

## The Co-operative Difference: Impact and Role of Research in Building Sustainable Co-operative Enterprises

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### Abstract

*Co-operatives are social and economic enterprises that owned and managed democratically by their members for their own benefit and their communities. Irrespective of the type enterprise, the Co-operative business model operates on the same values and principles that confer to their members the triple benefits of ownership, control and utility. Co-operatives seek to build good society guided by mutual cooperation, not competition; motivated by need to build moral character, not profits; creating human dignity, not wealth. The role of Co-operatives is to cater for the social and economic needs of society that the state, the private sector, big capitalist enterprises and small family businesses may not be able to satisfy. To be successful, Co-operatives must combine the desirable approaches of other enterprises such as the service spirit of the state, the efficiency of the capitalist enterprises, the entrepreneurial culture and independence of the private sector, and the proximity and social touch of family business. The Co-operative difference / advantage is the ability to contribute, simultaneously, towards the social and economic needs of their members and the society in general. Although the Co-operative form of enterprise and their success in many areas, the Co-operatives landscape in Africa is dotted with mountains of successful Co-operatives, underneath which, lie thousands of Co-operatives that have died with hopes of people with many others limping along between life and death hanging on lifelines held by their Governments, donors and NGOs. Therefore, Governments, development partners, private sector and civil society are called upon to accelerate their support towards the promotion of Co-operatives as sustainable enterprises that balance their development on social, economic and environmental pillars that characterized by responsible use of resources to meet the needs of the present without compromising the ability of future generations to meet their needs. Despite the many setbacks faced over time, Co-operatives remain the enterprises of choice in many countries for the majority of people who want to satisfy their common needs by maximizing on economies of scale and the synergy that arises from joint action. However, further continuous research is a pre-requisite for the promotion and support of sustainable Co-operative enterprises around the world and particularly in Africa.*

### Introduction

Co-operative enterprises have been around the world for over 160 years, have made and continue to make tremendous contribution to social and economic development but there is little research and knowledge about Co-operatives especially in Africa (Develtere, & Wanyama, 2007; Pollet, 2009). Despite the widespread presence, significant contribution to the social and economic development around the world over the last 160 years and efforts to popularize them from the highest levels of the international development arena, “The co-operative world is not as well known as it should be. It is hard to pinpoint the exact reason, but part of the problem is that the movement is not able to sufficiently brand itself in the public mind” (Cronan, 2007). This problem is more pronounced in developing countries, mainly Africa.

### Co-operatives, Co-operative Values and Principles

The Statement of Co-operative Identity (ICA, 1995) defines a Co-operative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise

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The Statement also declares that Co-operatives are based on the values of self-help, self responsibility, democracy, equality, equity and solidarity. Co-operatives also believe in the ethical values of honesty, openness, social responsibility and caring for others. Further, Co-operatives subscribe to the following seven principles: voluntary and open members; member democratic control; autonomy and independence; economic member participation; education, training and information; co-operation among co-operatives; and, concern for community. Co-operative principles are the guidelines by which Co-operatives put their values into practice. The values and principles evolved from selected rules and practices of some of the earliest Co-operatives such as the Rochdale Equitable Pioneers of 1844 that formed the basis for the Co-operative principles adopted by ICA in 1937, 1966 and 1995 ([www.ica.coop](http://www.ica.coop)).

There are three main types of Co-operatives: (i) consumer Co-operatives that enable members to buy or obtain goods or services close to cost prices (ii) producer Co-operatives that enable members to achieve higher profits through reduced input costs and better marketing, and (iii) worker or employee-owned Co-operatives that provide members with opportunities for employment and skills improvement (UN, 2009). Irrespective of the type, the Co-operative business model operates on the same values and principles that confer to their members the triple benefits of ownership, control and utility.

Co-operatives are classified as business and social enterprises (UN, 2009). Many key international development agencies such as the UN, World Bank, ILO and FAO recognize the enormous current and potential contribution made by Co-operatives as social and business enterprises in terms of economic development, development of social capital including social inclusion, social integration and cohesion, gender equity, democratization, equity (fairness and justice), community development and environmental management ([www.icacoop.org](http://www.icacoop.org); [www.ilo.coop](http://www.ilo.coop); [www.un.coop](http://www.un.coop)). Birchall (2008) argues that Co-operatives are social and economic enterprises that are formed, owned and managed democratically by their members for their own benefit and the benefit of the communities in which they operate. Co-operative values and principles not only do they confer Co-operatives their identity but also the Co-operative character, advantages and disadvantage when compared to other forms of business enterprises.

Discussing the need to harness the Co-operative advantage to build a better world, the ILO (2012) notes that Co-operative enterprises are privately owned businesses that employ district capital structures, operate on sound business principles and endeavour to maintain focus on the well-being of their members and communities, advance social and economic development on a sustainable basis and are guided by a more accessible and inclusive form of management and governance (UN, 2012).

### **The Co-operative Difference**

The UKDFID (2010) identifies the following six areas that delineate the Co-operative difference, or the Co-operative advantage which is being able to contribute, simultaneously, towards the social and economic needs of their members and the society in general: (i) Co-operatives generate wealth and contribute to sustained growth processes; (ii) Co-operatives create employment, contribute to increased agricultural productivity, expanded access to financial services and critical utilities, make a significant contribution to GDP (iii) Co-operatives help create more equitable growth by helping make markets work better for poor people, generating economies of scale, increasing access to information, and improving bargaining power to improve people's livelihoods; (iv) Co-operatives help tackle rural poverty by increasing productivity and incomes of small scale farmers by helping them collectively negotiate better prices for seeds, fertilizer, transport and storage; expand market access and capture more of the value chain; (v) Co-operatives expand poor people's access to financial services, including credit savings and in some cases insurance and remittances. These services can support enterprise start-up and expansion; enable the risk taking that can lead to increased profitability; and reduce vulnerability by allowing the poor to accrue savings, build assets and smooth out consumption; (vi) Co-operatives provide a range of services such as health care, housing, and utilities such as water and electricity; (vii) Co-operatives can provide an opportunity for self determination and empowerment of poor people. They foster a culture of good citizenship and enable their members to have a voice and participate in a democratic process, thus having empowering development effects beyond their economic benefits; and that, (viii) Co-operatives can help with conflict resolution, peace-building and social cohesion.

Co-operatives have been found to contribute to recovery from conflict by fostering positive relations between ethnic groups previously in conflict in Bosnia, East Timor, Lebanon, Macedonia, Mozambique, Nepal and Rwanda. Based on the work of Helm (1968), M’Imanyara (2008) argues that the way Co-operatives are organized, the way they relate to Government, the roles they play in society and the way they are managed in different countries reflects the ideological interpretation of the values and principles of Co-operatives that are anchored on four schools of Co-operative thought. The Co-operative commonwealth school that seeks change the world socio-economic order by using Co-operatives to build good society guided by mutual cooperation, not competition; motivated by need to build moral character, not profits; creating human dignity, not wealth. The Co-operative enterprise school seeks to use Co-operatives to increase economic productivity through modified capitalism in which individuals form a business, contribute capital and manage the business in the most efficient manager to provide goods and services at cost. The Co-operative sector school notes that the role of Co-operatives is to cater for the social and economic needs of society that the state, the private sector, big capitalist enterprises and small family businesses may not be able to satisfy. This school recommends that successful organization and management of Co-operatives must combine the desirable approaches of other enterprises such as the service spirit of the state, the efficiency of the capitalist enterprises, the entrepreneurial culture and independence of the private sector, and the proximity and social touch of family business.

The Co-operative sector school of thought provides an important theoretical framework for governance and management to enhance the Co-operative advantage. The social and business aspects of the Co-operative enterprise are basically two sides of the same coin. The governance and management of the social and business sides of the Co-operative enterprise are the responsibility of, respectively, the board and management. The role of the supervisory / audit committee cuts across both sides.

*Theoretical Framework for Governance and Management for Co-operative Enterprises:*

The Co-operative Social Enterprise			The Co-operative Business Enterprise		
B O A R D	Self-help Mutual self-help Equity Effectiveness	State: The service spirit	Capitalist Enterprises: Efficiency	Focus on business growth Efficiency Profitability / surplus	M A N A G E M E N T
	Participation Democracy Equality	Family Business: social touch	Private Sector: Entrepreneurial culture	Vision Persistence Opportunity seizing	M A N A G E M E N T
SUPERVISORY (AUDIT) COMMITTEE					

**Source: Kirianki M’Imanyara, 2008**

Every two years since 1992, the United Nations (UN) General Assembly has passed resolutions and presented reports on the important role of Co-operative enterprises, as unique business models, in social and economic development.

**The International Year of Co-operatives**

The United Nations (UN) General Assembly adopted resolution 64/136 and proclaimed the year 2012 the International Year of Co-operatives recognizing that Co-operatives, in their various forms, promote the fullest possible participation in the economic and social development of all people, including women, youth, older persons, persons with disabilities and indigenous peoples, are becoming a major factor of economic and social development and contribute to the eradication of poverty (UN, A/res/64/136, 11 February 2010). The UN resolution encourages Governments, civil society and private sector to support the growth of Co-operatives as business and social enterprises that can contribute to sustainable development, eradication of poverty, and livelihoods in various economic sectors in urban and rural areas and provide support for the creation of Co-operatives in emerging areas (www.un.coop: visited on 20/09/2012).

The resolution also calls for, *inter alia*, increased public awareness about Co-operatives and their contribution to socio-economic development, promotion of comprehensive research and statistical data-gathering on the activities and overall impact of Co-operatives at national and international levels and sharing good practices. Co-operatives contribute directly and indirectly to economic and social development in many ways that include increased personal incomes, creation and retention jobs, provision of essential goods and services to their members and communities, food security, increased opportunities for access to markets and credit, reduction of poverty levels, environmental protection, giving poor people a voice and representation, enhancement of social inclusion, social protection, and community-building (World Bank, 1986; Cronan, 2007; Develtere & Pollet, 2007; Pollet, 2009).

### ***The Global Impact of Co-operatives on Socio-Economic Development***

Formal Co-operatives emerged in Europe in early 1800s and today have established their relevance and importance in terms of their contribution to economic and socio-economic development. The International Co-operative Alliance ([www.ica.coop](http://www.ica.coop)) estimates that Co-operatives have significant presence in over 100 countries, have membership of over 800 million people, provide over 100 million jobs around the world (20% more than multinational enterprises), the livelihood of about 3 billion people or half of the world's population is made secure by Co-operative enterprises. A 2007 survey of the largest 300 Co-operative enterprises around the world revealed that they control almost USD 1.1 trillion (Euro 755 billion) which is almost the equivalent of the economy of Canada at USD 979 billion in 2004, in addition to their contribution on Corporate Social Responsibility where their biggest strength lies (Cronan, 2007; [www.ilo.coop](http://www.ilo.coop)).

### **The Development Challenge**

Formal Co-operatives emerged in across Europe during in the early part of 1800s from people seeking alternatives from the harsh capitalist realities of the Industrial Revolution in terms of unemployment, scarcity of goods and services, high prices, low access to credit, sale of adulterated goods and general poverty (Munkner, 1995; M'Imanyara, 1992). Most of these conditions persist in many countries today. In SA for instance, the post-apartheid Government adopted Co-operatives as one of its strategies to create decent jobs, create sustainable livelihoods and also redistribute economic benefits to the broader populace to push back the frontiers of poverty and sharing of in a country faced with high levels of unemployment, poverty and inequality affecting millions of people especially Africans, women, youth, the disabled and rural communities (Mkhize, 2009; Matona, 2009; COPAC, 2008; The DTI, 2009). It has been argued that the historical development of Co-operatives in most developing countries is tied to the colonization process for the achievement of three main goals, namely to: (i) increase productivity of the target enterprise, mainly export crops; (ii) increase incomes of the members of Co-operatives and their capacity to pay taxes to the colonial state; and, (iii) increase the production and collection of raw materials to fuel industrialization of the colonizing countries (Hyden, 1973; Develtere, 1994, 2007; Munkner, 1989; M'Imanyara, 1992). Co-operatives were therefore, from the very beginning, used as instruments to serve the metropolitan centres in the North instead of their own members within the cultural and economic world order in which the North dominates and exploits the South (Kanyinga, & Gathaka, 1991).

It is in light of these development challenges that Governments, development partners, private sector and civil society are called upon to accelerate their support towards the promotion of Co-operatives as sustainable enterprises. A distinction is made between the concepts of enterprise development *per se* and development of sustainable enterprises. Traditional perspectives define enterprises as business firms with "linear input-output relationships centred solely on maximizing short term economic value" (ILO, 2010). Sustainable enterprises are defined as social and economic entities that balance their development on social, economic and environmental pillars based on the understanding that business thrives best in the long term where society and the environment thrives as a result of responsible use of resources to meet the needs of the present without compromising the ability of future generations to meet their needs (ILO, 2010). The majority of people in Africa today depend on business entities that may be classified as small, micro and medium enterprises (SMMEs) that operate in the private sector, including Co-operatives which are rapidly expanding (ILO, 2010).

### **Need for more research**

Past and recent studies show that the Co-operatives landscape in Africa is dotted with mountains of successful Co-operatives underneath which lie thousands of Co-operatives that have died with hopes of people with many others limping along between life and death hanging on lifelines held by their Governments, donors and NGOs (Goran, 1973, Ignace, 2009, COPAC, 2008).

Not much scientific research existed on the Co-operative sector in Africa before 2004 when ILO, ICA, DfID and the World Bank facilitated a series of studies partly as part of the Global Co-operative Campaign Against Poverty ([www.ica.coop/outofpoverty](http://www.ica.coop/outofpoverty); [www.outofpoverty.coop](http://www.outofpoverty.coop); [www.ilo.coop](http://www.ilo.coop)). The Co-operative sector in Africa was characterized as being “data-deficient” because researchers have to constantly seek “more assurance on the available data and documentation, knowing that many of the registered Co-operatives are dormant and realizing that many Co-operatives do not seek registration or seek refuge in other legal or de facto forms of organizations” (Develtere, & Wanyama, 2007). It is however noteworthy that the mission was on the contribution of Co-operatives to macro development issues such as employment creation, poverty reduction, social protection, giving poor people voice and representation, leaving out environmental protection, gender and health for practical reasons (Develtere & Pollet, 2007). Part of the strategic recommendations from the baseline study on Co-operatives that were conducted in 11 African countries was that further “regular sample surveys on the ground” because “they would make a world of difference for monitoring the Co-operatives” since “reliable quantitative information of Co-operatives is extremely hard to obtain” (Pollet, 2009).

Furthermore, recent studies note that “it is surprising that very little literature on African Co-operatives has been generated since the early 1990s despite the continuing debate in favour of Co-operatives as the most suitable form of organization for alleviating poverty on the continent (Wanyama, Develtere, & Pollet (ed.), 2009). Although there are existing research studies on Co-operatives and socio-economic development that is partly as part of the Global Co-operative Campaign Against Poverty ([www.ica.coop/outofpoverty](http://www.ica.coop/outofpoverty) or [www.outofpoverty.coop](http://www.outofpoverty.coop)), it is agreed that these studies are far from being exhaustive and recommend further research on the ground because research data in this area is extremely hard to obtain (Pollet, 2009). The mission of these previous studies was on the contribution of Co-operatives to macro development issues such as employment creation, poverty reduction, social protection, giving poor people voice and representation, leaving out environmental protection, gender and health for practical reasons (Develtere, et al, 2009).

### Conclusion

Despite the many setbacks faced over time, Co-operatives remain the enterprises of choice in many countries for the majority of people who want to satisfy their common needs by maximizing on economies of scale and the synergy that arises from joint action (Birchall, 2003, 2004; Develtere, et al., 2007; World Bank, 1986; Hyden, 1973; COPAC, 2008, M’Imanyara, 1992). However, further continuous research is a pre-requisite for the promotion and support of sustainable Co-operative enterprises around the world and particularly in Africa.

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