  
“When we were launching a strategic project on liquidity management, we adopted a 3- or 4-year time horizon to evaluate how we were going to shift the balance between fundraising and credit… And what we expected wasn’t more than generating awareness! We threw it out there and waited for the shock waves… At first, the proposal naturally got blocked, but then it opened the path to new ideas. In the end, it served as a groundswell for this year’s strategic fundraising priorities.” (A senior executive of CoopBank Inc.) |

| Champions of social vs. commercial goals | | **General directors as champions of commercial goals**  
“All general directors will tell you that it is the best job in the world. You are the boss of your enterprise. We all pursue a social mission and our cooperative banks have a good reputation in the outside world but what we, directors, need to do is to look at the profit and loss account.” (A general director)  
“Of course, we sometimes have to close agencies when there is no profitability, and this the elected presidents are having a hard time with.” (A general director)  
“The new general director is focusing on the financial results. We have to make several decisions—closing agencies, which will be difficult for sure. We also have to increase our prices.” (A director)  
**Presidents as champions of social goals**  
“The reason for my involvement is the regional vitality, its sustainable economic development.” (A president)  
“In what do we contribute to the development of the local economy? And what makes it such that tomorrow customers will push the door of our agencies? We try to leave what we find in a better state than before. The presence is not a concern, but as president, the long-term vision is really what puts pressure on me.” (A president)  
“I work to find solutions to consolidate the local industrial channels. These days I am trying to convince truck farmers to review their energy system. If I go see the prefect and I tell him we need to invest in cogeneration—because, among us, the Bank has got some power—then the production costs will go down for the farmers. I can help prepare the economic future of my region.” (A president) |
<table>
<thead>
<tr>
<th>Aggregate dimension</th>
<th>Second-order themes</th>
<th>Representative quotes</th>
</tr>
</thead>
</table>
| Complying with vs. deviating from the rules of collegial decision-making | “We are ready, on any issue, to build a solution. But bottom-up! For former FinBank executives, the problem is taken the other way around, and that is their issue. They think: how to convince? There has never been, in CoopBank’s history, projects that are successful without being endorsed by the cooperatives.” (A general director)  
“Since directors who are familiar with our habits have reintegrated the leadership at CoopBank Inc., we have recovered our previous mode of functioning. And it works again!” (A senior-executive of CoopBank Inc.)  
“[Consensual decision-making] infuriated the general manager of CoopBank Inc. He [could] not stand the daily compromises, the bow and scrape game to make every decision go through. He did not want to tolerate the authority of people whom he considered as not very good.” (A president)  
“How to convince… This goes against our culture… [Senior executives of CoopBank Inc.] first build theory to then develop it… Rather, cooperatives usually build on the ground, through experimentation, and if that works, it gets developed.” (A general director) |
| Socialization | On-the-job experience | “There is a profile of person who works at [CoopBank Inc.] One needs to be good at listening, consensus, structuration, and bouncing back, because one gets hit. And then one needs to accept, and should not have a very, very strong ego as success at [CoopBank Inc.] means passing one’s ideas to others. And then, they are not your ideas anymore.” (A senior executive of CoopBank Inc.) |
| Selection and promotion | | “I have seen many brilliant people fail because they did not embrace our values enough. They were not team players, and they did not understand that we are part of a collective that goes well beyond a given cooperative. We have a mission to support the local community of all cooperatives.” (A candidate to become a general director)  
“What matters a lot to get promoted once you are in the corps is if your cooperative bank has gained market shares, if you cut costs, if you are making profit. That is why a deputy general director will never get promoted to general director of a cooperative if he has not been director of the finance or risk department.” (A general director)  
“Back then, I was a trade unionist in the farming industry. I became a board member to defend the interests of the agricultural cooperatives. When you are elected to that position, you are accountable to people who count on you to take care of their business and their community.” (A president)  
“To be elected, board members have to trust you and think that you have something to bring to the table and that you will contribute to supporting the local community.” (A president) |
| Training | See Table 4. |
## TABLE 4
Comparative Summary of Decision-Making Participants

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Group 1: General directors of cooperatives</th>
<th>Group 2: Presidents of cooperatives</th>
<th>Group 3: Senior executives of CoopBank Inc. in charge of core business</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Function</strong></td>
<td>Overseeing local-level retail banking operations</td>
<td>Chairing the cooperatives’ board of directors</td>
<td>Corporate activities, provision of support services, and management of subsidiaries</td>
</tr>
<tr>
<td><strong>Socialization process</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Selection</strong></td>
<td>High selectivity: candidates underwent a series of individual and collective tests over several years</td>
<td>Democratic election process, with emphasis on the representativeness of each professional community</td>
<td>Recruitment on the external labor market</td>
</tr>
<tr>
<td><strong>Promotion</strong></td>
<td>Restricted to internal members of the elite corps who had previously occupied the functions of director and then deputy director</td>
<td>Path: from candidate to sitting on the board of directors of a cooperative, to president of a cooperative</td>
<td>Merit-based</td>
</tr>
</tbody>
</table>
| **Training**    | **Formal, highly organized, and long:**  
- Lengthy and highly codified process that regulated the evolution within the elite corps  
- Formal training and coaching of the candidate cost CoopBank approximately €100,000 | **Formal and organized:**  
- Evolving content  
- Monthly meetings at the Presidents’ Club, conferences, learning expeditions, and experience sharing | **Informal and unorganized:**  
- Knowledge transfer from experienced colleagues  
- Learning-by-doing and on-the-job experience in spaces of negotiation |
| **Outcomes of socialization** | | | |
| **Dual social and commercial values** | Full adherence as a result of formal socialization process | Full adherence as a result of formal socialization process | Gradual awareness as a result of informal socialization process |
| **Rules of collegial decision-making** | Full compliance | Full compliance | Gradual compliance as a result of experience in the spaces of negotiation |
| **Role**        | Champion of commercial goals | Champion of social goals | Providers of innovative proposals |

**Dual Championing**
### TABLE 5
Gradual Morphing of Three Prototypical Proposals and Corresponding Outcomes of the Collegial Decision-Making Process

<table>
<thead>
<tr>
<th>Milestone in collegial decision-making</th>
<th>Proposal 1: Duo saving project</th>
<th>Proposal 2: Internet service provider project</th>
<th>Proposal 3: FinBank acquisition</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Initial proposal submitted by senior executives of CoopBank Inc. to plenary assembly</td>
<td>Launching a new savings product (term deposit) sold by the local cooperative banks and managed by CoopBank Inc.’s finance department.</td>
<td>Launching an internet service provider to secure internet access and protect CoopBank from disintermediation.</td>
<td>Acquiring state-owned shares of FinBank.</td>
</tr>
<tr>
<td>2. Management of contradictions within spaces of negotiation</td>
<td>CoopBank Inc. senior executive arguments: To collect liquidities at a low cost for CoopBank Inc.’s national loan subsidiary. * President and general director views: The proposal obviously would translate into increased profit through sales commissions. However, as the customer-members’ deposits were limited, the cooperatives would have had to transfer part of their own liquidities to the subsidiary, which would have reduced their ability to finance local socio-economic development and fulfill CoopBank’s social goals.</td>
<td>CoopBank Inc. senior executive arguments: To have a captive clientele and be able push other services through internet provision. President and general director views: No consensus. Some were convinced that internet would transform retail banking and thus advocated for taking the initiative against new entrants. Most were reluctant to engage in internet banking for various reasons: internet banking threatened brick-and-mortar agencies, and thus, the socio-economic development of the communities in which they operated; lack of competencies; and lack of fit with core business activities. The project at this stage met neither social nor commercial demands.</td>
<td>CoopBank Inc. senior executive arguments: To grow and protect CoopBank’s position as a leader in the domestic market. President and general director views: No consensus from multiple debates. The supporters validated the growth and defensive arguments. The opponents brought up the cost of the acquisition, competition in urban areas, and the mismatch with CoopBank’s social values.</td>
</tr>
<tr>
<td>3. Consensual intermediary decision</td>
<td>Rejection: Consensus against the proposal. More evidence needed: Decision-makers from five cooperatives accepted to pilot the internet service provider in their cooperatives.</td>
<td></td>
<td>Rejection: No consensus reached. The decision-makers decided not to submit an acquisition offer to FinBank.</td>
</tr>
<tr>
<td>4. Senior executives of CoopBank Inc.’s reaction to the decision</td>
<td>Senior executives of CoopBank Inc. successively presented to the spaces of negotiation different versions of the proposal, which gradually evolved into the “Duo product.”</td>
<td>Senior executives of CoopBank Inc. made multiple attempts to generalize it to all cooperatives.</td>
<td>After the second domestic bank in the country—a typical commercial bank—acquired some of FinBank’s shares, senior executives of CoopBank Inc. made new attempts to influence decision-makers through direct contact with them in spaces of negotiation.</td>
</tr>
<tr>
<td>5. Management of contradictions within spaces of negotiation</td>
<td>Intense debates led to developing a scenario combining 50% of local term deposits (where funds would stay in the cooperatives) and 50% of mutual funds (where funds would stay at CoopBank Inc.’s level to fund its subsidiary), hence the product’s name.</td>
<td>After intense debates and multiple rounds of feedback, the pilot’s poor results led to consensus to end the project.</td>
<td>Arguments varied, including to remain the leader on the domestic market; to impede the competitor from entering CoopBank’s markets, which would threaten the socio-economic development of the local communities in which CoopBank operated;</td>
</tr>
</tbody>
</table>
“Duo.” Both social and commercial demands were thereby met.

Adoption: The newly emerged “Duo” project met both social and commercial demands: the cooperatives kept enough funds to support local community development while CoopBank Inc. was simultaneously able to support the commercial development of its subsidiary. The “Duo” project was deployed in the 39 cooperatives.

Rejection: The project met neither CoopBank’s social nor commercial demands.

Adoption: The revised framing of the new proposal met both social and commercial demands. CoopBank made a public offer to buy 100% of FinBank’s equity.

| Time elapsed from first submission to the plenary assembly to final decision | Proposal 1: 
Duo saving project | Proposal 2: 
Internet service provider project | Proposal 3: 
FinBank acquisition |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>9 months</td>
<td>2 years</td>
<td>1 year</td>
<td></td>
</tr>
</tbody>
</table>
TABLE 6
Summary of Findings across Phases

<table>
<thead>
<tr>
<th>Presence of spaces of negotiation</th>
<th>Phase 1: Sustaining social and commercial goals</th>
<th>Phase 2: Partial organizational paralysis and subsequent mission drift</th>
<th>Phase 3: Rebalancing social and commercial goals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

**Actors in spaces of negotiation**

- Aspects of decision-makers’ socialization
  - Adherence to dual values
  - Compliance with rules of collegial decision-making
  - Dual championing
  - Adherence to dual values
  - Compliance with rules of collegial decision-making
  - Dual championing
  - Adherence to dual values
  - Compliance with rules of collegial decision-making
  - Dual championing

- Aspects of non-decision-makers’ socialization
  - Awareness of dual values
  - Compliance with rules of collegial decision-making
  - The majority of non-decision-makers not socialized into:
    - Dual values
    - Rules of collegial decision-making
  - Awareness of dual values
  - Compliance with rules of collegial decision-making

**Scope of proposals debated in the spaces of negotiation**

- Matched the scope of core business activities (retail banking)
- Matched the scope of core business activities (retail, international, and investment banking)

**Collegial decision-making**

- Multilayer
  - Yes
- Iterative
  - Yes
  - Proposals morphed and negotiated until they satisfied both social and commercial demands
  - No proposal accepted unless every decision-maker agreed
  - Yes
  - Iterative process not respected; attempts made by senior executives of CoopBank Inc. to try and impose proposals
  - No proposal accepted unless every decision-maker agreed
  - Yes
  - All proposals morphed and negotiated until they satisfied both social and commercial demands
  - Yes
  - No proposal accepted unless every decision-maker agreed

**Consensus-driven**

- Yes

**Effectiveness of spaces of negotiation**

- Functioning
- Dysfunctional
  - Very few business decisions made; only projects proposed by presidents and directors accepted; projects proposed by senior executives of CoopBank Inc. rejected, resulting in partial organizational paralysis
  - Functioning
### FIGURE 1
Data Structure

**First-Order Concepts**

- Spaces of exchange and decision-making spread throughout the organization: professional committees, project committees, thematic committees, and plenary assembly.
- Necessity to go through the different stages and present proposals in front of the different committees before going in front of decision-making bodies.
- Loops of proposal presentation in front of committees before reaching the plenary assembly.
- Morphing of proposals across presentations to integrate decision-makers’ requests.
- Formal equality among decision-makers, in line with the principle “one member, one vote.”
- Enforced decision-making rule: consensus; decisions postponed and proposals negotiated and morphed until unanimity reached.
- Proposals presented in front of the decision-making bodies engendered the expression of tensions among its groups of actors with regard to the organization’s multiple objectives—social vs. commercial goals.
- Cooperatives’ local priorities vs. CoopBank Inc.’s crosscutting view of banking.
- No key strategic or operational action allowed without the formal agreement of decision-making bodies.
- Consensus requirement forced negotiation among the different actors involved in the decision-making process.
- Requirement to satisfy decision-makers various priorities in order to reach consensus.

**Second-Order Themes**

- Multilayer
- Iterative
- Consensus-driven

**Aggregate Dimensions**

- Spaces of Negotiation
- Variety of Roles and Practices
- Socialization

**Spaces of Negotiation**

- Tensions between distinct goals
- Inescapable negotiation
- “Both/and” agreement

**Variety of Roles and Practices**

- Decision-makers vs. non-decision-makers
- Champions of social vs. commercial goals
- Complying with vs. deviating from rules

**Socialization**

- On-the-job experience
- Selection and promotion
- Formal training (of general directors and presidents)
FIGURE 3
Themes Discussed at the Plenary Assembly, 2003-2010
FIGURE 4
A Model of Decision-Making to Balance Social and Commercial Goals in Hybrid Organizations

**SPACES OF NEGOTIATION**

**INCLUSIVE SCOPE:** All business activities

**COLLEGIAL DECISION-MAKING:**
- Multilayer
- Iterative
- Consensus-driven

**DUAL DECISION-MAKING CRITERIA:**
- Meet both social and commercial demands

**ACTORS IN SPACES OF NEGOTIATION**

<table>
<thead>
<tr>
<th>Decision-makers socialized into:</th>
<th>Non-decision-makers socialized into:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Adherence to dual values</td>
<td>• Awareness of dual values</td>
</tr>
<tr>
<td>• Rules of collegial decision-making</td>
<td>• Rules of collegial decision-making</td>
</tr>
<tr>
<td>• Role of dual champions</td>
<td>• Role of providers of innovative proposals</td>
</tr>
</tbody>
</table>

**DECISION-MAKING OUTCOME**

Projects that meet both social and commercial demands are adopted
Others are not

Submit proposals

Reinforces socialization