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# The Evolution of Corporate Management Practices as Employed in Conflicts between Labour Unions and Co-operatives

Curtis Stofferahn and Aaron Ley

Labour conflicts erupting between co-operative organisations and unions continue to defy our theoretical expectations. We ask, why did an agricultural co-operative, which had enjoyed a relatively harmonious relationship with its labour union, adopt corporate labour management practices that led to a 22 month-long lockout? We use a case study of the lockout to examine the conflict through a neo-institutional organisation theory framework where we conclude that noncongruent isometric pressures allowed the co-operative to conform to corporate management practices.

## Introduction

Americans are no strangers to the political, legal, and labour battles that have been waged over sugar manufacturing and distribution (see for example, Fuller & Supreme Court of the United States (1894) — U.S. v. E.C. Knight Company, 1894-1895). That is why a labour conflict that erupted at the American Crystal Sugar (ACS) Company in North Dakota and Minnesota's Red River Valley (RRV) in 2011 seemed so ordinary. Yet, the Red River Valley conflict involved a co-operative manufacturing enterprise formed in the 1970s by the acquisition of ACS by sugar beet growers who had become increasingly concerned about ACS's responsiveness to their needs (ACS, n.d.; New York Times, 1973). Despite thirty years of relative co-operation between ACS and members of the Bakery, Confectionery, Tobacco Workers and Grain Millers (BCTGM) International Union employed by the co-operative, the company instituted a worker lockout at five RRV plants in August 2011 after failed contract negotiations, and hired 900 temporary replacement workers. The lock-out lasted until May 2013 (Hughlett, 2013).

As Wetsel and Gallagher (1987) note, both labour unions and co-operatives profess moral legitimacy; each attempt to empower victims of market forces or market manipulation. Because of the similarity of their beliefs and histories, scholars of trade union and co-operative movements hint at their potential to realise mutually beneficial goals. It is believed that the similarity of their roots and interests promotes positive union-co-operative management relations. This common ideology is based on more than the mere acceptance of each other's right to exist; their ideologies include similar organisational values. It has become obvious, however, that a shared belief in democratically based joint action does not automatically form the basis for conflict-free relationships (Cornforth, 1982).

Conflicts between co-operatives and labour unions should be relatively rare occurrences and are worthy of study because they represent exceptions to *a priori* expectations. Wetsel and Gallagher (1987), for instance, documented strife between labour unions and consumer and producer co-operatives in Saskatchewan in the 1970s and 1980s. They attributed the increased strike action to the professionalisation and centralisation of the labour-relations functions within the confines of second tier co-operatives. These labour conflicts remain relevant and yet under-researched. This paper therefore aims to draw theoretical insights by examining the ACS lockout of the BCTGM workers drawing on neo-institutional organisation theory as a theoretical framework. We do this by employing concepts related to non-congruent institutional isomorphism (Bager, 1994) — especially institutional mimetic, and normative isomorphism (DiMaggio & Powell, 1983) — to guide our analysis of media accounts to explain ACS's adoption of labour management practices from the corporate sector. Our paper now turns to a summary of work that forms the theoretical foundation for our framework for analysis. From this, we focus on the following non-congruent isomorphic pressures: 1) increasing rationalisation

and bureaucratisation (institutional mimetic isomorphism); 2) increasing adoption of corporate culture (institutional mimetic isomorphism); and 3) the effect of employees and professional associations (institutional normative isomorphism). We then construct a case example using newspaper accounts of the ACS lockout of the BCTGM workers to examine the conflict through the framework of neo-institutional organisational theory.

## **Institutional Organisation Theory as a Theoretical Framework**

Isomorphism was noted by DiMaggio and Powell (1983, p. 148) who asked why such “startling homogeneity of organisational forms and practices” exists. They noted that an inevitable process of increasing similarity within well-established fields can be attributed to the processes of rationalisation and bureaucratisation, and that similar environments cause units within the same field to resemble one another.

DiMaggio and Powell (1983, pp. 149-150) contend that two types of isomorphism exist: competitive and institutional. Competitive isomorphism, based upon system rationality emphasising market competition, niche change, and fitness measures, is found within fields where free and open competition exists. Institutional isomorphic change occurs through three mechanisms: coercive, mimetic, and normative isomorphism. We draw upon institutional mimetic and institutional normative isomorphism to help explain why co-operatives adopt management techniques from the corporate sector.

Uncertainty, such as “when organisational technologies are poorly understood ... when goals are ambiguous, or when the environment creates symbolic uncertainty”, causes organisations to imitate one another through institutional mimetic isomorphism (DiMaggio & Powell 1983, p. 151). When organisations become more homogeneous, bureaucracy continues as the common organisational form. DiMaggio and Powell noted that organisational structural change is driven less by competition or efficiency, but instead by institutional mimetic isomorphic processes that make them more similar. Following Giddens (1979), they argue that “bureaucratisation and homogenisation emerge from the structuration of organisational fields” (DiMaggio & Powell, 1983, p. 147). This process of structuration is created by the state and professions, and these structured organisational fields lead to situations where “efforts to deal rationally with uncertainty and constraint” lead to institutional “homogeneity in structure, culture, and output” (p. 147).

Isomorphism can also occur through institutional normative isomorphism, which is associated with professionalisation. DiMaggio and Powell (1983) define professionalisation as an attempt by members of occupational groups to establish the conditions and methods of their work, to limit the production of members of their occupation, and to establish a disciplinary base and justification for their occupational independence. They assert that this professionalisation leads to institutional normative isomorphism. Noting that the growth in professions has occurred among organisational professionals of large organisations, DiMaggio and Powell argue that this increased professionalisation has resulted in workers’ allegiance being to their profession rather than to the organisation employing them, thereby making obsolete “the dichotomy between organisation commitment and professional allegiance that characterised traditional professionals” (1983, p. 152). Consequently, professionals in one organisation are very similar to their colleagues in other organisations.

Two characteristics of professionalisation are significant causes of isomorphism. One is when formal education systems are created by experts, and the second is created by professional associations spread across organisations. It is through universities and professional training centres that organisational norms for professional managers and staff are developed. DiMaggio and Powell suggest these methods develop a group of nearly identical persons who inhabit comparable positions across an array of organisations, and who have similar preferences and outlooks that may supersede differences in practices and authority that in other respects would guide organisational behaviour. We turn now to a discussion of our qualitative analysis and the theoretical framework that guides it.

## **A Theoretical Framework for Analysing Isomorphism and Co-operative Transformation**

While qualitative research typically uses theory to either ground a methodological approach or the epistemological paradigms that guide a study, Saldaña (2015) disputes the idea that theory construction should be the only role for theoretical thought in qualitative research and advises researchers to employ theoretical frameworks to guide qualitative studies. Drawing upon Bager (1994) we present a general analytical framework for the analysis of the transformation of co-operatives. As Bager outlines in his study of the transformation of Scandinavian farmer and consumer co-operatives, “qualitative analysis of isomorphic processes is possible through three stages: (1) identification of the sources of isomorphism, (2) categorisation of these sources into congruent and non-congruent forms, and (3) evaluation of their importance” (1994, p. 44).

Additionally, Bager (1994) identifies in his discussion about normative and competitive isomorphism, two forms of isomorphism that are important to understanding the transformation of co-operatives: “(1) congruent isomorphism which homogenises the population ... of co-operatives and sharpens its profile vis-a-vis non-co-operatives; and (2) non-congruent isomorphism which homogenises co-operatives with non-co-operatives” (p. 43). The key concept in our analysis is the role of non-congruent isomorphism in the transformation of co-operatives.

### **Non-congruent isomorphism**

Because we are interested in explaining why the co-operative adopted corporate labour management techniques, our focus is on non-congruent isomorphism. Within non-congruent isomorphism, we argue that there are three trends affecting co-operatives: 1) increasing rationalisation and bureaucratisation (institutional mimetic isomorphism); 2) increasing adoption of corporate culture (institutional mimetic isomorphism); and 3) the effect of employees and professional associations (institutional normative isomorphism).

### **Increasing rationalisation and bureaucratisation**

Because co-operatives are economic actors, they are affected by markets and technological change (Bager, 1994). Although the social and institutional structures that surround co-operatives may insulate them from market and technological forces, such insulation is incomplete in market economies. Bager argues that as co-operatives are “sellers and buyers of goods and services, as well as users of technologies ... their ability to handle these processes” affects both benefits produced for members as well as their survival (1994, p. 42).

Scholars have written extensively about co-operatives adopting corporate models. One strand of the literature focuses on co-operatives becoming like investor-owned firms as they mature (Bager, 1994; Cook, 1994; Hind, 1997, 1999; Mooney & Gray, 2002; Seipel & Heffernan, 1997), and this evolution has been noted by practitioners (Olson, 2012). Hind found that “co-operatives become more corporate oriented as they develop through time” (1997, p. 1081) and that “in later stages of the life cycle, the aspirations of the managers, rather than those of the farmers, are realised” (1999, p. 536). According to Bager (1994), co-operatives occupy but one kind of business organisation within a population of formal industry organisations and that tendencies toward mimetic isomorphism occurred early in the history of co-operatives because there were so many of them, and they formed a tightly knit group such that they became like each other and dissimilar to other business forms. As agricultural co-operatives grew in scale due to techno-economic and institutional changes causing them to operate in international markets, and as industrialisation depersonalised agriculture by classifying farmers as a factor of production, they have become subject to institutional mimetic isomorphic pressures which have driven them to adopt the practices of investor-owned firms (Hogeland, 2008).

Mooney and Gray (2002) and Seipel and Heffernan (1997) note the institutional mimetic isomorphic pressure on co-operatives to resemble investor-owned firms in their structure, decision making, and delegation of authority to managers. Increasing bureaucratisation of large

and complex co-operative organisations results in more centralised decision making, a loss of member governance, and delegation of authority to expert managers (Mooney & Gray, 2002). Further, Seipel and Heffernan assert that as co-operative members and boards of directors increasingly delegate authority to hired co-operative managers, pure economic interest has become dominant in co-operative decision making. Expert managers make decisions on 'technical' matters, and because of their technical nature, only experts with similar training are qualified to evaluate the merits of these decisions (Mooney & Gray, 2002). Mooney and Gray also point to Seipel and Heffernan's use of Lasley's (1981) analysis of co-operatives' inherent "dual objectives", to suggest that "maintaining member involvement and generating profit necessary for economic survival can be inherently contradictory" (Mooney & Gray, 2002, p. 11). In a competitive marketplace, this dialectical tension between the dual objectives of co-operatives is typically resolved in bureaucratic models rather than in a co-operative logic form. When this occurs, it becomes increasingly difficult to recognise the differences in behaviour between co-operatives and investor-owned firms.

### **Co-operatives increasingly adopting corporate culture**

Bager (1994) suggests that sometimes the influence of competitors can be very direct when they restrict or provide no choices to co-operatives involved in commercial relations or when modern technologies mandate organisational change even when it threatens a co-operative's identity. Other times, the effect of competitors and technology is more understated (Bager, 1994). The typical situation is where co-operatives are marginal and subject to two environmental pressures. As with other organisations, they are influenced by the environmental pressure of other actors which precludes or provides options for action; and they are pressured to conform to a more corporate identity (Bager, 1994). These pressures force them to search for strategies that would permit them to survive both as organisations and as co-operatives (Bager, 1994). The co-operative institutional framework, where it exists, would enable co-operatives, as economic deviants struggling to preserve their identity, to resist these isomorphic pressures.

Mooney and Gray (2002) noted that research on the conversion of agricultural co-operatives to investor-owned firms had been largely confined to the discipline of neoclassical agricultural economics and that co-operative theory is increasingly accomplished primarily within the discipline of neoclassical economics. This disciplinary approach to co-operative theorising has overshadowed prior disciplinary approaches, such as institutional economic approaches, which had guided co-operative theorising (Mooney & Gray, 2002). It presumes a one-dimensional rationale for co-operative conduct and decision making, and then moves from these concepts to examine actual behaviour. This theoretical exercise is likely to limit empirical examination to only that behaviour which is encompassed by these concepts (Mooney & Gray, 2002). Relatedly, Gray, et al. (2014) used the work of Fraser (1989) to understand how neoclassical economic discourse framed the reasons for the conversion of a new generation co-operative (NGC) to an investor-owned firm. They found that economic reasoning based upon neo-classical economics "was the dominant discourse used to initiate the discussion, especially to explain, justify, and defend the need for conversion" (p. 2). The board of directors' recommendation for conversion was "premised on neoclassical economics assumptions and bolstered by 'expert' consensus from the co-operative's accounting and legal advisors. Their unquestioned assumptions became the dominant discourse in the debate" (Gray et al., 2014, p. 2). Further, Stofferahn's (2010) analysis of a soybean processor's conversion from an NGC to an investor-owned firm noted that "the hegemonic discourse of neoclassical economics did not permit consideration of alternative arrangements by which the company would have retained a co-operative format". Rather it became "a heuristic narrative" by which it organised "common sense and hindered oppositional discourses" and "to that extent, neoclassical economics' theories become self-fulfilling through institutional design, social norms, and language" (p. 13).

### **The effect of employees and professional associations**

Co-operative employees and members are integrated into external social networks and organisations which may be a source of normative isomorphism. The social embeddedness

of members in the co-operative movement provides pressure to conform to co-operative philosophy resulting in homogenisation with other co-operatives. Bager (1994, pp. 47-48) noted that declining member influence in consumer and dairy co-operatives in Scandinavia created a vacuum for increased employee influence and more normative isomorphism facilitated by employees and their professional organisations. As the number of highly educated staff grew, the practice of internal recruitment of top management was replaced by external recruitment. Consequently, most managers were recruited with little emphasis placed on theoretical and practical knowledge of the specific characteristics of co-operatives, and increased emphasis was placed on educational qualifications and applicants being embedded in a network which promoted for-profit thinking. Most often they were recruited from universities and business schools where they were taught how to run profit-oriented corporations, but not how to operate member-oriented co-operatives. Thus, applicants tended to copy how commercial enterprises organised their operations and the goals that they pursued.

Craig (1980) discussed the professional aspects of institutional normative isomorphism, especially relating to co-operatives' professional staff who find their interests and careers aligned with their peers in investor-owned firms. In these firms, the co-operative would behave much more like an investor-owned firm with corporate-oriented aspirations and performance (e.g., profitability, capital growth, financial stability, positive corporate image) taking precedence over member-centred goals (e.g., offering goods or services to co-operative members at a better price than they would realise elsewhere, and opportunities to participate in co-operative decision making). In his discussion about reasons that co-operatives had not entered the fertiliser industry, Fulton (1989) noted that co-operatives may find it difficult to operate in the best interests of their members. Among the reasons given for this situation was that the goals and objectives of managers may not be the same as those of members, resulting in a principal-agent problem.

Murray (1983, p. 151) concluded that an agricultural co-operative transitioned from a "capital specific co-operative" to a "capital accumulative co-operative" over time, and that the decision regarding co-operative type reflected the corporate-centred activities of co-operative management. In addition, Murray noted that associated with these co-operative types were varying levels of conflict between the managers and members regarding autonomy of decision making and the control of capital, and that the aspirations of managers and members became increasingly divergent over time. He posited that when there is a divergence of objectives between members and managers, co-operatives will adopt objectives preferred by managers as the balance of control shifts from the members as managers assume greater responsibility for daily operations.

## **Methodology: One-shot Case Study**

We employed a one-shot case study in our analysis of newspaper accounts of the ACS lockout of the BCTGM workers. One-shot case studies are typically used for research questions that require thick description and seek to answer 'why' or 'how' a phenomenon occurs (Yin, 2009, p. 47). Analysis of the lockout represents what Eckstein (1975) calls a 'crucial case'; a case where we should expect to develop strong theoretical insights about the non-congruent isomorphic conditions precipitating the lockout. It represents a conflict that should not have occurred in the first place — the lockout and ensuing conflict occurred in rural areas with tight-knit community relations and long-standing goodwill between the workers and management.

Our case study relies upon secondary sources of information through newspaper and other scholarly accounts. Because of the importance of the sugar industry in the RRV of North Dakota and Minnesota, the area's primary newspapers — the *Grand Forks Herald*, the *Fargo Forum*, and *AgWeek* — covered the lockout extensively. Ideally, we would have conducted interviews with all principal players in the lockout, but we encountered many of the same obstacles that past researchers faced in gaining access to managers and board members (for example, see

O'Connor et al., 2016). While union representatives were widely accessible to the media, the only authorised spokesperson for the co-operative was the co-operative's vice president for administration.

As discussed earlier, Bager (1994) argues that researchers can adopt a systematic, qualitative analysis of isomorphic processes using a thorough methodological framework as presented above. In the next section we apply aspects of the theoretical frameworks to examine the factors contributing to the lockout to identify sources of non-congruent isomorphism in relation to rationalisation and bureaucratisation; adoption of corporate culture; and the effect of employees and professional associations.

## **The Case – American Crystal Sugar Lockout**

### **Increasing rationalisation and bureaucratisation (institutional mimetic isomorphism)**

Several explanations for the ACS co-operative's evolution towards a more corporate style of philosophy and governing structure included that it has adopted centralised decision making and a corporate bureaucratic structure, and that the bottom-line orientation of new generation co-operatives, such as ACS, results in adopting an investor culture. Our review of secondary sources indicated that the co-operative members either explicitly trusted management's decision or were reluctant to discuss it (Hughlett, 2011; Pates, 2011a). Pates (2011a) reported that *Agweek* had attempted to interview more than a dozen growers who were knowledgeable about the status of the expired contract, including current or past members of the RRV Sugarbeet Growers Association or long-time ACS shareholders. He found that many appeared to support the management's handling of the lockout, although few wished to discuss it publicly.

One Minnesota grower admitted that commenting on it "doesn't do us much good" (Pates, 2011a, para 5). His comments indicated that sugar beet growers were being increasingly insulated from the activities of management. Although he conceded that he was not familiar with all the "fine details" of ACS's management proposals, he thought most growers approved of the company's handling of the lockout and labour negotiations. Another company shareholder from Minnesota "expressed sympathy for the workers and wanted to keep a viable union in place", believing that having the union's support for the sugar programme was politically important in the coming 2012 farm bill debate (Pates, 2011a, para 7). He was reluctant to say, however, whether the union had conducted itself wisely during the lockout or whether union members should reconsider the company's final offer. One grower stated that management had warned farmers and shareholders that "unions had accumulated 'unbelievable power' and had "gotten 'too carried away' in control of job rules" (Pates, 2011a, para 13).

Our analysis also suggests that growers viewed their crops as "investments". One prominent co-operative member noted in a letter to the editor (Hejl, 2011), that the owner members had given considerable thought to the lockout situation but because the growers were substantially invested in sugar beet crops waiting to be harvested, they could not risk a poor return on that investment by failing to have workers ready to process the crop. Hejl (2011) believed that if this were to happen, it would be a poor decision for them, the co-operative, and the employees, adding that the co-operative members recognised that changes had to be made in the company's labour contracts to ensure that the co-operative could compete in the sugar market.

Organisational effectiveness was another theme that emerged from our review of secondary sources. This became evident when a former president of the American Sugarbeet Growers Association said he felt that management had been "exonerated" by the National Labour Relations Board when, in August 2011, it dismissed a union charge that the company had failed to negotiate in good faith (Pates, 2011a, para. 6). He believed that a central issue in negotiations over the contract was whether management had "the ability to put 'people where they're most effective' in the plant, regardless of seniority or educational credentials" (para 9),



adding that farmers can understand that thinking because “that’s how we operate on our own farms” especially after adapting to high-tech equipment changes (para 10).

Shareholders’ continued support of management’s decisions regarding negotiations was further supported by a news report in April 2012. In that report (Pates, 2012), ACS’s spokesman said management had meetings in April with shareholders and there was “good discussion about what the cost of the lockout has been” (para 9). He said comments from shareholders indicated their support for the company’s position. When the company made its final offer to the union — although slightly amended from the one that union members rejected in July 2011 which initiated the lockout — a news reports indicated that management and shareholders were firmly determined not to change (French, 2013; Hughlett, 2012, 2013; Xiong, 2012). Company officials were reported as saying that shareholders had given them a clear directive to stand firm (Eccher, 2012).

Our review of sources also indicates that workers began using discourse suggesting the evolution of ACS toward a more corporate style. A locked-out ACS worker, in two letters to the editor, pleaded with grower members to stand up to ACS leadership. He stated that questions had not been asked of the board of directors, or the CEO about the decision to lock out experienced and dedicated employees (Solum, 2012a). Solum requested that growers reassert control over ACS explaining that management had continued to show its indifference to both growers and employees, which had cost millions of dollars through “neglect, irresponsibility, and poor business practices” (2012b, para 3).

The discourse that was used by families of locked out workers also criticised the corporatised model that had been adopted by the co-operative. In a letter to the *Grand Forks Herald*, one resident stated that “farmers” wanted the lockout ended, and blamed “growers” for acceding to the demands of the management sector:

... the ‘farmers’, I believe, want to end the lockout ... There still are some honorable people who deserve the title of “farmer” ... Many others are merely “growers”. Perhaps they are younger, someone who inherited their enterprise with few of the sacrifices of those who came before them. They care little about others who are affected by their greed, including their own friends or family members who now are struggling because Crystal and the growers took away their livelihood (Wixo, 2012, paras 4, 5 and 7).

Further evidence of the increasing rationalisation and bureaucratisation of the co-operative could be found in the tactics that were used during the lockout. To maintain production, for example, ACS partnered with Strom Engineering (Pates, 2011b), a firm established in 1961 that specialised in providing “contingent workforce solutions” (see Strom Engineering Corporation, n.d.). Strom Engineering had amassed years of experience helping firms to overcome the severe opportunity costs related to developing strategies to negotiate contracts on their terms. The utilisation of firms like Strom Engineering demonstrates how specialised consultants can be brought in to insulate firms like ACS from the inevitable shocks that are caused by labour conflicts.

### **Co-operatives adoption of corporate culture (mimetic isomorphism)**

The emphasis on the bottom line typical of new generation co-operatives (NGC) like ACS results in adoption of a corporate “investor” rather than a co-operative “user” culture. So much so that they more closely resemble and act like investor-owned firms with an emphasis on profit (Torgerson et al., 1998). As the lockout approached its first-year anniversary, the question arose how an organisation that was organised upon community-based ideals, to which co-operatives usually aspire, had changed to be more concerned about its financial bottom line (Olson, 2012). Bill Patrie, the executive director of Common Enterprise Development, responded that it was not uncommon for a thriving co-operative to change into a business form quite different from its origins:

In the case of American Crystal — and many other co-ops of its age or financial size — there is a morphing into a more corporate model, where cash returns are the measure of the company’s success rather than the service provided to its members (Olson 2012, para 5).

We expected to find evidence of neo-classical economic theory taking root in the discourse and the actions that were being used while the lockout was playing out. The increasing predominance of neoclassical economic theory drives the co-operative away from a co-operative logic towards a more corporate orientation. News articles about the lockout showed evidence of the company adopting the language of neoclassical discourse with emphasis on the financial bottom line as justification for the lockout. One news article cited ACS CEO David Berg who blamed labour costs for the lockout (Olson, 2011). One editorial stated that the only explanation for ACS's labour strategy was that "the strategy is to reduce costs by cutting jobs ... this adds another element of danger to the sugar program, which is already at risk in Congress. Crystal's calculation is both financial and political" (Jacobs, 2011, paras 1-3).

The most provocative comments demonstrating how management viewed the costs associated with the labour union contract were contained in an audio tape of a shareholder meeting released by the union. In it, the company's CEO described the union contract as a "cancerous tumour" that threatened the firm's existence and that it would have been "the simplest thing in the world to just renew the old contract ... let them keep the health benefit, give them a 2 percent wage increase and not change anything else" (Haga, 2011, para 8). But he continued:

... at some point, that tumor's got to come out ... I'm not going to lie to you. It's expensive. We're investing a lot of your money [in the labor struggle] so that you'll be profitable in the future ... We can't let a labour contract make us sick forever and ever and ever. We have to treat the disease and that's what we're doing here (Haga 2011, paras 9, 10 and 14).

When these comments became public, the company quickly responded to the backlash to contain some of the public relations damage this caused during negotiations. However, the company strengthened their commitment to minimising labour costs when the company spokesman maintained that the union contract had grown over time, and it no longer reflected the realities of the company or the economy.

Workers and union officials also adopted some of the neoclassical rhetoric about company profitability. The language used in letters to the editor and in news articles quoting union officials indicated that the locked-out workers were essential to the company's profitability. For example, a locked-out worker (Solum, 2012a) and the Minnesota American Federation of Labor and Congress of Industrial Organizations (AFL-CIO) president (Knutson, 2011) both stated that the union workforce was essential to the co-operative's profitability. Frank Hurt, BCTGM Union president, pointed out that the union workers "helped make Crystal Sugar one of the most profitable and productive companies in the U.S. sugar industry" (Hurt, 2012, para 15). A former ACS Chief Financial Officer (Carlsen, 2012) stated that replacement workers could not match union workers' productivity and a local union president was reported as claiming their use would affect profits (Lee, 2012).

One member of the BCTGM negotiation team interpreted ACS's strategy as being necessary to protect shareholders and customers, but nevertheless found that kind of justification "offensive" because the labour union workforce had worked 'extremely hard' to make ACS a profitable company", and it implied that "the workers would undermine the company" (Pates, 2011b, para 37). He stated that their continued employment was dependent on ACS having customers and growers. Sharing this view, the BCTGM local union president explicitly appealed to co-operative members' "economic interest" (Bjorke, 2012, para 2) and argued that "[t]he company has sacrificed profits ... by using replacement workers instead of union labor, and co-operative farmers' payments of \$59 million per ton is lower than what growers in similar co-operatives had received" (para 10).

As indicated above, many locked out workers and their families shared this view and argued that union workers had kept the company profitable (Pederson, 2011; Puppe, 2011, Schuster, 2011). The use of inexperienced temporary workers was also causing costs to rise in other areas (Pates, 2011b; Schuster, 2011). It also became evident that the lockout had caused damage to co-operative-community relationships when replacement workers were hired to fill positions held by long-time area residents. Locked out union members and their union

representatives described ACS as treating its employees as expendable and replaceable. When one commentator wrote to *Grand Forks Herald* claiming that workers at ACS were expendable (Cline, 2011), it met with the response that the ACS product was also replaceable (Heden 2011). According to one West Minnesota area AFL-CIO official and member of BCTGM:

The jobs we do, it's not rocket science, nor are we brain surgeons. But the jobs we do in the factory are very skillful jobs. I just don't believe they are going to be able to run five factories with transient workers who have never been in a sugar factory (cited in Gulya, 2011, para 9).

In response to a letter from one of the workers at the plant during the lockout (Anderson, 2011), Overby (2011) countered:

How would [... anyone] feel if her company locked her out of her job after years and years of service? She would feel hurt and betrayed. Then, she should imagine what it's like to have the scabs come and do the job she should be doing. I think she would react the same way (para.5).

Similarly, in her letter to the editor, Villarreal (2011), stated that the company had betrayed not only the workers but the community:

Many of the employees have been there 20 or 30 years. When you have been working for a company for that long and the company locks you out because their "best and final offer" is unacceptable, it's a betrayal — not only of the workers but of our whole community (para 10).

Even Minnesota US Senator Franken (2011) warned about the sense of betrayal union workers felt at replacement workers taking their jobs, as well as the irreparable harm done to the community and to the sugar consensus in Congress if the lockout continued.

Another anecdote that is representative of the increasing disconnection between the co-operative and the community was included in a letter written to the newspaper from the wife of a 35-year employee. She had found copies of *The Crystalliser*, a magazine published in the late 1970s and 1980s that celebrated the ACS "family". The magazine contained pictures of weddings, children, and the parties the company threw after the successful end of a beet processing campaign, and it demonstrated the pride that employees took in their work as well as the feeling of being part of the co-operative-union family. She lamented that the lockout had scarred those memories as workers who had dedicated their lives to the co-operative never thought that it would "stick a knife in their back. But I guess that's why they call it corporate greed" (Marvig, 2012). Other writers also emphasised that corporate greed was the driving force behind the lockout, and that the co-operative was no longer concerned with employee or community relationships (Bailey, 2012; Grahn, 2012a, 2012b; Hurt, 2012; Wixo, 2012).

## **Employees and professional organisation**

Non-congruent isomorphism associated with employees and professional organisations is relevant in explaining the increasing isomorphism between co-operatives and corporations. The predominance of neoclassical economic theory in training co-operative managers drives the co-operative away from a co-operative logic towards a more corporate orientation and this was reflected in our review of secondary sources. For instance, one prominent business consultant, and former co-operative board member, attributed the co-operative's problems to its corporate management style:

Much of the company's top corporate management — many of whom are from this area or other rural areas around the U.S. — also have been regarded as among the best in American corporate management. It seems to me that most of American Crystal's problems came the more corporate types ran the company (Kingsbury, 2011, para 3).

In accounting for the evolution in the company's co-operative philosophy and community orientation to a more corporate philosophy and grower only orientation, BCTGM's president attributed it to a replacement of the co-operative's administration with corporate professionals lacking community ties:

In 2007, Berg became president and chief executive officer, and things have changed. In 2011, the co-op's negotiation team is led for the first time by Joe Talley, Crystal's chief operating officer. Talley, an accountant, is accompanied by a team that includes Brian Ingulsrud, Crystal's vice president of administration, and Jim Dawson, a company lawyer from a Minneapolis firm (Pates, 2011b, paras 16-17).

Overall, we found that non-congruent isomorphism associated with employees and professional organisations was less relevant in explaining the corporatisation of ACS and the lockout. We hesitate to conclude, however, that it did not have an impact on the evolution of ACS.

## Conclusion

Our research asked why the ACS co-operative, which had enjoyed a relatively harmonious relationship with its labour union, began adopting corporate labour management practices. Using a theoretical framework grounded in neo-institutional organisation theory we posited that non-congruent isomorphic pressures of rationalisation and bureaucratisation (institutional mimetic isomorphism), adoption of a corporate culture (institutional mimetic isomorphism), and the effect of employees and professional associations (institutional normative isomorphism) were all key to explaining the co-operative's adoption of corporate labour practices.

Based on the analysis of qualitative data from news reports, we found more support for the impacts of non-congruent isomorphic pressures of increasing rationalisation and bureaucratisation (institutional mimetic isomorphism) and increasing adoption of corporate culture (institutional mimetic isomorphism) as explanations of ACS adopting corporate labour management practices. We found less support for the effect of employees and professional associations (institutional normative isomorphism), although we acknowledge that finding evidence for the institutionalisation of management practices that become part of the normative framework created by professional associations could only be pursued with the co-operation of ACS management.

Still, our findings are important because they suggest that we might expect to observe the eruption of these conflicts more often with increased rationalisation and bureaucratisation of co-operatives, and as corporate cultures become more entrenched in co-operatives. Indeed, ACS management's execution of the lockout strategy may serve as a lesson for managers of future conflicts that occur between co-operatives and labour unions. Our most important contribution to extant literature and practice is that co-operatives are becoming even more corporatised. Indeed, the RRV conflict may be the proverbial canary in the coal mine with respect to co-operative-labour relations.

While we hesitate to overstate the generalisability of our findings, we nevertheless encourage scholars to further study the dynamic of labour-management relations between co-operatives and unions in fields beyond agriculture production. If mainstream co-operatives like ACS are adopting the same labour strategies as corporations, then there is even stronger evidence that traditional co-operatives are developing characteristics typical of new generation co-operatives.

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