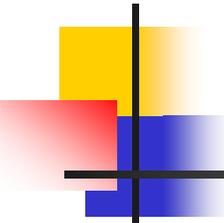


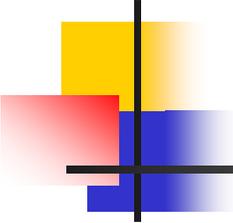
Co-operative principles ten years on

Johnston Birchall



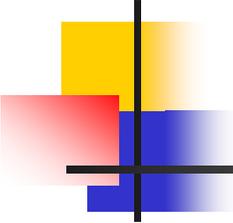
Purpose of the background paper

- Is the relationship between the values and principles understood?
- What progress has been made in the ten years since the 1995 revision?
- How has globalisation affected the co-operative form of business?
- Have the values and principles given us a 'co-operative advantage' over other forms of business?



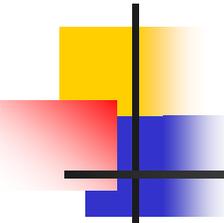
Why the 1995 revision?

- Laidlaw identified three crises:
- a crisis of *credibility* - co-operatives still had to prove their viability as business organisations
- a *managerial* crisis - as co-ops became larger they faced the problem of how to keep an active membership and to curb the technocratic power of their managers
- an *ideological* crisis - 'gnawing doubts about the true purpose of co-operatives and whether they are fulfilling a distinct role as a different kind of enterprise'



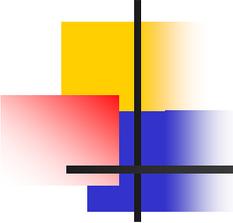
What was different about the 1995 revision?

- It included not only an update of the Rochdale Principles but an identity statement and two sets of values (basic and ethical) that underlie the principles
- From the inside it was an attempt to revitalise a co-operative 'movement' and give it some future direction
- From the outside it looked like an attempt to develop a global 'brand' for co-ops and other 'membership-based' businesses
- It employed a deliberative approach to principle-building that provided a practical consensus
- This means the values and principles are not 'set in stone' and can be revised again



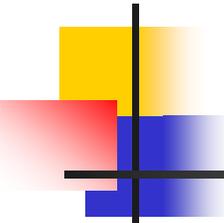
Is more work needed on the co-operative principles?

- They need to be made more coherent philosophically (not just a list)
- They need to be ranked in order of importance. Is there a core set of *user ownership, user control* and *user benefits*?
- They need to be connected up more clearly with co-operative business practices
- The 'co-operative business advantage' has to be demonstrated



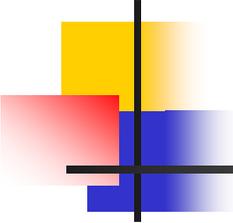
Co-operative values and principles reordered

- The primary value **Liberty** leads to secondary value **Equity** to the **Democratic member control** principle to a practice such as **director education and training**
- The primary value **Equality** leads to secondary value **Self-help**, to the **Member economic participation** principle, to the practice of **'Dividend' cards**
- The primary value **Solidarity** leads to secondary value **Self-reliance**, the principle of **Autonomy and independence**, and practice of **Internal capital raising**



The changing environment for co-ops since 1995 - globalisation

- Globalisation is an economic process: 'the removal of barriers to free trade, and the closer integration of national economies'
- A more inclusive definition also includes cultural factors: it is the *closer integration of the countries and peoples of the world which has been brought about by the enormous reduction of costs of transportation and communication, and the breaking down of artificial barriers to the flows of goods, services, capital, knowledge and (to a lesser extent) people across borders.* [\[i\]](#)
- We might find economic globalisation a threat but cultural globalisation an opportunity, or vice versa

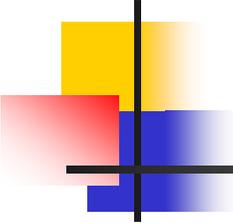


Some key questions about globalisation

- *How extensive is globalisation?*
- Distinguish between flows of capital (truly global) and flows of goods (still mainly regional)

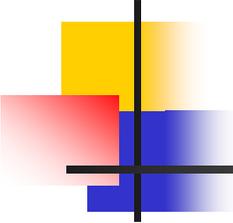
- *How quick is the pace of change?*
- If it is slower than expected it gives time for co-operatives to meet the challenges, whereas if it is fast (even accelerating), the situation is much more urgent. The pace of change may be different depending on what market sector one is in. It affects some co-operatives more than others

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- *What are the effects of globalisation?*
- Increased inequalities, both within and between countries. Both opportunities and threats for co-operatives



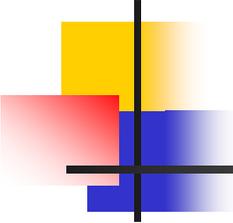
Can co-operatives make globalisation work for them?

- Through promoting fair trade between co-ops in the developed and developing countries, co-ops can work together for mutual benefit.
- Liberalising trade and breaking down tariff barriers will help this process, but they will also expose co-ops in the developed world to greater competition.
- Currently, the terms of trade disadvantage the poor, which includes co-operatives of the poor.



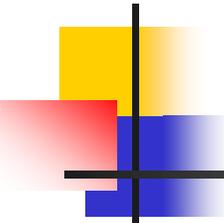
The rhetoric of globalisation

- Globalisation is not a neutral concept. The rhetoric of globalisation is being used by people with vested interests, who argue that because of it co-ops have to take one direction or another.
- Arguments for merger, rationalisation, even demutualisation of co-operatives can be made more compelling by use of this rhetoric.
- The ICA needs to have a self-conscious and well worked out position on this



A co-operative strategy for globalisation

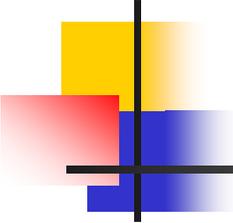
- Two distinct, and opposite strategies are suggested:
 - • **thinking locally and acting globally**
 - Large co-ops will have to 'act globally' by expanding beyond national borders. They have also to think locally, convincing local communities that they care about their needs
 - • **thinking globally and acting locally**
 - Small co-ops can act locally, remaining locally controlled, and developing federal structures for joint representation and shared services so that they are collectively large enough to compete
 -
 - But what is the future of regional (ie within a country) co-ops? Too small to compete, too large to inspire loyalty?



How far have the principles been practiced?

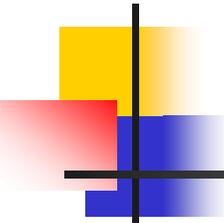
- The new *Identity Statement* has been extremely helpful in defining the co-operative difference
- At the international level, the Statement has been an outstanding success
- At the national level, it has enabled co-operative sectors to promote new laws

- BUT agricultural co-ops tend to prefer simpler formulas such as 'farmer-owned business'
- consumer co-ops are still unclear about the difference between members and customers
- credit unions have their own separate ways of expressing their identity
- Some successful co-ops avoid the co-operative identity because it associates them with failing co-ops



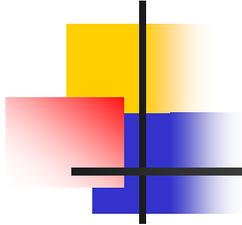
Some important issues

- *voluntary and open membership:*
 - What about the role of women?
 - What about the responsibilities of membership?
- *democratic member control:*
 - Have co-ops become more democratic in the last ten years?
 - Why do we sometimes lag behind our competitors in corporate governance?
 - What can be done about undemocratic co-ops?
- *member economic participation:*
 - Are co-operatives effective enough to reward their members with economic benefits?
 - Are social co-ops under pressure to be 'non-profit'?
 - Can we find new ways to reward members that prevent demutualisation?
- *autonomy and independence:*
 - Have governments in developing countries gone far enough in relinquishing control? Is it inevitable that co-ops lose independence by bringing in outside share capital?

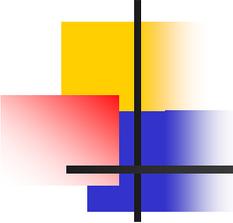


education, training and information

- Informing the public - can formal public relations work replace the old informal means of transmission?
- Influencing opinion formers – how can we agree a common message?
- Do we have the resources to transmit the co-operative message to the next generation?
- How do we engage with the academic community?
- How can director and manager training be rolled out to front line staff?
- In developing countries, how can co-ops influence the poverty reduction strategy process?

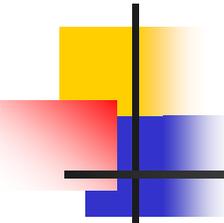


- *co-operation among co-operatives:*
- The need for this has become acute, yet economic globalisation is not a process that co-operatives can take to easily
- Being people-centred rather than capital-centred, they do not traditionally extend beyond national boundaries
-
- *concern for community:*
- Where is the trade-off between member benefits and community benefits being made?
- Does this principle dilute the idea of membership or strengthen it?



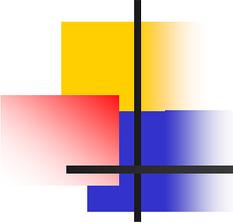
Has the Co-operative Difference become clearer?

- The co-operative difference has to be based on the core principles rather than the values; other types of organisation share similar values
- Some of the principles are also held by others
- The difference resides in the three core principles: member ownership, control and benefit.
- Research shows people are aware of the co-operative difference but are not sure why
- We still lack a language to explain it



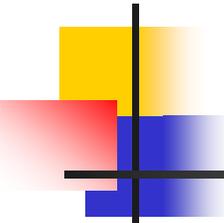
Does the difference provide an advantage?

- Have co-operatives been able to identify a co-operative advantage?
- Has this been more successful in some sectors than in others?
- Are the advantages different in each sector?
- Are there sectors where there is no real advantage and, if so, does this mean co-ops should only operate where there is an advantage?



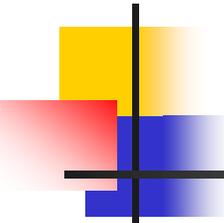
Some common themes

- High levels of trust among customers
- The return of economic benefits to members
- Ethical trading
- Avoidance of profit-taking by a separate class of investors.



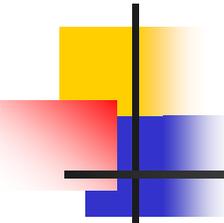
Advantages belonging to particular sectors

- In sectors where the quality of the product is difficult to measure, and it is sold through long-term, open-ended contracts, yet exit costs are high (social care, pensions, mortgages) there is a co-operative trust advantage
- In sectors such as housing, worker co-ops, and credit unions, there is a built in advantage from being locally owned and controlled
- In developing countries, co-operatives are both private sector businesses and civil society associations



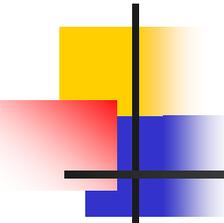
The future for co-operative principles

- Are the values and principles evolving?
- Will we have to revise them again soon?
- A new environmental principle?
- A new principle on the rights of employees?



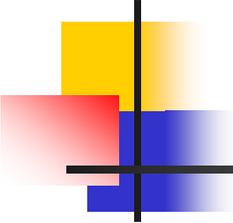
What are the threats facing co-operative principles?

- Dilution of the ownership principle through co-ops offering shareholdings with voting rights to outside investors – co-ops become investor owned businesses
- Dilution of the membership principle through expansion into general community-based activity, and contracting to deliver public services – co-ops become non-profits



What are the opportunities?

- The principles will be used increasingly as a framework for evaluation, for determining the co-operative 'bottom line' and measuring co-ops' promise against their performance.
- They will be used by federations to certify co-ops as being genuine and to keep up standards.
- Ways will be found to operationalise co-operative principles so that they provide clear competitive advantages, which co-operative managers will be motivated to implement in their day to day operations.



Conclusion

- If the task of the last ten years has been to make the values and principles known, in the next ten years the emphasis should be firmly on operationalising them, making them count in co-operative business practice.
- If we are going to have a Principles Commission to take the work forward, this should be its main focus.