



1,000 THINGS BOARDS & MANAGERS SHOULD KNOW

Good Governance Tip #9

The Variety of Co-operatives

INTRODUCTION

Let's start with a simple working definition of a co-operative. A co-operative is a self-help business, owned and democratically controlled by the people who use its services.

This definition is over-simplified, but it does focus on a number of the key features of the co-operative approach to getting things done.

SELF-HELP

First of all, a co-operative is a self-help organization, owned and controlled by the people who use its services. It has been set up for the purpose of helping its members address their own needs and problems.

DESIGNED TO SERVE USERS

Unlike a conventional company, which is owned by a group of investors (who may never use the company's services and may even live on the other side of the world), a co-operative's owners are intimately involved in the activities of the co-operative. They are the people who use the co-operative's services on a day-to-day basis.

- ★ A housing co-operative is owned and democratically controlled by the people who live in the houses and flats, not by some absentee landlord
- ★ A fishery co-operative is owned by the people who catch the fish, not by the owners of the fish processing company
- ★ A dairy co-operative is owned by the farmers who produce the milk
- ★ A credit union is owned by its customers, the people who save money in the credit union and who borrow from it
- ★ An electricity supply co-operative is owned by the people who use the electricity
- ★ A child care co-operative is owned and democratically controlled by the parents of the children and/or by the care workers providing the services

DEMOCRATICALLY CONTROLLED

Another important feature of co-operatives is that they are democratically controlled (one person, one vote). Things are done very differently in the typical business where votes are allocated according to the number of shares you own, making it possible for one wealthy shareholder to out-vote all the rest.

Clearly, co-operatives are unusual businesses and they tend to arouse strong feelings, both positive and negative. Consider your own feelings about co-operatives. For you, the work co-operative may have pleasant connotations, to do with people taking charge of their own lives and democratically controlling the organizations which meet their needs. Or, perhaps, you have negative images of inefficiency, conflict, and misplaced idealism.

Also, the word co-operative might summon up images for you of one particular kind of business. If you have grown up in Ireland, the word co-operative is most likely to mean a dairy, though urban people may think first of credit unions or housing co-operatives. If you are an artist, you might think of a co-operative as an agency through which you can sell your work and buy the materials you need. If you run a bed and breakfast business, your co-operative might be a tourism co-operative, helping market your locality to tourists.

If you had grown up in a different part of the world, you might have had a very different image on the co-operative.

- ★ If you had grown up in Britain, the co-operative would most likely be a retail store
- ★ If you had grown up on the Prairies of Canada, you would probably think of a co-operative as a business which runs grain elevators and markets the produce of wheat farmers
- ★ If you lived in a rural village on the outskirts of Bombay, a co-operative for you might be the firm that buys and sells the milk from the family's buffalo
- ★ If you lived in the Basque region of Spain, a co-operative for you would probably be a technologically sophisticated factory, manufacturing and exporting appliances
- ★ If you lived in the island countries of the Pacific, your co-operative would be a small village store where you can buy the basis supplies and also earn a little cash by selling the copra you had cut
- ★ If your home were Seattle on the west coast of the USA, a co-operative for you would more likely be a network of hospitals and clinics owned and controlled by their patients

Not surprisingly, our image of a co-operative is shaped and limited by our own experiences. One of the reasons co-operatives have not reached their full potential is that people tend to have a very narrow view of the kinds of tasks co-operatives can perform. Depending on where they live, they will see a co-operative as just a creamery or just a retail store, and be totally unaware of other possibilities.

Co-operatives can, in fact, be adapted to many different kinds of purpose. But, they can succeed only if the people involved choose the type of co-operative business that is suitable for meeting their urgent needs. So, let us begin our exploration of the co-operative by expanding our ideas about co-operative possibilities and examining the different types of co-operatives available to us.

We have seen that a co-operative is owned and democratically controlled by the people who use its services, so let's try classifying co-operatives into categories according to how they are used by their owners.

Consumer Co-operatives

One of the first successful co-operatives to be developed was the Rochdale Equitable Pioneers Society, a consumer co-operative which opened its doors in 1844 in the English town of Rochdale. It started out as a small retail food store owned by its customers (the people who consume the products and services of the business).

There are many other kinds of co-operatives owned and controlled by consumers. The most successful example of this kind of co-operative in Ireland is the credit union. The credit union serves the consumers of financial services and is owned and democratically controlled by its borrowers and savers. Housing co-operatives (owned by their tenants) also fit into this category. A new field for consumer-owned co-operatives in Ireland is the rapidly growing field of wind power.

In North America, you can find health care co-operatives (health care centres and hospitals owned by their patients), electricity supply co-operatives, and telephone co-operatives (owned by the people who use the electricity and the phone services), and water co-operatives (water supply systems owned by the people who drink the water). There are also radio and viewer-owned TV stations, owned by the listeners and the viewers.

In Sweden, in addition to an extensive network of consumer-owned hypermarkets and department stores, the consumer co-operative movement has acquired a number of high quality, conventional retail businesses and brought them into the co-operative fold. These new businesses include a major bookstore chain and a leading chain of toyshops. Co-operative members may now enjoy rebates of their purchases when shopping at these stores.

Producer Co-operatives

This is a type of business owned and democratically controlled by independent producers, such as farmers, fishermen, artisans, handicraft producers, and artists, as well as other small business operators as varied as taxi drivers, pharmacists, hauliers, and plumbers.

The purpose of this kind of co-operative is to help producers improve the effectiveness and profitability of their own individual businesses. For example, a dairy co-operative can help its farmers get a better price for their milk by processing and marketing it for them. Agricultural producer co-operatives can also provide a range of other services, including the supply of farm inputs (such as fertilizers and seeds), and access to equipment and machinery. Handicraft co-operatives help members get a better price for their artifacts by providing training to improve member's skills and productivity, as well as marketing services and the supply of raw materials. In many parts of the world, independent taxi drivers combine to form taxi co-operatives to help market their taxi businesses. Typically, such a co-operative provides taxi owners with a base and a dispatching service.

Workers Co-operatives

This type of co-operative is less common in Ireland than the producer co-operative, but is attracting increasing interest and could be a useful means of job creation and small business development. A worker co-operative is a business owned and democratically controlled by its workers (for example a furniture factory owned and controlled by the cabinetmakers, general workers, and office and sales staff working for the firm, a fishing boat owned and democratically controlled by its crew). One of the best know examples of a worker co-operative in Ireland is Crannac, a furniture factory in Navan which was taken over by its workers when its former owners decided to close it down.

Community Co-operatives

This is a business that is owned and democratically controlled by the people living in a particular community. The purpose of such a co-operative is to improve the viability of a community, by creating jobs, marketing the community's assets, and providing needed services. For example, a community co-operative might create jobs by promoting the tourism potential of the community or by helping to create new worker co-operatives and other kinds of small businesses. It might provide needed services by setting up a village shop or running a community bus to link the village with neighboring urban centres.

Multi-User Co-operatives

Often referred to as multi-stakeholder co-operatives, this type of co-operative is owned and controlled by two or more of the groups of users described above. It might be a business owned jointly by its customers and workers (like the Eroski supermarket chain in the Basque region of Spain, or like an American health care co-operative, some of which are owned jointly by medical staff and patients). Another possibility would be a producer/consumer co-operative owned jointly by farmers and shoppers (like the multi-stakeholder consumer/farmer/fisherman co-operatives of Iceland).

An important, growing co-operative sector, social economy co-operatives often use the multi-user structure. For example, a childcare co-operative is jointly owned and controlled by both the parents of the children being looked after and then workers providing the care services.

How Co-operatives Get Started

Co-operatives have often been referred to as 'children of distress' and indeed they frequently do emerge when people are experiencing severe problems.

The original Rochdale consumer co-operative emerged in an era known as the hungry forties. Incomes were low, prices high, and jobs hard to come by. Textile workers in Rochdale had tried to improve their lot by organizing a trade union and threatening to strike. When all else failed, citizens of Rochdale began to think about an alternative way of increasing their spending power, something less obvious than trying to threaten all-powerful employers with strike action. If they could not force their bosses to increase their wages, maybe they could find ways to make their wages go further. By pooling their purchasing power and buying their basic needs in bulk, they would be able to get more food for their money.

They set up their co-operative to be as inconspicuous as possible, selling its goods at market prices rather than trying to undercut directly the prices in company stores. The financial benefits to the members would come in the form of a refund, paid at the end of the year in proportion to each member's purchases from the co-operative.

We can also draw some tentative hypotheses about the motivations for starting co-operatives by looking at the kinds of business situations in which they emerge. Many types of co-operatives are involved in the food industry. Co-operatives has tended to emerge at those points of the chain where people are poorly served by conventional businesses.

- ★ Small Producers set up co-operatives in situations where they had little bargaining power in their relationships with a comparatively small number of suppliers or processors. By combining in a co-operative, they are able to get a better profit from their produce (for example through collectively purchasing their inputs, including finance, through collectively processing and marketing their outputs, and providing collective services to members)
- ★ Consumers (particularly in Northern Europe and the UK) set up co-operatives when they feel themselves at a disadvantage in their relationship with retailers and other distributors. By combining their purchasing power in co-operatives, they were able to provide themselves with food of reliable quality at a lower cost
- ★ Workers (particularly in Southern Europe) set up co-operatives to provide themselves with more secure, better paid, and more meaningful jobs than are available from conventional employers

A community as a whole is dependent on the businesses within its boundaries for jobs and services. Remote, endangered communities, particularly in places like Western Ireland, the island and highlands of Scotland, and Atlantic Canada, where markets are small and costs of operation high, set up community owned co-operatives to provide goods and services which were unprofitable for conventional businesses and uneconomic for local authorities. In addition, important objectives for many of them were to protect the local environment and safeguard a cultural heritage under threat.

Children of Vision

Yet it would be a mistake to assume that co-operatives are products of desperation and misery alone. Co-operatives have also been motivated by powerful visions of a better world. Even in the gloomy world of Rochdale in the 1840s, desperation was not the sole or even the main motivation of the co-operative pioneers.

‘They were not half-starved operatives, driven by the desperation of hunger to start a co-operative store. Most of them were comparatively well paid, skilled artisans, some in business on their own account. Idealism, the vision of a better social order, not hunger, inspired these men’

Their idealism and vision showed up in the catalogue of ambitious objectives drawn up for this modest co-operative, which was to be launched with set up capital of a mere £28:

- ★ The establishment of a store for the sale of provisions, clothing, etc
- ★ The building, purchasing, or erecting of a number of houses in which those members desiring to assist each other in improving their domestic and social conditions may reside
- ★ To commence the manufacture of such articles as the Society may determine upon, for the employment of such members as may be without employment, or may be suffering in consequence of repeated reductions in their wages
- ★ As a further benefit and security to the members of this Society, the Society shall purchase or rent an estate or estates of land, which shall be cultivated by the members who may be out of employment or whose labour may be badly remunerated
- ★ That as soon as practical, this Society shall proceed to arrange the powers of production, distribution, education, and government; or, in other words, to establish a self-supporting home colony of united interests, or assist other societies in establishing such colonies.

The first step was to open a store, and the pioneers set out a list of business-like rules to ensure that the store would be operated efficiently and in the best interests of all its members (these became known as the Rochdale Principles). The store would enable them to build the capital and skills needed to create houses for the homeless and a factory for the unemployed. The ultimate goal would be to set up a self-managing, self-supporting co-operative community, which would run its own schools, factories, and farms. An ambitious vision for a group of 28 people who had taken a whole year to save between them the modest sum of £28.

Co-operative Visions From Ireland

The Rochdale co-operators had developed a successful co-operative model, which stimulated the development of large scale co-operative movements in country after country. But, long before Rochdale, the Irish economist, William Thompson of Cork, had developed a vision of a co-operative system. His ideas influenced the Welsh social reformer, Robert Owen, who in turn influenced Rochdale Pioneers.

Thompson developed not only a powerful critique of the existing economic system, but also a positive vision of a better future. Thompson encouraged the working classes to take the initiative in brining about a new co-operative system through working class organizations such as trade unions. He appealed to the new trade unions to use worker's savings to set up local co-operative villages with their own industries.

Positive Versus Negative Vision

Peter Senge, a leading systems theorist, argues that the kind of positive vision shared by Thompson and the Rochdale Pioneers is a much more powerful and reliable motivator than the desperate desire to avoid distress.

According to Senge, the first quality or capability of a learning organization (an organization which learns from its experience and responds appropriately to changing needs) is aspiration. People learn through aspiration and through desperation, but there is a great difference in the quality of that learning. If a co-operative is a child of desperation alone, it learns only as long as it must, and stops when the external pressures are removed. This is exactly what happens in co-operatives that have lost their original sense of purpose and are finding it difficult to develop a new reason for existence.

Senge emphasizes the importance of a compelling, positive vision. The purpose of thinking about and articulating the vision is to generate energy for change; to create a focus, enthusiasm, a sense of what might be possible. Now who knows what will actually develop? Who knows the ways in which it will develop? It may be as we imagine it, or it might also be in a way that is completely unimaginable today. The important thing is that it produces change in the right direction.

Change in the right direction was the immediate outcome of the vision formulated by the Rochdale Pioneers in their 1844 list of objectives. Their inspiring vision of the self-supporting, co-operative community was never achieved, but it did move things in the right direction towards the unimaginable world-wide co-operative movement of today, involving more than 725 million people working together in 750,000 co-operatives.

Similarly, in Ireland, the co-operative visions of George William Russell (AE) helped move the Irish co-operative movement in the right direction and, farther a-field, influenced the thinking of people like Rabindranath Tagore and Mahatma Gandhi. In his book, the National Being, AE developed a vision of a new rural civilization and urged individual co-operatives to look beyond their immediate problems and work together to create a new social organism.

It is not enough to organize farmers in a district for one purpose only; into a credit society, a dairy society, a fruit society, a bacon factory, or in a co-operative store. All these may be and must be beginnings, but if they are to develop and absorb all rural business into their organization, they will have little effect on character. No true social organism will have been created. If co-operative societies are specialized for this purpose or that, the limitation of objective prevents a true social organism from being formed.

The latter has a tremendous effect on human character. The specialized society only develops economic efficiency. The evolution of society beyond its present level depends absolutely on its power to unite and create true social organism.

For further information on this and other related topics, as well as many co-operative development subjects such as governance, finance and marketing, strategic planning, management, etc, contact the Nova Scotia Co-operative Council at the address below. Our knowledgeable staff of Business Development Officers, located in Truro, Sydney, and Yarmouth are available to assist you in all areas of co-operative development. You can also visit us on the web at www.nsko-opcouncil.ca.



Nova Scotia Co-operative Council

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