

# Towards Co-operative Identity I: Re-Visiting the Co-operative Epistemology for Business Modelling Framework

Jared Mark Matabi<sup>1</sup>; Wilson Metto<sup>1</sup>; Esther Gicheru<sup>1</sup>, Kirianki M'Imanyara<sup>1</sup>; Mary Njoki Mbugua<sup>1</sup>; James Kamamia<sup>1</sup>; Victor Omolo<sup>1</sup>

<sup>1</sup>School of Co-operatives and Community Development, The Co-operative University of Kenya, (Kenya)

## Abstract:

**Background:** In December 2021, the International Co-operative Alliance (ICA), organized the 33rd World Co-operative Congress in Seoul, South Korea; with a rallying call for "deepening our co-operative identity" to secure the future. Based on the current global crisis as a framework, the congress discussions were aimed to deepen the co-operative identity by examining the co-operative values, strengthening co-operative actions, committing to co-operative principles, and living the co-operative achievements. Behind these pertinent issues, is the centrality of knowledge and information for co-operative business models development and management by practitioners in various contexts across the world.

**Purpose and Methodology:** The purpose of this study paper was to help identify types and sources of the from broad co-operative development and management knowledge and show how epistemologies contribute to the co-operative business modelling framework in different contexts. The qualitative methodology was used by reviewing, discussing, and drawing on conclusion of the different epistemologies into the context of the co-operative's development and management.

**Results:** The co-operative development and management is based on at least both the Foundationalism (Justificationism) and Fallibilism epistemologies. The specific epistemologies for co-operatives development are largely historical relativisms (i.e., history of co-operatives development), Criticalism (i.e., theories), Instrumentalism (i.e., schools of thoughts), Paradigmatic Relativism (i.e., development trends), and Paradigmatic Justificationism (i.e., definitions and principles) and Pragmatism (i.e., co-operative laws). The battleground of the epistemologies for co-operative development and management is between the Criticalism (especially Critical Rationalism) and Solidarist Relativism (in particular cultural relativism, paradigmatic relativism, communitarian relativism, and historical relativism).

**Conclusion:** The results of this study inform the co-operative scholars and practitioners on how to gain knowledge on the successful development and management of co-operatives. Thus, the study delineates the specific epistemologies that contribute to the co-operative development and management.

**Key Word:** Co-operative, Business, Epistemology

Date of Submission: 07-05-2022

Date of Acceptance: 22-05-2022

## Definition of Terms

Terms	Definition
Axiology	This is the study of human values and processes of valuation. It relates to three philosophical areas of study: "ethics, aesthetics, and religion" (Peers, 2018). It questions the nature and classification of values and the kinds of things that have value.
Coherentism	The knowledge view holds that a true belief or statement conforms maximally with pre-existing true beliefs or statements.
Communitarianism	The knowledge view holds that knowledge is either true and certain or at least probable if it is consensual or the community justifies it so. It is a form of "Justificationism".
Communitarian Relativism	The knowledge view knowledge is either true and certain, or at least probable if it is consensual or the community justifies it so; but this knowledge is no absolute truth but only different truths for different communities, cultures, or societies
Co-operative business model Ontology	A set of co-operative concepts and categories in a business area or domain that shows their properties and the relations between them to create, deliver and capture value to

<b>Terms</b>	<b>Definition</b>
	members, other stakeholders, and the community.
Co-operative principles	A set of rules that give guidance on what members and the co-operative organization are to do for each other
Co-operative values	The moral principles or accepted norms of a person or a group of people. Co-operative values consist of values or norms inherent in the minds of the members
Criticalism	The knowledge view holds that all human knowledge is fallible and should be regarded as such (see Fallibilism) and that people are rational only to the extent that they hold their beliefs, and people's knowledge claims are open to criticism and testing to eliminate the errors in them. Criticalism opposes "Foundationalism" and "Justificationism" as it holds that there are no true and certain beliefs or formulations and that no beliefs or knowledge claims can be, or need to be justified, but only subjected to error-elimination through Criticalism.
Critical Rationalism	The orientation of Fallibilism by Popper, K.R. (1999), this knowledge view hold that all human knowledge is fallible and should be regarded as such. Also, one is rational only to the extent that he/she holds his/her beliefs, and ones' knowledge claims are open to criticism, and testing to eliminate the errors in them. This view holds that "all life is problem-solving", and that the problem-solving is a process of creating trials (between the competing knowledge claims) and engaging in error-elimination (i.e., criticism of these competing knowledge claims relying, where possible, on the use of deductive reasoning and empirical testing). Critical rationalism is the converse of Foundationalism and Justificationism and is broader than "Falsificationism" which only relates to empirical testing of knowledge claims.
Critical Scientific Realism	The knowledge view subscribes to "Epistemological Realism", "Fallibilism", Criticalism, and the significance of measuring "truthlikeness", while one continues to assert the role of some forms of inductive reasoning in science.
Cultural Relativism	The knowledge view holds that knowledge is relative to the worldview embodied in the knower's culture.
Empiricism	The knowledge view holds that all our knowledge is derived from the foundation of one's experience, and knowledge is justified by true belief.
Epistemology	This is a branch of philosophy that deals with the sources of knowledge and beliefs, or cognitive state related to a phenomenon (Gilbert, 2004). It is the examination of knowledge and justified beliefs.
Epistemological Idealism	The knowledge view holds that truth is maximal coherence with fundamental truths given by the mind.
Epistemological Realism (Correspondence)	The knowledge view holds that a true theory corresponds to the facts.
Expert-Based Justificationism	The knowledge view holds that the organizations' knowledge is justifiable by expert authority
Fallibilism:	The knowledge view holds that all human knowledge is irreparably fallible and inept of being proven or shown to be justified or certain.
Floating Foundationalism	The knowledge holding that knowledge is based upon a subjective commitment to a belief, theory, paradigm, or type of group solidarity which, themselves, are not justified, but which are regarded by their subscribers as though they are (Firestone and McElroy, 2003). It is a type of Foundationalism epistemology.
Foundationalism	The knowledge view holding that claims that one can justify his/her knowledge and show it to be certain by appealing to some underlying, a set of truths or authority. A type of justificationist of epistemology
Historical Relativism	The knowledge view holds that truth is relative to the worldview characteristic of a historical period.
Individualist Relativism	The knowledge view holds that truth is relative to an individual's belief.
Instrumentalism	The knowledge view holds that theories have no truth value but are mere tools for prediction and application.
Justificationism	The knowledge view holds that knowledge is justified true belief. One can and should attempt to justify his/her knowledge as infallibly true by demonstrating that it is. This is criticized largely by Fallibilism. The compromising of the idea of justification is what led to the rise of Floating Foundationalism.
Managerial	The knowledge view holds that co-operative organizations' knowledge is fallible but

<b>Terms</b>	<b>Definition</b>
Justificationism	may be justified by managerial authority.
Managerial Realism	The knowledge view holds that co-operative organizations' knowledge corresponds to the facts and is justified by managerial authority.
Paradigmatic Justificationism	The knowledge view holds that co-operative organizations knowledge is justified by its conformity to the criteria of assessment given by the co-operative organization's dominant paradigm of inquiry.
Paradigmatic Relativism	The knowledge view holds that truth is relative to the results of assessments conformity to the criteria of assessment given by the co-operative organization's dominant paradigm of inquiry.
Pragmatism	The knowledge view holds that "truth" is a function of the utility of a belief or claim, and that all of our beliefs and claims are both fallible and based on knowledge assumptions.
Rationalism	An epistemology that is characterized by both "Justificationism" and "Foundationalism". It was expounded most by a French philosopher Rene Descartes (Summer, 2015), who held that knowledge could be justified by reason or intellect alone and not by sensory perception or experience.
Relativism	The knowledge view holds that all truth and certainty are personal, local, and "relative" to an individual or a collective – i.e., "anti-foundationalist", but not "anti-justificationist". It is a type of Justificationism epistemology.
Religious Realism	The knowledge view holds that knowledge can be justified by religious faith alone and not by reason or intellect, or by sensory perception or experience. It is an epistemology that is characterized by both "Justificationism" and "Foundationalism"
Solidarist Relativism	The knowledge view holds that truth is relative to the consensus of one's group, community, organization, culture, or other collectives.
Theory of Truth	This is a formulation that defines the term "Truth."
Theory of Evaluation	This is a normative theory that specifies how one should comparatively evaluate knowledge claims, concerning "truthlikeness," truth or falsity, coherence, simplicity, utility, or some other knowledge-related goal.

## I. Introduction

The basic philosophy underlying all co-operative action is that, through joint effort and mutual self-interest individuals may collectively achieve objectives unattainable by acting alone. Co-operation means working together for a common objective. This is a joint effort to help each other to achieve certain activities that would benefit members of the group.

Today, co-operatives development concept has mixed reactions and appreciation among scholars and practitioners. This, as Williams (2007) postulated, could be attributed to the impossibility of (1) fostering a consensus around certain co-operatives values, (2) maintaining a simultaneously open and closed co-operative system, (3) seeking (and finding) leadership and inspiration, (4) conserving a common co-operative mission, (5) recognizing the interdependence of the social and the economic objectives, (6) enacting democracy in co-operatives as a process, and (7) being mindful of the market. But more importantly, the root of this discussion is the limited understanding and correlation of the co-operative business epistemology, axiology, taxonomy and ontology.

In December 2021, the International Co-operative Alliance (ICA), organised the 33<sup>rd</sup> World Co-operative Congress in Seoul, South Korea; with a rallying call for "deepening our co-operative identity" to secure the future. Based on the current global crisis as a framework, the congress discussions were aimed to deepen the co-operative identity by examining the co-operative values, strengthening co-operative actions, committing to co-operative principles and living the co-operative achievements. Behind these pertinent issues, is the centrality of knowledge and information for co-operative business models development and management by practitioners in various contexts across the world.

## II. Purpose and Methodology

This study paper was undertaken on the following premise and methodology.

**Purpose:** Generally, the purpose of this study paper is to help broadly understand the co-operative epistemologies. This particular study paper sought to identify sources of the co-operative epistemology from broad co-operative development and management epistemologies and show how epistemologies contribute to the co-operative business modelling framework.

**Methodology/Approach:** This has been a qualitative study. A qualitative review has been carried out on the co-operative epistemologies and interviews and focus group discussions held with co-operative leaders and

officers. This study is the first part of the four studies that have been developed to contribute toward the new discussion on deepening of the co-operative identity as envisaged by ICA – including the co-operative epistemology, axiology, taxonomy and ontology. The conceptual framework of the study is illustrated in Figure 1 below.

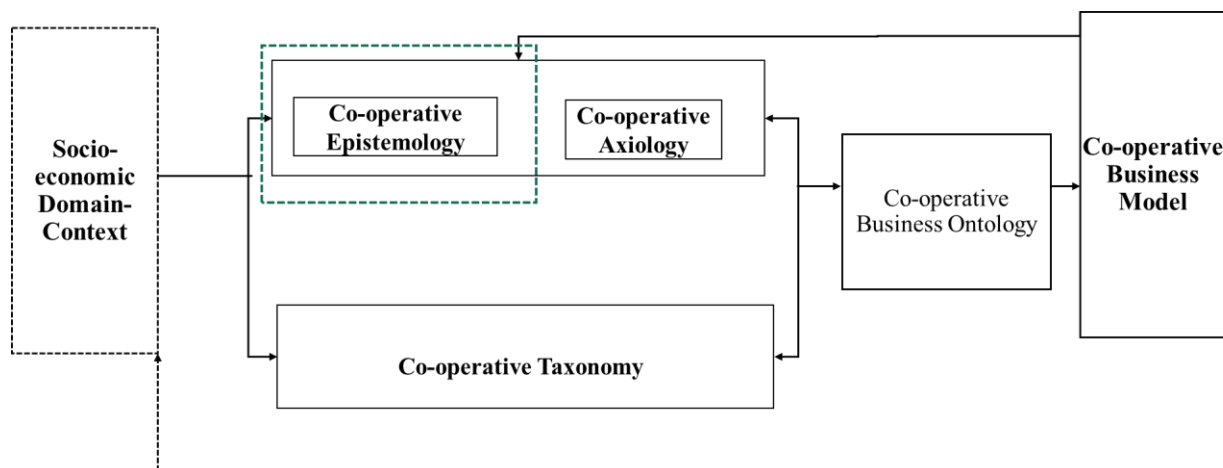


Figure 1: The study conceptual framework

Source: Author

The implication for this study paper is the exploration of various epistemologies as postulated by several co-operative leaders and officers and gathered from various pieces of literature, and how they interplay or contribute to co-operative development and management.

### III. The Discourse of Co-operative Business Model Epistemology

Generally, epistemology is a branch of philosophy that deals with the sources of knowledge and beliefs, or cognitive state related to a phenomenon (Gilbert, 2004). Specifically, epistemology concerns possibilities, nature, sources and limitations of knowledge in a particular field of study. Alternatively, epistemology can be explained as the study of the criteria by which one classifies what does and does not constitute knowledge. Epistemology endeavours to answer three questions (1) what is knowledge? (2) do we know? (3) how can we gain knowledge?

Epistemology, therefore, is the examination of knowledge and justified beliefs. It evaluates the inherent meaning of knowledge and means of obtaining knowledge, and the limitation or scope of acquiring knowledge for any given area, subject, topic or issue. It is interlinked ideas like truth, belief, and reasoning. In simple terms, epistemology focuses on what is known to be true.

Previously, epistemologists largely focused on the individual human cases and then give general accounts of knowledge, belief, and so on that are based on that case. Professor Margaret Gilbert (2004) introduced a collective cognitive state to examine group knowledge. Given that co-operatives ascribe to collective action, then the co-operative epistemology would simply imply, the study of knowledge of truth held by a joint commitment to believe as a body that the notion of a group's right is a viable one.

In introducing corporate epistemology, Krogh, et. al., (2007) argue that the "cognitivist" notion of knowledge is tied to strategic management. The trio state that individuals have private knowledge that can be a basis of the organizational knowledge through speaking, gesturing or writing. That is, bridging the individual cognition with the social cognition of an organization, The whole process makes the organizational knowledge, makes the organization open, concerning data, and closed, with knowledge. Since the knowledge of the social system is shared knowledge, it is no longer entirely dependent on specific individuals.

There are two conditions that need to be met for the knowledge to connect in an organization over time: (1) the availability of relationships, such as members through organizational structure and reporting relationships; (2) a self-description, of results from an 'observation' by the organisation itself to formulate an identity and legitimizing function. According to Bruin (2020), corporate epistemology develops the organizational culture. Specifically, according to Krogh, et. al., (2007), corporate epistemology, stimulates the survival and advancement of an organisation. The overall goal of the survival activities, e.g., the product-marketing positioning, planning, organizing, routinizing, and controlling, is to manage the input-output relationships between the co-operative and its environment. The advancement activities, e.g., the development of distinctions and norms, knowledge scaling and connectivity, languaging and self-referencing, represent new activities of many organisations. These are key in the strategic management of the organisation.

In essence, epistemology is important in co-operative business or management as it ensures a formalized or organized examination of ideas, validation, and their practical application to resolve various business or management problems and help to improve management expertise. Epistemology can be used to understand what knowledge a co-operative organisation possesses and shows how epistemic concepts can be used as a basis for a co-operative business modelling.

Co-operative business model development and management is nothing more than the knowledge in use. What passes as the knowledge of co-operative, is of great significance. Co-operative knowledge may be seen as beliefs or claims that the proponents consider as true. There are different approaches, or philosophies, for determining truth found in co-operative business. Acquiring and managing such knowledge also vary accordingly.

There are different and competing philosophies to co-operative knowledge (Firestone & McElroy, 2003) – as illustrated in Figure 2 below.

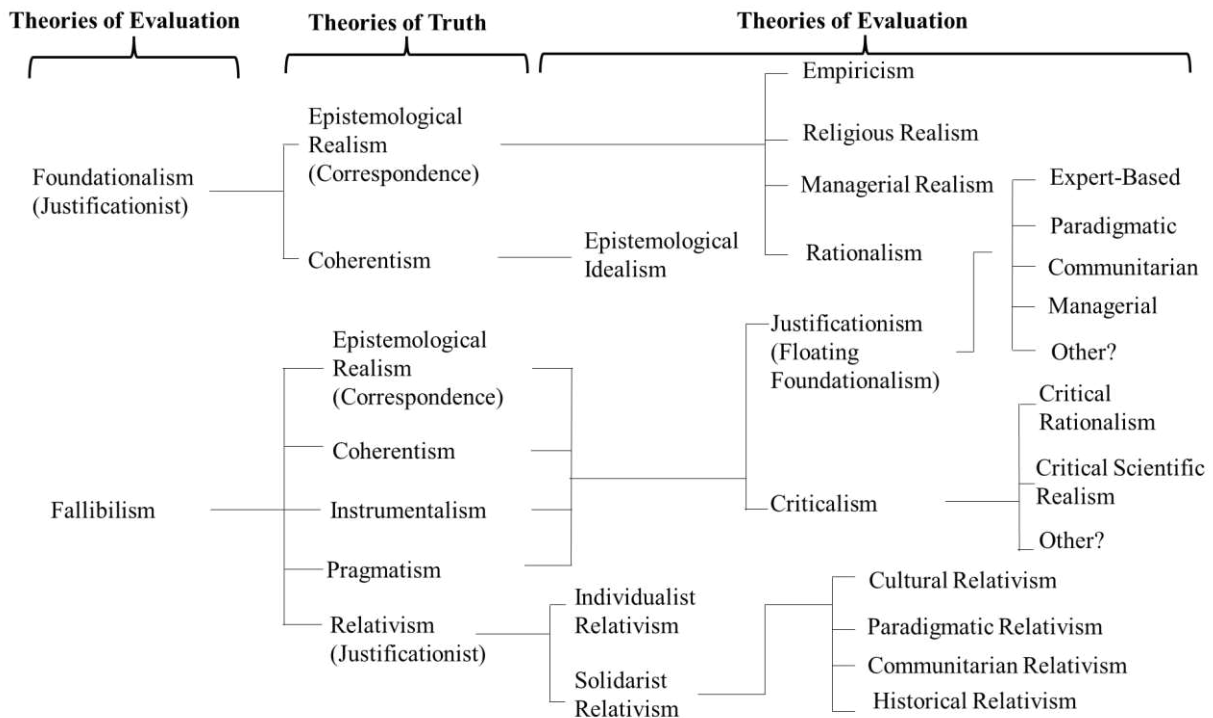


Figure 2: Schematic presentation of the competing co-operative epistemologies

Source: Adopted from Firestone & McElroy, 2003.

In this study, the sources of knowledge (i.e., epistemology) for the co-operatives is drawn from (1) the history of the co-operatives, (2) the theories of co-operatives, (3) the co-operative's school of thoughts, (4) the co-operative development trends (5) the co-operative's definition and principles, and (6) the co-operative law – as illustrated in Figure 3 below.

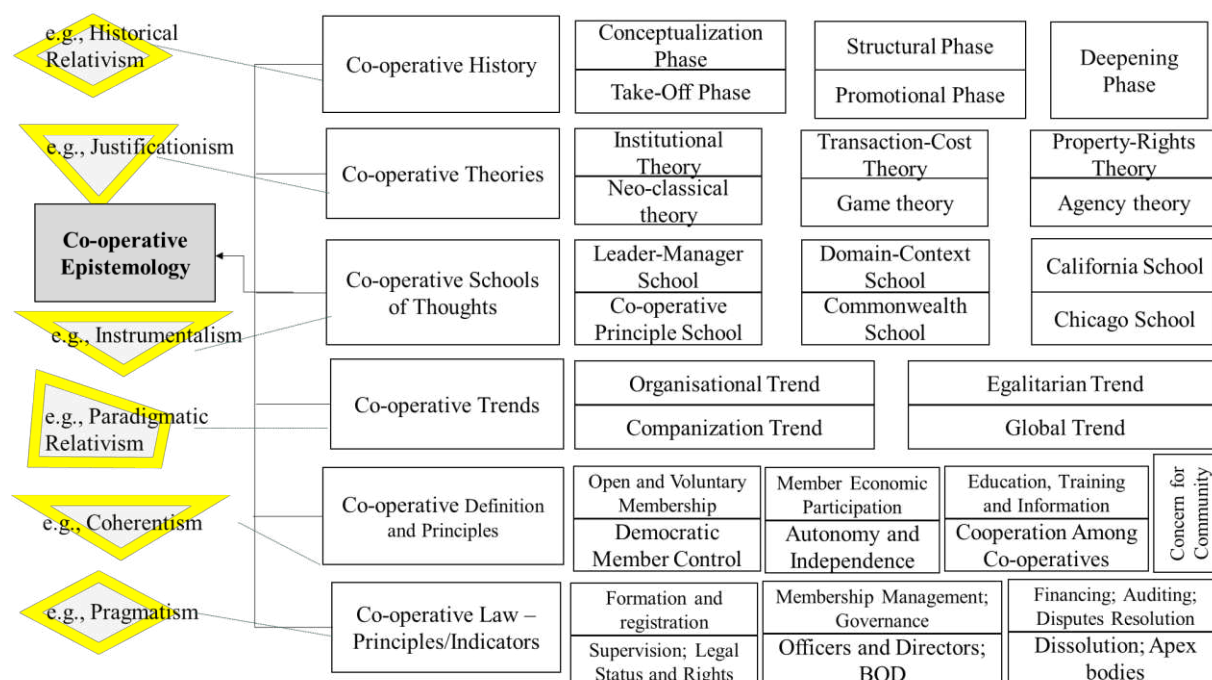


Figure 3: Schematic Presentation for the sources of Co-operative Epistemology

### "Historical Relativism" of Co-operative Development

Based on various "historical relativism" accounts (see Fairbairn, 2012; Williams, 2007), co-operative organisations are among the oldest and most resilient forms of enterprises. These historical accounts simply fall into several phases. This study has identified 5-phase of the co-operative's historical development. They are Conceptualization Phase (1498 – 1843), the Identification Phase (1844-1900), Advancement Phase (1901 – 1970), Promotional Phase (1971-2000), Deepening Phase (2001-onward).

#### Conceptualization Phase (1498 – 1843)

The conceptualization of the co-operatives started, when the first industrial revolution's (IIR), characterised by mechanisation, was rapidly transforming communities and the economies of Europe. The IIR disruptions at the time threatened workers' livelihoods as the capital owners got richer at the expense of the workers. This gave rise to labour and social movements. The inequalities created serious concerns that required solutions, hence the birth of the co-operative movement.

The history of co-operatives dates back to at least 1498 following the establishment of the Shore Porters Society in Aberdeen, Scotland. However, the first documented consumer co-operative was founded in 1761 in Scotland where local weavers in Fenwick formed the Fenwick Weavers' Society to sell oatmeal at a discount price. Thereafter, various co-operative societies were formed including the Lennox town Friendly Victualling Society, founded in 1812. By 1830, there were several hundred co-operatives, including the co-operative bakery *Caisse du Pain* in Alsace at Guebwiller, France in 1828 (Williams, 2007). In 1931, the first co-operative congress was held in Manchester, England. This was a clear indication that the organization of the co-operative needed to expansively take-off and be well structured.

#### Take-off Phase (1844-1900)

This phase is characterised by the beginning of high recognition of the impact of co-operatives in society. The phase was characterised by well-defined and principles co-operatives in Europe that would define co-operative principles today. It commenced in 1844, when the Rochdale Society of Equitable Pioneers (a group of 28) was formed in Rochdale, Lancashire, England. The society was a means by which the group of impoverished weavers could achieve economic self-determination. Rochdale society is the prototype for societies as we understand them today with co-operative principles. It is the focus of study within co-operative economics. Between 1848 and 1850, the first co-operative associations were created in Germany by Mayor Friedrich Wilhelm Raiffeisen (Prinz, 2002) to help small farmers to acquire cattle without mortgaging their assets and going into debt. The co-operatives were founded on Raiffeisen principles of self-help, self-responsibility, self-administration, local bond and cooperation among the co-operatives. The associations quickly evolved into a credit co-operative society – i.e., Raiffeisen Co-operative banks – by 1862. By the end of

the 19<sup>th</sup> Century, co-operatives were present across Europe and around the world in several sectors (see Birchall, 2011).

### ***Structural Phase (1901 – 1970)***

This phase is characterised by the beginning of high structuring of the co-operatives, with well-defined principles and practices, from local to national to global networks. In 1895, the International Co-operative Alliance (ICA) was founded as the independent association that unites, represents, and serves co-operatives worldwide. ICA, while adopting the Rochdale Principles of Co-operation, defined co-operative principles for the first time in 1937. These included (1) open membership, (2) democratic control (one person, one vote), (3) Distribution of surplus in proportion to trade, (4) payment of limited interest on capital, (5) religious and political neutrality, (6) cash trading (i.e., no credit extended), and (7) promotion of education and information. In 1959, the national agricultural co-operatives created the General Committee for Agricultural Cooperation in the European Union (COGECA) as the European co-operative umbrella organization. In 1960, ICA Regional Office for Asia and the Pacific (The International Co-operative Alliance Asia-Pacific) was established in New Delhi, India.

### ***Promotional Phase (1971-2005)***

This phase was characterised by the rallying call for nations and governments to promote co-operatives, in various forms, in their jurisdiction and embedded them in various development projects. First, in 1966, ICA defined the co-operative principles for the second time. The revised principles include (1) Open, voluntary membership, (2) Democratic governance, (3) Limited return on equity, (4) Surplus belongs to members, (5) Education of members and public in co-operative principles, (6) Cooperation between co-operatives. Moreover, in 1966, International Labour Organization (ILO) adopted Recommendation No. 127 on Promotion of Co-operatives in Developing Countries. In 1968, ICA Regional Office for Africa (Alliance Africa) was established with two offices in Tanzania and Burkina Faso. In 1971, ILO and the Food and Agricultural Organization of the United Nations (FAO) established the Committee for the Promotion and Advancement of Co-operatives to Promote Agricultural Cooperation (COPAC<sup>1</sup>). In 1990, the ICA Regional Office of the Americas (Co-operatives of the Americas) was established in San José, Costa Rica. In 1995, ICA revised for the third time, the co-operative principles to the current edition. The principles include (1) Voluntary and open membership, (2) Democratic member control, (3) Member economic participation, (4) Autonomy and independence, (5) Education, training, and information, (6) Cooperation among co-operatives, and (7) Concern for community. In 2002, ILO adopted Recommendation No. 193 on Promotion of Co-operatives, which revised and replaced Recommendation No. 127 of 1966. In 2005, ICA's general assembly approved the world declaration on worker co-operatives guidelines.

### ***Deepening Phase (2006-onward)***

This phase is characterised by the highlighting of the co-operatives' value and impact in development and enhancing a rallying call for the deepening of co-operatives work in the rapidly changing world. At the onset, in 2006, the ICA Regional Office for Europe (Co-operatives Europe) was established in Brussels. In 2009, COGECA launched the European Award for Co-operative Innovation to raise awareness and promote innovation in European agriculture co-operatives. In 2012, United Nations (UN) celebrated an international year of co-operatives and declared the 2020 Co-operatives Decade. In 2014, The United Nations Department for Economic and Social Affairs (UNDESA) conduct global co-operatives development and performance rankings. According to UNDESA (2014) Report, globally there are (1) 2.6 million Co-operatives with over one billion memberships and clients. With this measure, at least 1 in every 6 people on average in the world has membership or is a client of a co-operative; (2) 12.6 million employees working in 770,000 Co-operative offices and Outlets (or roughly 0.2 per cent of the world's population); and (3) USD 20 Trillion in Co-operative Assets generate USD 3 trillion in Annual Revenue.

In 2016, The United Nations Educational, Scientific and Cultural Organization (UNESCO) inscribed "Idea and practice of organizing shared interests' in co-operatives" on the Representative List of the Intangible Cultural Heritage of Humanity. In the same year, ICA released the guidance to the co-operative principles were released. In December 2021, the 33<sup>rd</sup> World Co-operative Congress themed "deepening our co-operative identity", was conducted with aim of building a more secure future through a co-operative identity. Based on the current global crisis as a framework, the congress discussions were aimed to deepen the co-operative identity

---

<sup>1</sup> COPAC members are: United Nations Department of Economic and Social development (UNDESA), Food and Agriculture organization of the United Nations (FAO), International Labour Organization (ILO), International Co-operative Alliance (ICA), and World Farmers Organization (WFO).

by examining the co-operative values, strengthening co-operative actions, committing to co-operative principles and living the co-operative achievements. This paper would not have come at a better time than this.

In the "historical" development phases of the co-operatives across the world and respective countries (based on Historical Relativism of epistemology), there lie "evolutionary" theories, development trends, and brings to the fore the co-operative definition and guiding principles.

### **"Justificationism" Theories of Co-operative Development**

Co-operatives have been studied from several "Justificationism" of epistemology and theories of Truth" (see Nilsson, 2001 for highlights). These theories include institutional theory (see Emelianoff, 1948/1995), neo-classical economic theory (see LeVay, 2008), transaction cost theory (Ollila, 1989), game theory (Sexton, 1986; Staatz, 1987), property rights theory (Fulton, 1995) and agency theory (Hansmann, 1996). The several theories above explain the conditions under which co-operatives can emerge and thrive and the kinds of outcomes they predict.

To account for the several co-operatives theories (emerging from sociology, political science, economics, law), Professor Johnston Birchall (2011 pp.32-33) has summarised them, on account of the condition of cooperation and outcomes thereof, as follows.

**Theories of social history:** These theories hold that the co-operatives are derived from nationalism or political party, high level of general education, political enfranchisement, land reform, substantial equality of condition. Co-operatives arising from this theoretical orientation prefer mutuality over charitable forms of organisation and have the ability to create solidary institutions that are well-governed and command allegiance.

**Theories of economic history:** These theories hold that co-operatives arise as a result of the formation of new classes (e.g., urban working class, smallholders). Furthermore, when there is an expanding market society, dependence on money income, need to access markets, lack of competitors or threat of monopoly among competitors; there is always a strong need among people in the same market position to co-operate. The commitment to economic co-operation is because the alternatives either do not exist or are threatening the livelihoods of people who have a weak market position.

**Theories of Sociology:** These theories hold that co-operatives can come up as a result of high levels of social capital, both bonding and bridging. The availability of resources in membership organisations and networks, with the assurance of success and mutual benefit, necessitates the formation of the co-operative.

**Theories of Economics:** They include such theories as the neo-classical economic theory, transaction cost theory, game theory, "property rights theory. Generally, these theories hold that co-operative arise due to market failures – and there is the threat of monopoly, power of "middlemen" or lack of markets, low barriers to entry, and/or weak competitors. The co-operative formed on these orientations bring a difference and advantage to their members.

**Theories of political science:** The theories include the agency theory. These theories hold that co-operative is formed to overcome the collective action problem, through selective incentives and sanctions against the "free riders" problem. The outcome is that the co-operatives are created to recruit members who have the incentive to participate in governance.

**Theory of mutual incentives:** This theory holds that people do respond to collectivistic incentives; with a sense of community, shared values and goals. In this regard, co-operatives achieve high levels of participation and can develop a member participation strategy.

**Theory of supportive environment:** The theory holds that the presence of promoters, good legal and fiscal environment. Government support but respect for the autonomy of civil society. In this regard, co-operatives development unfolds in stages, with strong, autonomous organisations.

**Theory of co-operative design and evolution:** This theory holds that co-operatives are formed to put the member at the centre of the business. In this regard, strong co-operative sectors emerge to command the loyalty of members and maintain member focus over time.

**Theory of ownership:** This theory holds that a co-operative is formed because a stakeholder will take ownership if this combats market failure, and/or if the costs of ownership are low. The more homogeneous the group owners are, the lower the costs. Co-operatives are only be found in some sectors and at some times, because they need a homogeneous group of members with common interests.

**Theory of voice:** This theory holds that the co-operatives exist because members will exercise voice when the cost of exit is high. In this case, loyalty raises the costs of exit and promotes voice in co-operatives. As the co-operatives foster loyalty through patronage refunds, give opportunities for voice and demand financial commitment from members, they continue to survive.

These theories (Criticalism of epistemology), in alignment to some of the historical landmarks (historical relativism of epistemology), contributed to various co-operative schools of thoughts (Instrumentalism of epistemology) and development trends (Paradigmatic Relativism of epistemology) of the co-operative in the world, as further discussed in the subsequent section.



### **"Instrumentalism" Co-operative Schools of Thoughts**

In the similar fashion of the different theories of co-operative development, some different institutions and scholars have come up with various schools of thought for co-operatives (based on "Instrumentalism" of epistemology). They include the Leader-Manager School, Co-operative Principles School, Domain-Context School, commonwealth school, California school, Chicago school (see Acharya, *n.d.*; Torgerson, et. al., 1998).

**Leader-Manager School:** In this school of thought, co-operatives development is influenced by case studies of leaders and managers' success stories. The school hold the view that charismatic leaders play a very important role in bringing people together and organising them around a shared concern or objective. Here co-operative work is largely attributable to a leader and his/her contribution. A good example, in this case, could be Mayor Friedrich Wilhelm Raiffeisen of Germany, who influenced the formation of the agricultural credit co-operatives in Germany (see Prinz, 2002). Sometimes, the school offers little insight on the process the leader and the co-operative went through. The importance of this school of thought is in the processes the co-operative leaders and managers went through and how he/she induced the performance and growth of the co-operative. Even though it is difficult to come across good leadership, this school of thought overemphasizes the success of leadership without addressing the concern of the co-operative performance.

**Co-operative Principles' School:** In this school of thought, the emphasis is on developing co-operatives that adhere to as much as possible to the International Principles of Cooperation espoused by the International Co-operative Alliance (ICA). In short, any member organization can be referred to as a co-operative if it only follows the ICA's seven guiding principles. These are (1) voluntary and open membership; (2) democratic member control; (3) member economic participation; (4) autonomy and independence; (5) education, training, and information; (6) cooperation among co-operatives; (7) concern for the community. To date, these principles have provided the ideological basis to the world of the co-operative movement. The school of thought is conceptually simplistic but somewhat analytically debatable. This school assumes that testable proposals can be replaced by mere hope and assertion of just ideological beliefs. Even if these beliefs hold as empirical propositions, this school gives much appeal and little assessment and evidence in different contexts. It is worthwhile to note that these principles are not applicable in all contexts but mere guidelines, which can be changed with context and time. Therefore, continuous rethinking and reformulation are important, as done by Mondragon Corporation, in Spain (Kiran, 2010).

**Domain-Context School:** This school of thought holds that the success or failure of a co-operative depends primarily on the socio-economic and political conditions of its domain rather than what the co-operative leaders and managers do. It addresses the gaps in the leaders-manager and co-operative principles school of thought. The school imply that the unique attributes of the domain within which the co-operative is domiciled also regulate the attitudes and behaviour of the actors- leaders, managers, members, and other stakeholders. For instance, small homogenous co-operatives may succeed than big heterogenous co-operatives. Moreover, entrepreneurial co-operatives with few semi-closed memberships and members involved in terms of patronage and investment may be better off than the traditional co-operatives with inherent problems of free-rider, horizon, portfolio, control, influence cost problems. Furthermore, some domains would ensure the thriving of cooperation among co-operatives, while others will favour more individualized co-operatives.

**Commonwealth School:** This school of thought has a strong foundation in European approaches to the development of the structure. The school hold that co-operatives evolve into the dominant form of business activity in consumer and farm sectors, thereby creating an economic and social order through the utilization of federations and other linkages between co-operatives, and their allied support groups, such as labour unions and professional farmers associations (See Lindenfeld, 2012; de Graaf, 2014).

**California School:** One of the American schools of thought was initiated by an American co-operative activist, Aaron Sapiro (see Larsen and Erdman, 1962) to correct imbalances in farmer treatment and improve marketing coordination by utilizing co-operatives organized along commodity lines to attain structured marketing. This school of thought was successfully accepted among farmers growing crops within small territory than did in those grown over broad geographical areas. The school of thought influenced terms of trade through co-operative organizations in the United States and Canada.

**Competitive Yardstick School/Chicago School:** This is another American school of thought. It was initiated by Professor E. G. Nourse, a Chicago school trained economist. It became later to be known as the competitive yardstick school (Stewart-Bloch, 2018). This school hold that co-operatives can be organized representing a limited share of marketing activity and still serve a yardstick role by which members can measure the performance of other firms dominating the marketing channel. The Chicago school of thought is the opposite of the California school which emphasised the democratically controlled and dominant commodity associations, as it advocated that co-operative can only attain scale economies by affiliating through purchasing or marketing co-operative federations with preserved a bottom-up primary co-operative structure rather than a more centralized, top-down one. The school advocated a much more modest vision of co-operative structure that

originated from local primary service co-operatives characteristic of the livestock, farm supply and grain elevator organizations that sprung up in the Midwest of the USA.

### **"Paradigmatic Relativism" Trends of Co-operatives Development**

Based on the aforementioned theories and school of thought, several clusters of trends (the Paradigmatic Relativism of epistemology) of co-operative development have subsequently emerged. In the history and theories of co-operatives, three developmental trends have been evident – organizational, companization and social trends (Henry, [2018](#)). But of late, another trend is shaping the co-operative discourse i.e., global trend (Schwettmann, [2015](#)).

**Organisational Trend:** The organisational trend was from the 1840s -1970s and focus on outlining the distinctiveness of co-operatives from other organizations on issues of the welfare state, labour law and consumer protection. Since this time was also characterised by colonialism, co-operatives were used to executive state economic plans. This trend led to a persisting divide of countries, depending on which aspect of the objective of co-operatives they emphasize more on the economic or more on the social aspect, and whether co-operatives were considered "children on necessity", or "children of choice".

**"Companization" Trend:** The trend started at the beginning of the 1970s, as a consequence of economics being reduced to econometrics and of the assessment of the competitiveness of enterprises by the sole criterion of their financial performance. This trend was reinforced by the application of other laws, such as accounting standards, tax laws, labour laws, competition laws, which were initially modelled on capital-centred companies and not well adapted to the specifics of co-operatives. Easily put, this is the trend that prompted the co-operatives legal frameworks development and reviews. The companization trend resulted in the "neglect" of the non-economic aspects of the objective of co-operatives. The trend disregards the functional relationship between the objective of an organization and its legal form. In addition, the trend aggravates the specific control risks in co-operatives that ensue from a triple information gap: one between the board of directors and the management, one between the supervisory committee and the board of directors, if any, and one between that committee and the members. Later, the co-operative idea started being questioned. Towards the 1990s, co-operatives started waning from political party programs, from bilateral and multilateral development programs, from the policy agendas of national governments, regional and international organizations (which was further aggravated in developing countries by famous Britton wood Institutions' Structural Adjustment Programs (SAPs)), and also from the research and education curricula (Henry, et al, [2017](#)). As a result, co-operative law and its application are still debatable in various contexts.

**Egalitarianism Trend:** This trend of post-1989 was triggered by the growing social disparities and the diminishing capacity of the welfare state and the labour market partners to cater for social justice (Henry, [2015](#)). It is being acknowledged globally that social injustice is the major hindrance to sustainable development, hence the continued call for CSR. In turn, CSR is changing from behavioural aspects to governance issues, leading to a convergence of enterprise forms. This then casts a shadow on the requirement of diversity and uniqueness of co-operatives as a source of development, and it weakens the resilience of co-operative economic systems against shocks (Hans, [2012](#)). If the Investor-Owned-Firms (IOF) through CSR would directly reach out to the community, why then form, join or invest in a community co-operative. These poses for the co-operative business models that are relevant and successful in such an environment where clarity of distinction with other organizations is only "imaginary".

**Global Trend:** Global trends are shaping the development of the co-operative – both in classification and business modelling. The world is changing in four dimensions (Schwettmann, [2015](#)) – in terms of demographics; technology, economy, and environment, with different elements and impacts. Demographically, the world is witnessing a surge in population growth, ageing population, and urbanization. Technologically, the world is experiencing automation<sup>2</sup>, internet communication, and digitalization. Economically, the world is globalizing<sup>3</sup>, inequal and informalized. Environmentally, the world is faced with climate change, resource depletion, and pollution. These trends in part or whole, add to the foundation of the co-operative classification and business models to be adopted for success and sustainability.

To holistically address these trends, many countries are becoming conscious that the current economic system is not sustainable. The reorganization of national economies and the global economy towards greater

---

<sup>2</sup> Automation refers to the use of computers and other automated machinery for the execution of business-related tasks. For instance, cases of automation of work processes through computers and algorithms; automation of manufacturing and services through robots; and automation of transport through self-conducting or remote-controlled devices (drones, and self-driving cars, tanks, and ships).

<sup>3</sup> Globalization has been defined as: "the process of international integration arising from the interchange of world views, products, ideas, and other aspects of culture".

sustainability is ongoing. The "Atlas of Globalization"<sup>4</sup> called for a post-growth society whose progress should be measured by a more inclusive set of indicators besides the GDP; a society that should put greater emphasis on equality, sharing, recycling and voluntarism and community engagement. Significantly, nations are using the co-operative model to navigate the threats in emerging global trends and capitalize on the opportunities, restructuring their economies to more of the Circular, Social and Solidarity structures. Such emerging co-operatives include the technology, environmental, and social service-oriented co-operatives.

The emerging types of co-operatives are requiring reorientation to broadly: (1) Respond to emerging global trends while maintaining to a greater extent co-operative image, identity, values, and principles; and preserving the socio-cultural value in the pluralistic world; (2) Cooperate beyond co-operatives, with other forms of organizations: as many organizations which are not registered as co-operatives are working together This is possible with the Internet that is boosting other forms of cooperation, such as the "shared economy"<sup>5</sup> and "collaborative consumption"<sup>6</sup>; and (3) Organize cooperation along global supply chains: promoting co-operatives that can bring together the co-operatively organized producers to co-operatively organized consumers in another country. For instance, promoting a coffee producer co-operative in Guatemala, linking up with a consumer co-operative in the USA (Bajo and Silvestre, 2014). Indeed, co-operative formations may not remain the same in the future.

### "Coherentism" of Co-operative Definition and Principles

The definition of a co-operative and its fundamental principles is essential to distinguishing co-operatives from all other types of business organizations. This are the "Coherentism" epistemology of the co-operatives. It must clearly and unambiguously characterize the differences between co-operatives and other business forms to ensure a full understanding of the rights, responsibilities, and expectations of all parties involved with a co-operative. including the co-operatives' users, directors, employees, and the general public.

According to International Co-operative Alliance (ICA, 2022), the co-operative identity is to become one of the best-known ethical socio-economic and business models in the world. ICA has issues statements on co-operative identity including definition, values and principles as illustrated below.

**Table 1: ICA Statement on Co-operative Identity**

ICA Statement on Co-operative Identity	
<b>Co-operative Definition:</b> ICA define a co-operative as "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".	
<b>Co-operative (Ethical) Values:</b> Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity, and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.	
<b>Co-operative Principles:</b> A co-operative principle is an underlying doctrine or tenet that defines or identifies a distinctive characteristic. It sets the co-operative apart from other businesses (As postulated by scholars, "A good principle, not rightly understood, may prove as harmful as a bad principle"). The co-operative principles are guidelines by which co-operatives put their values into practice. There are seven co-operative principles as outline by ICA (1995).	
Principle	Description
<b>1. Voluntary and Open Membership</b>	Co-operatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political, or religious discrimination.
<b>2. Democratic Member Control</b>	Co-operatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives, members have equal voting rights (one member, one vote), and co-operatives at other levels are also organized democratically.
<b>3. Member Economic Participation</b>	Members contribute equitably to and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; supporting other activities approved by the membership.
<b>4. Autonomy and Independence</b>	Co-operatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.
<b>5. Education, Training, and Information</b>	Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the public—particularly young people and opinion leaders—about the nature and benefits of cooperation.
<b>6. Cooperation Among Co-operatives</b>	Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional, and international structures.
<b>7. Concern for Community</b>	Co-operatives work for the sustainable development of their communities through policies approved by their members.

<sup>4</sup> Le Monde Diplomatique (2015). Atlas der Globalisierung - Weniger wird merh. Berlin: Le Monde Diplomatique/TAZ

<sup>5</sup> A sharing economy provides individuals, corporations, non-profits, and governments with information that enables the optimization of resources through the redistribution, sharing and reuse of excess capacity in goods and services.

<sup>6</sup> Collaborative consumption as a phenomenon is a class of economic arrangements in which participants share access to products or services, rather than having individual ownership

The relationship between the co-operative principle and the corresponding ethical values were highlighted by Nilsson, (1997) as follows.

Table 2: Relationship of principles to the underlying values of cooperation

	Co-operative Principles	Co-operative Values
1.	<ul style="list-style-type: none"> <li>• Voluntary and open membership</li> <li>• Democratic member control</li> <li>• Autonomy and independence</li> </ul>	<ul style="list-style-type: none"> <li>• Equality,</li> <li>• Human rights and freedom</li> </ul>
2.	<ul style="list-style-type: none"> <li>• Members' economic participation</li> </ul>	<ul style="list-style-type: none"> <li>• Economic justice</li> </ul>
3.	<ul style="list-style-type: none"> <li>• Education, training and information</li> <li>• Cooperation between co-operatives</li> <li>• Concern for the community</li> </ul>	<ul style="list-style-type: none"> <li>• Mutual assistance</li> </ul>

Source: Adapted from Nilsson, (1997)

Based, on the ICA statement, International Labour Organization (ILO) revised the Co-operative Promotion Recommendation (No. 193) in 2002 (ILO, 2002). The guidance to the co-operative principles was released by ICA in 2016.

### "Pragmatism" of the Co-operatives Law

The history (i.e., historical relativisms of epistemology), theories (i.e., Justificationism of epistemology), schools of thoughts (i.e., Instrumentalism of epistemology), development trends (i.e., Paradigmatic Relativism of epistemology), and definitions and principles (i.e., Coherentism of epistemology) of co-operatives, subsequently influence the development of the co-operative laws (i.e., Pragmatism of epistemology) across countries. Importantly, the "companization" trend and perspective of co-operatives has always triggered the development of co-operatives law (Henry, 2018). Co-operative laws do not exist in isolation, they are in cognizance of the jurisdictions' constitution and other related laws in spheres of other enterprises, non-profit organizations, sectoral laws and so on. In simple terms, co-operatives operate under specific laws.

This study paper, therefore, established the purpose of the co-operative law, the common features of the co-operative laws, the co-operative principles and law indicators, and determined the way forward on whether this co-operative law (i.e., the pragmatism source of knowledge) is for the co-operatives or the law, or both.

### Purpose of the Co-operative Law:

The purpose of enacting and reviewing co-operatives law<sup>7</sup> is to give a solid legal status to the co-operatives and facilitate their work. In strictest terms, co-operatives law is the organizational law of co-operative entities – which, depending on the jurisdiction, are termed "co-operative societies", "co-operative associations", "co-operative companies", "co-operative corporations", or simply "co-operatives" (which are alternatives that do not necessarily carry legal implications). It thus consists of rules on the definition, formation, organizational and financial structure, allocation of surplus, operations, relations among constituencies and co-operatives, dissolution, merger, demerger, and conversion, variedly distributed throughout a text (or, sometimes, more than one legal text) (Fajardo, et al., (2012). In a broader sense, co-operative law also comprises the provisions specifically dedicated to co-operatives that may be found in bodies of non-organizational law, such as labour, tax, competition and insolvency law and even civil procedure, and property and contract law. International Labour Organization (ILO) has endeavoured to describe co-operative law structure in one of its recommendations (ILO R/No. 193 - Promotion of Co-operatives Recommendation, 2002)

The law should also ensure that co-operatives work as genuine bodies and by the universally accepted co-operative identity, values, and principles. The legal framework for co-operatives consists of the law, rules made under it and the by-laws adopted by the members of co-operatives by the law and rules. This together makes up procedures and rules for the organizational structure and functioning of co-operatives and protect and preserve their co-operative identity.

The important contribution that a government can make to the co-operative movement is to introduce legislation to provide a legal framework and the necessary safeguards and privileges that would create an

<sup>7</sup> Strictly speaking, co-operatives law is the organizational law of co-operative entities – which, depending on the jurisdiction, are termed 'co-operative societies', 'co-operative associations', 'co-operative companies', 'co-operative corporations' or simply 'co-operatives' (which are alternatives that do not necessarily carry legal implications). It thus consists of rules on the definition, formation, organizational and financial structure, allocation of surplus, operations, relations among constituencies and among co-operatives, dissolution, merger, demerger, and conversion, variedly distributed throughout a text (or, sometimes, more than one legal text). In a broader sense, co-operative law also comprises the provisions specifically dedicated to co-operatives that may be found in bodies of non-organizational law, such as labour, tax, competition and insolvency law and even civil procedure, and property and contract law.

atmosphere conducive to co-operatives development<sup>8</sup>. The co-operative legislation process is sometimes long as has to be involving different sets of stakeholders (Matabi, 2018). The co-operatives law should thus enable the working of co-operatives and not restrain the autonomous working and flexibility of models. The routine working regulations should be included in the respective co-operative's by-laws.

By the established legislative procedure in most countries, the co-operatives law is developed by the legislative arm of the governments; and one of the Ministry in charge of the co-operative function become the custodian of the same. The Co-operative Act is then followed by the formulation of the regulations by the Minister in charge of the co-operatives function, and by-laws are adopted by the members and registered under the law.

In case of conflict among the three instruments i.e., Acts, Regulations and By-Laws, the Act is supreme, followed by the Rules, and then By-laws. The best law is that which is: simple and brief; which can be easily understood by the common person; and which does not need excess sub-rules. Working details should be left to the members, to be included in the by-laws. The co-operatives law should include the basic provisions relating to the co-operatives' principles, membership, registration requirements, management pattern, arbitration, liquidation, etc.

Co-operative law is as old as modern co-operatives. A study of various countries' co-operative laws and policy papers shows that some of the countries with the oldest co-operative law development history include Germany, which established its co-operative in 1889, Japan in, 1900<sup>9</sup> and India, in 1904<sup>10</sup>. ILO has also conducted some reviews on co-operative policy and legal frameworks in Eastern and Southern Africa region countries (Theron, 2010).

A study on the countries with relatively strong co-operative movements in America (such as Canada, USA, Brazil), Europe (Such as Germany, Spain, Italy, The Netherlands, France), Oceania (Such News Zealand, Australia), and parts of Asia (Such as Japan, India, South Korea, India), indicate that they have equally strong co-operative laws mad changing as the world change. Today, the understanding of the co-operative concept is leading to the serious restructuring of the co-operatives for the socio-economic agenda, especially in the need to promote Circular, Social and Solidarity Economy (C-SSE). This has called for them to undertake a balancing act of various perspectives and choosing how to promote various models, as the co-operative laws aid this accordingly.

### **Common Features of a Good Co-operatives Law**

The countries with supporting co-operative legislative frameworks are focusing more on co-operatives promotion and self-regulation, and flexibility, than state control. They are profiling their laws (depending on the need for social cohesion, territoriality, accessibility, employability, networking) in four distinct features: stakeholders' participation; capitalization mechanisms; accountability, transparency, and information duties; liability rules; and bankruptcy and liquidation procedures (Cracogna, et. al, 2013; Apps, n.d).

Table 3: Key provision of focus of the co-operative laws in the countries with strong co-operative movements

Features profiling the co-operatives legal frameworks	Description
1. Stakeholders' participation in the governance structure	Countries are developing laws that strive to consider co-operative stakeholders with eligible interests. An interest is eligible when either the holder provides resources as a contribution to the co-operative (these resources being financial or human capital, also consisting in know-how, skills, or reputation), or he/she is a (potentially) victim of negative externalities generated by the co-operative. The laws strive to protect and cover the interests of the first type by contracts; interests of the second type by mandatory laws and protected by offence law. The countries are promoting both "mono-stakeholder" and "multi-stakeholder" members in co-operatives, which aims to consolidate members who are users, service providers, and workers employed within this co-operative
2. Capitalization mechanisms	Countries are developing laws that clarify the mechanism of capitalization takes the name of parts (shares) of qualification composed according to the choice of the co-operative, of social parts exclusively, or of both social parts and preferential parts.
3. Duties of information and accountability	Countries are putting in place regulations concerning accounts books, balance sheets and accounts monitoring widely varies according to the type of the co-operative, the governance model which is adopted and to some extent the size of the co-operative.
4. Liability rules	Countries are developing laws that are on, on the one hand, the entrepreneurial nature of the co-operative, i.e., calling for a stricter standard in terms of liability rules; on the other, however, the recovery may be critical if the loss is merely "personal": then preventive measures may be preferred, in which to prevent certain crimes by adopting ethical codes or other measures

<sup>8</sup> ILO, 2010 states that Government control of co-operatives does more harm than good. All co-operatives, regardless of their level of development or country of origin, should share the same right to govern their business democratically and autonomously, if they are to be relevant, grow and be sustainable.

<sup>9</sup> Japan' Industrial Association Law of 1900

<sup>10</sup> India's Co-operative Credit Societies Act, 1904 was passed on 25<sup>th</sup> March 1904

Features profiling the co-operatives legal frameworks	Description
5. Insolvency and liquidation	Countries are putting in place co-operative laws with adequate bankruptcy regulation to support the enterprise since, and reinforce the protection of creditors and, prospectively, their willingness to award credit to the co-operative by entering such business aspects as financial, sale, and labour contracts. Some of the laws attribute the power of liquidating the co-operative to the public monitoring agency, also including the possibility of applying the mandatory co-operative liquidation procedure, or an alternative to the ordinary liquidation process generally applied to by the general assemblies.

In these regards, the good co-operative laws give clear provisions that help co-operatives ensure member commitment and fair dealings.

***Co-operatives Law Principles and Indicators***

Scholars and practitioners of organizational law are led by Professor Henry Hagen<sup>11</sup> (see Fajardo, et. al, 2012).; Henry, 2018) are encouraging the harmonization of the interpretation of the co-operative values and principles and the elaboration of co-operative legal principles. This is to make sure that the co-operative principles fit into the world of existing, universally recognized legal principles, such as the principle of equal treatment, the principle of solidarity and the principle of democracy; instead of trying to fit independently developed co-operative legal principles into the legal systems. The reason is that the legal principles do not have the function to be the definite reason for a decision; they are the reason in favour of a decision. Therefore, the harmonized co-operative legal principles allow for necessary variations in co-operative legislation<sup>12</sup>.

In this light, ICA, ILO and OCDC (who are among the big bodies for the promotion of co-operatives) have therefore agreed on the basic guidelines for the development and reviews of the co-operatives law, for any country needing to promote co-operatives model, in sync with the co-operative identity, values and principle. The legal and regulatory systems for co-operatives should at least meet a blend of co-operative law reform principles, categorized as the principles regarding internal affairs and issues of co-operatives; principles regarding external affairs and issues of co-operatives; and principles necessary for effective co-operatives law analysis. In mid-2005, US-OCDC under Co-operative Law and Regulation Initiative (CLARITY). CLARITY programme is comprised of four manuals – develops a co-operative-led process for legal reform including Principles for Legal Reform; Assessment, Analysis and Outreach; Applying the Principles; and Co-operative Advocacy. The CLARITY assessment and analysis tool using the triangulation of these co-operatives law indicators and co-operative principles, show the applicability to determine the level of compliance of the co-operative laws to the international standards. This is described in Table 5.

Table 4: Description of the Co-operative law principles

ICA Co-operative Principles	Law Reform Principles	Applicability
1. Voluntary and Open Membership	<b>Protect democratic member control:</b> The law should protect the democratic character of co-operatives, vesting control of the organization in its members.	These principles refer to internal affairs and issues of co-operatives
2. Democratic Member Control	<b>Protect autonomy and independence:</b> Co-operatives are forms of business. The law should protect the autonomy and independence of co-operatives from government, persons, or entities other than members of the co-operative.	
3. Member Economic Participation:	<b>Respect voluntary membership:</b> The law should protect the voluntary nature of membership in co-operatives; membership in co-operatives should be determined by each co-operative, not mandated by law or government order.	
4. Autonomy and Independence:	<b>Require member economic participation:</b> The law should protect and promote the responsibilities of membership, including the duties to contribute equitably to and democratically control the capital of the co-operative.	
	<b>Promote equitable treatment:</b> The law and regulations should be no less advantageous to co-operatives than to other businesses in the same sector while protecting and being sensitive to the mutuality of co-operatives. Incorporation, law enforcement, dispute resolution, and licensing of co-operatives should be handled in the same manner as for other businesses.	These principles refer to external affairs and issues of co-operatives -the universally recognized legal principles
	<b>Promote access to markets:</b> The sector-specific regulations (such as for agriculture co-operatives) should provide reasonable accommodations and incentives, where appropriate, that enable co-operative forms of business to operate.	

<sup>11</sup> Prof. Henry Hagen is the Research Director of the Ruralia Institute at University of Helsinki in Finland, and heads the Co-operative Law Committee

<sup>12</sup> New Study Group on European Co-operative Law: "Principles" Project, Euricse Working Paper, N. 024 | 12. Available: [http://euricse.eu/sites/euricse.eu/files/db\\_uploads/documents/1329215779\\_n1963.pdf](http://euricse.eu/sites/euricse.eu/files/db_uploads/documents/1329215779_n1963.pdf)

ICA Co-operative Principles	Law Reform Principles	Applicability
	<b>Provide coherent and efficient regulatory framework:</b> The regulatory framework flowing from the law should be simple, predictable, and efficient; should minimize bureaucratic delay and obstructions to business operation; should avoid conflict and duplication of other laws. Regulation concerning the business of co-operatives should be handled by institutions with the most relevant specialized expertise.	
	<b>Protect due process:</b> The co-operative organizations and their members should be accorded due process of law, including applicable rights to hearings, representation, and impartial appeals for decisions of the state that impact co-operatives or their members.	
	<b>Avoid conflicts of interest:</b> The state has the role of law enforcement, dispute resolution, license, and promotion. This should be administered in a manner that avoids duplication, undue influence, and minimizes conflicts of interest.	
5. Education, Training, and Information	An assessment conducted by brainstorming with co-operatives promoters, officers, and leaders.	These principles are necessary for effective assessment and review
6. Cooperation Among Co-operatives	An assessment conducted through an apex body that signifies cooperation among co-operatives	
7. Concern for Community	An assessment conducted due to the concern for the greater co-operative community (especially the agriculture co-operatives), and how their well-being impacts their local communities.	

Source: Author's construct

The recommended salient provisions of the co-operatives law should be examined under the following co-operative law indicators, and some key questions to be asked, as highlighted in Table 6:

Table 5: Corresponding questions for co-operative law indicators in respect to the co-operative law principles

Co-operative law indicator	Key questions about the provisions
1. Co-operative definitions, objects, and co-operative principles	<ul style="list-style-type: none"> <li>▪ Which and how terms are defined?</li> <li>▪ Which co-operative objectives are stipulated in the law?</li> <li>▪ Which co-operative principles are highlighted in the law as the premise for the subsequent provisions?</li> </ul>
2. Formation and Registration	<ul style="list-style-type: none"> <li>▪ What is the minimum number of members are required to form a co-operative?</li> <li>▪ How long does the registration process take?</li> <li>▪ Who registers the co-operative?</li> <li>▪ How is the system of registration?</li> </ul>
3. Co-operative supervision	<ul style="list-style-type: none"> <li>▪ Who supervises the co-operatives?</li> <li>▪ What are the limitations or excesses of the supervision power?</li> <li>▪ Is there a possible conflict between the roles of registration, compliance, and promotion?</li> </ul>
4. Legal Status and Rights	<ul style="list-style-type: none"> <li>▪ How is the co-operative treated – an NGO or a business?</li> <li>▪ Is a co-operative granted equal business rights like other forms of business?</li> </ul>
5. Membership	<ul style="list-style-type: none"> <li>▪ How are the members defined?</li> <li>▪ What are the composition criteria of the membership described?</li> <li>▪ Who has the power to control the admission or termination of membership?</li> </ul>
6. Member Governance	<ul style="list-style-type: none"> <li>▪ How is governance structure described?</li> <li>▪ What are the key organs of the co-operative structure?</li> <li>▪ What is the descriptive role of each organ?</li> </ul>
7. Officers and Directors	<ul style="list-style-type: none"> <li>▪ Who becomes a co-operative staff?</li> <li>▪ Who approves of their employment?</li> </ul>
8. Board of Directors	<ul style="list-style-type: none"> <li>▪ Who becomes a board member?</li> <li>▪ How is the board formed?</li> <li>▪ What is a description of the board roles?</li> <li>▪ What is the term of the board member?</li> </ul>
9. Funds/Capital/Facilities and Concessions	<ul style="list-style-type: none"> <li>▪ What are the allowable revenue streams?</li> <li>▪ How is the shareholding described?</li> <li>▪ How does the co-operative acquire other funding outside member-equity?</li> <li>▪ What are government facilities and concessions available and offered to co-operatives?</li> <li>▪ How are incomes distributed?</li> </ul>
10. Auditing	<ul style="list-style-type: none"> <li>▪ How and when is the auditing done?</li> <li>▪ Who appoints the auditor?</li> <li>▪ Is the audit information available to members?</li> </ul>
11. Dispute resolution	<ul style="list-style-type: none"> <li>▪ Are there dispute resolution mechanisms?</li> <li>▪ Who sets up the varying levels of dispute resolution mechanisms?</li> </ul>
12. Dissolution, Acquisition, Mergers	<ul style="list-style-type: none"> <li>▪ How are co-operatives dissolved?</li> <li>▪ If they dissolved, who liquidates and how are liquidators appointed, and how are the reports treated?</li> <li>▪ Is there a provision for voluntary mergers and acquisitions of co-operatives?</li> </ul>
13. Apex organizations	<ul style="list-style-type: none"> <li>▪ Are there provisions for the establishment of an apex body?</li> <li>▪ Are there provisions for the establishment of federations and unions?</li> </ul>



Co-operative law indicator	Key questions about the provisions
	<ul style="list-style-type: none"> <li>▪ What is the description of these tiers of co-operatives?</li> </ul>

#### IV. Result and Discussions

From the studies and experiences from Kenya, Malawi and Kingdom of Saudi Arabia, it is observed that co-operatives development in these countries is largely based on the country's historical and socio-political and cultural orientation, i.e., the "solidarist relativism" truths held. Significantly, there is a high level the co-operative organisation and management in these countries also reflect Criticalism and Critical Relativisms. This can be observed in mainly in two sources of the co-operative epistemological focus for their respective co-operative identity – i.e., the co-operative definition and principles, and the co-operatives law.

##### "Critical Relativism" of Co-operative Definition

The questions still arise on all the elements of co-operative definition (see Henry, 2018), that a co-operative is an autonomous association of persons united voluntarily to meet their common social, economic, and cultural needs and ambitions in an enterprise that is jointly-owned and democratically-controlled. This cast debate on completeness of the basic co-operative business model.

**"Autonomous (association of persons)".** Apart from accommodating the notion of autonomy as regards its literary sense, the promoters of the co-operatives must be aware of the fact that the autonomy of (potential) co-operators is both expanded and reduced by the effects of globalization. It is widened as ever more rules of the co-operative laws are formulated as default rules, allowing co-operators to regulate almost any issue through their statutes or bylaws. Where this widens the scope of their autonomy, it limits the government to pursue policy aims through organizational enterprise law. It is narrowed by the phenomenon of big data and the organizational integration of enterprises into vertical and horizontal value chains. In the Kingdom of Saudi Arabia, this aspect of autonomous is not held since the government still consider co-operatives as public enterprises to help undertake government initiatives at the community level.

**"Association (of persons)".** There is no consensus on whether co-operatives are partnerships, societies, a special kind of capitalistic company, or a *sui generis* type. Different jurisdictions refer to them differently as 'co-operative societies' (e.g., in Kenya), 'co-operative associations' (e.g., in the Kingdom of Saudi Arabia), 'co-operative companies', 'co-operative corporations' or simply 'co-operatives' (which are alternatives that do not necessarily carry legal implications). The answer to this question is relevant, for example, for statistics, for the liability of the members, the application of default rules. There is also a trend in legislation to 'contract relationship', the relationship between the members and the co-operatives. Where such contractual arrangements might be necessary in single cases, for example in the case of a risky investment by the co-operative that requires assurance that the members will use the services of the co-operative for which the investment is made, such 'contract relationships' change the very nature of co-operatives as being associations of persons. Sometimes, these contractual relationships may not materialize through. Contracts relate to specified purposes, whereas associations allow for the pursuit of a wider range of purposes under a general one.

**"(Association of) persons".** Another question is whether also legal persons may be members of primary co-operatives. Public international law and the general understanding of the term "person" by lawyers point to that being possible. However, in many countries, legal persons are not allowed to be members of primary co-operatives. This restriction is a hindrance for the development of enterprises, especially of small and medium-sized enterprises that in several countries have been successfully pooling their strengths and mitigating their weaknesses by setting up primary co-operatives (von Ravensburg, 2010). The possible risk of legal persons overriding the interests of natural persons in co-operatives with a mixed membership, where such membership is accepted by the natural person members, may be reduced through adequate rules in the bylaws of the co-operative (Henry, 2012a). This aspect is being experienced in Kenya' co-operative movement, as the registered Small and Medium Enterprises (SMEs) are becoming members of the savings and Credit Co-operatives (SACCOs).

**"Economic, social and cultural needs and aspirations".** These aspects of the objective of co-operatives need to be kept in a balance, considering overarching policy aims, such as sustainable development and human rights issues. Proponents argue that the reasons that led to the "*companization*"<sup>13</sup> of co-operatives are not valid anymore. Financial performance is still an important aspect of the competitiveness of co-operative enterprises, but it is not the only one anymore. Equally important is the normative capacity of co-operative enterprises to contribute to sustainable development goals. This shift is also prompted by a changing conception of what is "public" and what is "private". The requirement for private entities to internalize hitherto public concerns and, vice versa, the requirements for public institutions to adopt private enterprise behaviour leads to

<sup>13</sup> Details concerning "companization", are in Henry, H., (2012). Quo Vadis Co-operative Law?, in: CCIJ Report No. 72/2014, 50-61 (in Japanese. Manuscript in English).



dysfunctionalities and inefficiencies as long as the respective legal structures have not been adapted accordingly (Henry, 2012b). This question is also at the heart of new-type co-operatives, so-called multi-stakeholder co-operatives.

**"Common needs and aspirations (of the members)".** There are two thoughts, which interpret this element in different ways. First, a more restrictive one limits the element to mean that co-operatives should serve exclusively their members. The definition seems to support this school. The other school recognizes the reality of entities that are registered as co-operatives and/or call themselves co-operatives and which also serve non-members, at times even the general public. It might sound absurd to say that service to non-members might be a common need of the members. The issue is closely related to the delimitation of the term "member". In case of Kenya today, co-operatives are opening the common bond to serve the non-members.

**"Member".** There is also a debate on the corporate social responsibility (CSR) and the social economy, on whether (1) to consider the interests of non-members, i.e., stakeholders whose rights are affected by the activities of co-operatives, or (2) shift the CSR from behavioural aspects to governance issues requires that stakeholders be integrated with rights and duties into the governance structure of enterprises in general. Such multi-stakeholder co-operatives are emerging especially in the education sector, in health and social care and the utility sector. In Kenya, co-operatives are playing a critical role in times of crisis like the recent Covid-19 pandemic where they have in the forefront in aiding the need communities.

**"Jointly owned (and democratically controlled enterprise)".** The joint ownership relates foremost to the reserve fund, i.e., the lock-in part of the capital. Even fewer laws require the reserve fund to be indivisible. Besides protecting third party interests and improving the creditability of the co-operatives – it has the same function as the minimum capital requirement in other forms of enterprise - and besides diminishing speculative behaviour of the members, the (indivisible) reserve is an expression of intergenerational solidarity. This intergenerational solidarity is also one of the founding principles of sustainable development. This aspect is highly observable in Malawi.

**"Democratically controlled (enterprise)".** Democratic participation is the most effective mechanism through which social justice regenerates. Social justice is part of one of the aspects of the objective of co-operatives and it is the central aspect of sustainable development as it secures political stability. Political stability, in turn, is a prerequisite for economic security. And economic security is a precondition for people to care for the biosphere. The often-cited principle of one member/one vote is also an important rule. However, this may not be enough. Democratic participation must permeate all organizational and operational aspects of the co-operative, from the determination of needs of the members and transactions between the co-operative and its members, via education/training to co-operative specific audit as a prerequisite for the meaningful exercise by the members of their control rights. Therefore, the "participants", the "loci of participation" and the "modes of participation" need rethinking<sup>14</sup>. This aspect is not largely visible in the Kingdom of Saudi Arabia where the democratic space is still small.

**"Enterprise".** As far as the notion of "enterprise" is concerned, globalization is causing three major changes. Enterprises, including co-operative enterprises, integrate into vertical and horizontal value chains, interwoven operationally and organizationally, and produce wealth out of data. Networks of machines, linked and operating digitally, replace networks of people and networks of people and machines. The positions of producers and consumers fuse to form "*con-pro-sumers*". Enterprises disappear. Contractually regulated connectivity replaces association-type organizations, with considerable consequences for mutuality and solidarity-based entities, like co-operatives. Kenya is a perfect example of greater shift to more entrepreneurial orientation of co-operatives compared to Malawi and the Kingdom of Saudi Arabia.

This elaborate critique clearly shows that during the early times of co-operatives' development, little distinction was made between principles that defined the unique character of co-operatives and those describing more general rules of sound business management. Furthermore, some mixes have remained between the concepts of a true principle and a practice undertaken in support of co-operative principles. As such, and even after issuance of the ICA guideline (2015) on principles, the co-operative definition has remained shambolic, and vulnerable to criticism.

### **"Critical Relativism" of Co-operative Principles**

In the above regard, this paper seeks to discuss the basic principles relates to some of the current points of friction between proponents of differing viewpoints of co-operative development and management. It, therefore, seeks to demonstrate co-operative principles in their most general form. The paper endeavours to capture the fundamental co-operative identity, as illustrated by ICA, as a group and unique alternative forms of

---

<sup>14</sup> Henry, H. (2016). Co-operative Law in the 21<sup>st</sup> Century. Keynote to the 1st International Forum on Co-operative Law held in Montevideo on November 16-18, 2016, in conjunction with the II Intercontinental Congress on Co-operative Law on the occasion of the IV Co-operative Summit of the ICA Americas region (to be published by ICA Americas Region).

business organization; but free from the burden of specific practical application in any given context. The paper builds on the study by Dunn (2008).

In the spirit of the discussed co-operative theories, trends and perspectives; recognizing the present complex global environment that co-operatives must remain, and not negating the co-operative roots; the starting point in defining co-operative is in the general co-operative principles that should explicitly recognise the types of interests that need to be represented in any business organization in today's environment. These interests are (1) user interests, (2) ownership interests, (3) controlling interests, (4) worker interests, and (5) community interests. Any enterprise today can be described in terms of the relationship among these five interests.

From the five interests, the distinctiveness of co-operatives from other firms of enterprises emerges. Importantly, is the relationship of the user interest ownership to ownership and control interests. According to Dunn (2008, with additional author's emphasis), the user is the focal point in the co-operative, with the direct status of user, owner, and control, and indirect status of the worker and a community member; all embodied in the same individual. In this regard, three basic co-operative principles can be defined: (1) The User-Owner Principle – in which those who own and finance the co-operative are those who use the co-operative; (2) The User-Control Principle – in which those who control the co-operative are those who use the co-operative; and (3) The User-Benefits Principle – in that the co-operative's sole purpose is to provide and distribute benefits (such as information and financial returns) to its users based on their involvement as patrons, investors, (direct or indirect workers), and members of the wider community. These three principles could exhibit a diverse relationship with the seven ICA principles as follows.

Table 6: Relationship of General principles and ICA Principles

	<b>Broad Co-operative Principles</b>	<b>ICA Co-operative Principles</b>
1.	The User-Owner Principle	<ul style="list-style-type: none"> <li>• Voluntary and open membership</li> <li>• Members' economic participation</li> </ul>
2.	The User-Control Principle	<ul style="list-style-type: none"> <li>• Autonomy and independence</li> <li>• Democratic member control</li> </ul>
3.	The User-Benefits Principle	<ul style="list-style-type: none"> <li>• Members' economic participation</li> <li>• Education, training and information</li> <li>• Cooperation between co-operatives</li> <li>• Concern for the community</li> </ul>

Source: Author

These three principles are equally interconnected. For instance, the user-owner and user-control principles describe the status of the interests in the co-operative's organisation; while the user-benefits principle describes the co-operative's purpose. Each of these principles should be considered as part of an integrated whole; a model for an enterprise that is oriented to the user interests above other interests. Maintaining a stable co-operative organisation with user-focus demands adherence to the spirit of and the balance among the three.

A group of (natural or legal) persons that operate on all the three basic principles can be considered to be operating on a true co-operative basis. In this regard, a co-operative can simply be defined as a user-owned and controlled enterprise, from which the users drive and acquire benefits based on patronage, investment, labour, and members of the community.

A successful co-operative implied by these principles and the philosophy of cooperation, bring to the fore four concepts for continuous consideration – membership, mutuality, user focus and control. First, the user's membership is a status of knowingly and voluntarily entering the co-operative with a full understanding of the associated rights, responsibilities, and commitments. Second, the mutuality of members' interests in defining and achieving the co-operative's goals should be well understood by all. Members come together because they have mutual interests and remain together as long as it is mutually beneficial. Mutuality of interests is not necessarily the same or equal benefits, but each member believes that the benefits of collective action surpass the benefits of individual action. Third, user focus is the requirement to serve the expressed and evolving needs of current and future users. This demands continuous re-orientation of the co-operative enterprise to members' needs rather than the perpetuation of the co-operation association as an autonomous and static entity. User-focus demands the co-operative be a vehicle in the dynamic and evolutionary process of meeting users' needs given the changing environment and practices of the marketplace in which it acts. Fourth, the control should effective, functional and compliant. It is meaningless just to have control mechanisms in place and not functional and compliant with the law. The members should access information, be educated and trained on co-operative decision-making. Successful co-operative control demands a proper combination of involved member-users who are educated in co-operative and business concepts, control-facilitating mechanisms, and a strong orientation and positive attitude toward user control on the part of the co-operative's employees.

As developed, this set of three principles overlooks the explicit ICA's principles that expose the definition thereof; and imply them. For instance, on Principle 3 - member economic participation and Principle 5 -information, education and training; it is the view of this author that education is a critical element necessary for translating the three basic principles into a successful co-operative business organization. Therefore, such ICA define principles should be considered as a co-operative's practices.

*In this regard*, co-operative principles should be viewed as guideposts or goals, not cast on stone. Flexibility in the application of these principles is necessary. Conversely, the co-operative practitioners among co-operative directors, managers, and advisors should learn to recognize the values and strengths inherent in the unique features of co-operatives. Their creative and competitive efforts may then be directed toward the refinement of the methods and mechanisms that contribute to the success and sustainability of co-operative businesses without compromising the spirit of the basic principles. This then leads to the begging question of the type of co-operative taxonomies and business model concerning critical issues (Dunn, 2008) of harmoniously treating co-operative membership, investment-oriented equity, differential programs, unallocated equity, and market positioning.

All of these paradoxes and ambiguities of co-operatives epistemologies held across different countries, require continuous thinking on co-operative business modelling framework that can help the people develop successful co-operative entities within their interest to meet their needs.

### **"Critical Relativism" of Co-operatives' Law**

The study and reviews indicate that co-operatives laws institutionalize the co-operative definition and principles based on the "episteme" held in the respective country. Co-operative organizations in different countries proceed with the co-operative law. But co-operative law precedes the promotion and development of the strong co-operative organization systems, models adopted, and the co-operative identity level in any country. One of the strongest arguments put forward to support the growth and development of co-operatives is that the co-operative business model should be on a level playing field with other business models. The growth and success of co-operatives are largely mirrored by the developed and enforced co-operative laws in place.

However, from the review and the study, co-operatives laws are **"differentiated"** by country and context. Co-operative laws in different countries are developed, amended and enforced on different fronts. In some countries, co-operative laws are regional laws (e.g., East Africa Community co-operative laws under which Kenya is a member), national/federal laws (e.g., Kingdom of Saudi Arabia, Malawi), while in others they are state/county-based (e.g., in the Kenya), others we have mixed national and state laws (e.g., in the current Kenya based on the 2010 constitution that ushered in the devolved county governments). In some countries, co-operative laws are for specific sectors and sub-sectors – agriculture, fisheries, housing etc (which none of these countries under study have). In some countries, co-operatives laws are under the custody of the government ministries and/departments of the independent co-operative ministry, or department under the trade and industry ministry, agriculture ministry, while others are under the social development ministry.

Studies (see Cracogna, et., al., 2013; Theron, 2010; ILO, 2010), have indicated that countries in parts of Asia, Middles East, and Africa, have co-operative laws that are not fully complying with the international standards. Frequent reviews and amendments are required in these countries to bolster co-operatives development. On the other hand, those countries that have "good co-operative laws", seem not to have harmonised laws regionally and internally. As observed by some scholars (Henry, 2018), the legislators from different countries seem not to offer answers to differing perspectives of whether co-operatives are "associations of persons" (cum enterprise) or a specific form of "associations of capital".

Moreover, it is worthwhile to note that we have more in common the co-operative law worldwide beyond our national and regional laws. Therefore, the co-operatives laws need to be **"integrated"** by the set standards of law development and enforcement. The co-operative movement should, therefore, seek proper understanding by governments and lawmakers of the economic and social benefits. This will help the development and amendment of a compliant and enabling co-operative legal framework, which speaks to a broader diversity of ownership forms than is currently reflected in legal, fiscal, and regulatory policies.

The mystery that surrounds the co-operative law, is the same that surrounds the classification of the co-operative business models. But with some of the common nexus between the co-operative law scholars, ICA co-operative identity statements, and pieces of legislation across nations; seem to give us the bearing of classification of co-operatives. Whichever, there should be a continuous need to determine the modelling of successful sustainable co-operative businesses for various contexts.

## **V. Conclusion**

The co-operatives development and management cases in the different context and periodic phases has been a result of different epistemologies. These mainly include such epistemologies as "historical relativism" (i.e., history of co-operatives development), "Criticalism" (i.e., theories), Instrumentalism (i.e., schools of

thoughts), "Paradigmatic Relativism" (i.e., development trends), and "Paradigmatic Justificationism" (i.e., definitions and principles) and "Pragmatism" (i.e., co-operative laws).

Significantly, from the reviews, co-operatives are founded on the "Foundationalism" (Justificationist) epistemology with a certain level of Epistemological Realism; then fallibilism with greater levels of relativisms, especially the "Solidarist Relativism". Co-operative's development and management knowledge have been "Justificationist" in orientation.

"Justificationism" in co-operatives introduces and intensifies inherent problems and risks – such as the free-rider, horizon, portfolio, control and investor-cost (see Iliopoulos and Cook (2015), Cook and Burrell (2009), Hansmann (2002)). Subsequently, co-operative development scholars, leaders and managers admit the fallibility of their knowledge and avoid the view that knowledge can be had with certainty (i.e., they are largely Fallibilist) – which is a good thing.

Generally, within this "Fallibilist" line, there are groups (1) one group of "Fallibilists" emphasize adopting beliefs and knowledge claims as if they were justifiably true, even though they admit knowledge with certainty is unavailable to us (these are "Justificationists" of the Floating Foundationalist type); and (2) second group of Fallibilists hold to their uncertainties and view that what ones should do is continuously hold his/her/their beliefs and knowledge claims open to criticism (i.e., Criticalists). Further to these groups, the author believes that when it comes to co-operatives, "Solidarist Relativism" epistemology is important in co-operative development and management, given that co-operatives are founded on social and solidarity values and principles.

In this regard, it was established that the co-operative development and management in a different context is a battle between two areas of epistemologies – the Criticalism (especially the Critical Rationalism) and the "Solidarist Relativism" (in particular the "cultural relativism", "paradigmatic relativism", "communitarian relativism", and "historical relativism") as illustrated below.

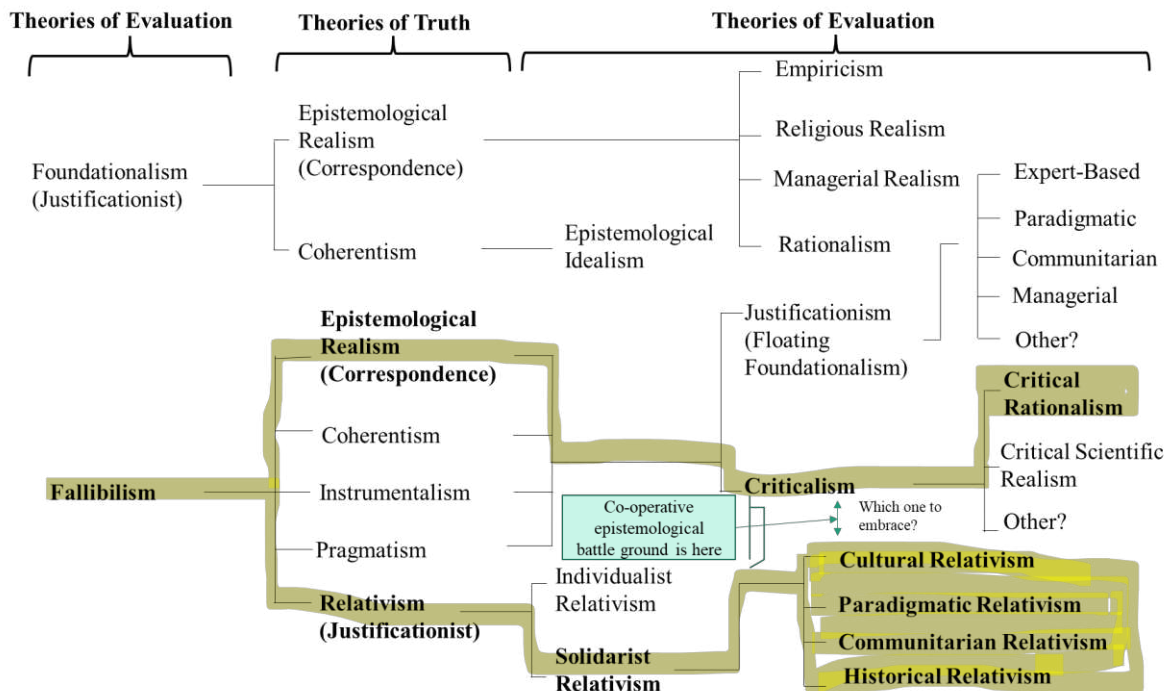


Figure 4: Key co-operative epistemologies for co-operatives development and management.

In co-operative development and management, scholars and practitioners should endeavour to balance "Fallibilistic" epistemologies based on context. "Fallibilist" and "Solidarist relativism" types of knowledge should be considered true based on context. "Criticalism" should be early considered to institutionalize a "Fallibilist" ethic and rewards testing and evaluation of co-operative knowledge claims. This can be observed in the Mondragon co-operative movement in Spain, New Generation Co-operative (NGCs) in US and Canada and Multistakeholder or Solidarity Co-operatives (MSCs) in Europe. Criticalism lowers risk and improves the quality of performance knowledge by acting as a quality control system for co-operative development and management.

In essence, understanding the co-operative epistemology is a powerful element for scholars and practitioners to continually demonstrate the co-operative development and management for success and

sustainability. It will help the co-operative businesses to ensure their socio-economic efficiencies and environmental effectiveness (see Bahrami, et. al. 2016; Bocken, et. al. (2014), technological and social innovations (see Boons and Lüdeke-Freund, 2013), organization system dynamics amid the changing environment (see Seroka-Stolka, et., al., 2017; Roome and Louche, 2016), and defining sustainability performance indicators (see Upward & Jones, 2016). But before then, the co-operative epistemology shows a correlation with the co-operative axiology (ethical, aesthetic and ideological value) for such sustainable co-operative business models.

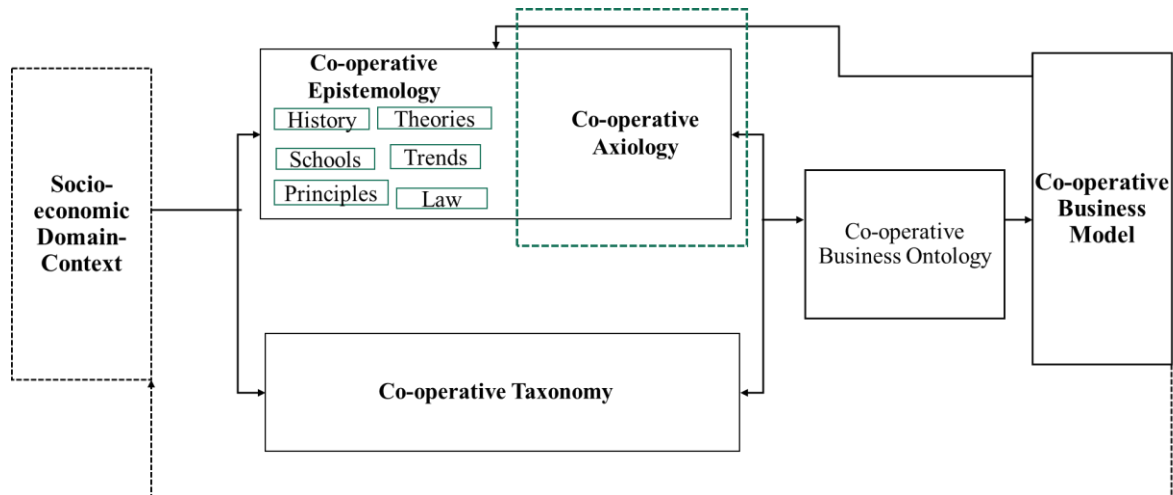


Figure 5: The conceptual framework of co-operative epistemology's subcomponents

Source: Author's construct.

In the interplay of these parameters, the co-operative identity is likely to be deepened, with well-developed and referenced co-operative business model ontology.

The limitation of this paper is that the study was based on qualitative research, relying on the existing literature and focus group discussions and key informant interviews on what informs co-operative leaders and officers' information and knowledge for co-operatives' development and management. Nonetheless, the paper has a practical implication of informing the co-operative scholars and practitioners on how to gain knowledge on the successful development and management of co-operatives.

## References

- [1]. Acharya, B.M. (n.d). *Schools of Co-operative Thought and Its Implications in Co-operatives*. Ministry of Co-operatives and Poverty Alleviation, Government of Nepal.
- [2]. Apps, A. (n.d). Legal Framework Analysis Within The ICA-EU Partnership. *National Report of New Zealand*. ICA - Asia and Pacific (ICA-AP).
- [3]. Bahrami, P., Nosratabadi, S., & Illés, C.B. (2016). Role of Intellectual Capital in Corporate Entrepreneurship. *Quality - Access to Success* 17(155/December),111-115
- [4]. Bajo, C.S., & Silvestre, B. (2014). Co-operatives in Global Value Chains: Coffee in Guatemala and Co-operatives. *Congrès des Sciences Sociales*.
- [5]. Bocken N.M., Short S.W., Rana P., & Evans S. (2014). A Literature and Practice Review to Develop Sustainable Business Model Archetypes. *Journal of Cleaner Production*, 65, 42-56.
- [6]. Boons, F.A.A., & Lüdeke-Freund, F., (2013). Business Models for Sustainable Innovation: State-Of-The-Art and Steps Towards a Research Agenda. *Journal of Cleaner Production*, 45, 9-19.
- [7]. Borzaga, C., & Spear, R. (2004). *Trends and challenges for co-operatives and social enterprises in and transition countries*. Edizioni31, Trento – Italy.
- [8]. Brady, M., & Pritchard, D. (2006). Epistemic virtues and virtue epistemology. *Philosophical Studies*, 130, 1–8.
- [9]. Bruin, B. (2020). Epistemic Corporate Culture: Knowledge, Common Knowledge, and Professional Oaths. *Seattle University Law Review*, 43, 807
- [10]. Buchanan, A. (2009). Philosophy and public policy: A role for social moral epistemology. *Journal of Applied Philosophy*, 26(3), 276–290.
- [11]. Cook, M.L, & Burress, M.J. (2009). *A Co-operative Life Cycle Framework*. Systemic Approaches to Organizational Costs in Co-operatives.
- [12]. Co-operative College (2004). *Promoting Co-operatives: A guide to ILO Recommendation 193*. UK
- [13]. Corlett, J. A. (2008). Epistemic responsibility. *International Journal of Philosophical Studies*, 16(2), 179–200.
- [14]. Cracogna, D., Antonio Fici, A., & Henry, H., (2013). *International Handbook of Co-operative Law*. Springer Heidelberg New York Dordrecht London.
- [15]. Dunn, J.R. (2008). Basic co-operative principles and their relationship to selected practices. *Journal of Agricultural Cooperation*, 3(1), 83-93.
- [16]. Fajardo, G., Fici A., Henry, H., Hiez, D., Munkner ,H.-H., & Snaith, I. (2012). *New Study Group on European Co-operative Law: "Principles" Project*. Euricse Working Paper, N. 024 | 12

- [17]. Fici, A. (2010). Italian co-operative law reform and co-operative principles. *Euricse Working Papers*, N. 002|10. Rome
- [18]. Firestone, J.M., & McElroy, M.W. (2003). Corporate Epistemology: Competing Philosophies of Truth in Business and How They Influence Knowledge Management. In *Concert with the Knowledge Management Consortium International*, Inc.
- [19]. Gilbert, M. (2004). Collective Epistemology. *Episteme*, 1, 95-107.
- [20]. Graaf, J. de., (2014). From "The New Economy" to the Co-operative Commonwealth. *Truthout*.
- [21]. Hansmann, H. (2013). All firms are co-operatives-and so are governments. *Journal of Entrepreneurial and Organizational Diversity* 2, p. 1 et seq.
- [22]. Hansmann, H. (2002). Ownership of the Firm. In *The New Palgrave Dictionary of Economics and the Law* (pp.1393-1400).
- [23]. Henry, H.C.K. (2018). Trends in Co-operative Legislation: What Needs Harmonizing? *Journal of Research on Trade, Management and Economic Development*, 5(1(9)), 7-16.
- [24]. Henry, H.C.K., (2012a). *Guidelines for Co-operative Legislation (3<sup>rd</sup> ed.)*. International Labour Organization. Geneva
- [25]. Henry, H.C.K., (2012b). Sustainable Development and Co-operative Law: Corporate Social Responsibility or Co-operative Social Responsibility. *University of Oslo Faculty of Law Research Paper*. 2012-23.
- [26]. Henry, H.C.K., (2012c). Basics and New Features of Co-operative Law - The Case of Public International Co-operative Law and the Harmonisation of Co-operative Laws, in: *Uniform Law Review*. *Revue de droit uniforme*, Vol. XVII, 2012,
- [27]. Iliopoulos, C. (2015). Ownership and Governance in Agricultural Co-operatives: An Update. *AGRERI Working Paper Series*, 2015-1, Agricultural Economics Research Institute, Athens, Greece.
- [28]. International Co-operative Alliance (2019). *Legal Co-operative Framework Analysis - Within the ICA-EU Alliance*. National Report of Uruguay. International Co-operative Alliance (2015). *Guidance Notes to the Co-operative Principles*. Brussels. Belgium.
- [29]. International Labour Organization (2015). *The Story of the ILO's Promotion of Co-operatives Recommendation, 2002 (No.193)*. Geneva
- [30]. International Labour Organization (2010). *Co-operatives in the Arab World: Reaffirming their validity for local and regional development*. Geneva
- [31]. International Labour Organization (2002). *R193 - Promotion of Co-operatives Recommendation, 2002 (No. 193)*. Geneva
- [32]. Kiran, N. (2010). *Co-operative principles can be applied in school settings*, *Grassroots Economic Organizing (GEO)*. Newsletter, 2(5).
- [33]. Krogh, G.v, Roos, J., & Slocum, K. (2007). An Essay on Corporate Epistemology. *Strategic Management Journal*, 15(S2).
- [34]. Larsen, G.H., & Erdman, H.E. (1962). Aaron Sapiro: Genius of Farm Co-operative Promotion. *The Mississippi Valley Historical Review*, 49(2), 242-268.
- [35]. Lindenfeld, F. (2012). *The Co-operative Commonwealth: An Alternative to Corporate Capitalism and State Socialism*. Bloomsburg University.
- [36]. Matabi, J.M.O., (2018). Managing the Process of Developing Co-operatives' Policy in A Transition Environment: Lessons from Kenya. *GE-International Journal of Management Research (GE-IJMR) ISSN: (2321-1709)*, 6(8), 19-50.
- [37]. Nilsson, J. (1997). The Nature of Co-operative Values and Principles. *Annals of Public and Co-operative Economics*, 67(4):633 – 653.
- [38]. Notturno, M.A. (2015). Falsifiability Revisited: Popper, Daubert, and Kuhn. *The Journal of Philosophy, Science & Law*, 15(1), 5-25.
- [39]. Novkovic, S. (2008). Defining the co-operative difference. *The Journal of Socioeconomics*, 37, 2168–2177.
- [40]. Peers, D. (2018). Engaging Axiology: Enabling Meaningful Transdisciplinary Collaboration in Adapted Physical Activity. *Physical Activity Quarterly*, 2018, 35, 267–284
- [41]. Popper, K.R. (1999). *The Logic of Scientific Discovery*. Routledge. London and New York
- [42]. Roome, N., & Louche, C. (2016). Journeying Toward Business Models for Sustainability: A Conceptual Model Found inside the Black Box of Organisational Transformation. *Organization & Environment*, 29(1), p. 11-35.
- [43]. Seroka-Stolka, O., Surowiec, A., Pietrasieński, P., & Dunay, A. (2017). Sustainable Business Models. *Zeszyty Naukowe Politechniki Częstochowskiej Zarządzanie*, 27(1).
- [44]. Stewart-Bloch, N. (2018). From Co-operative Commonwealth to Yardstick Capitalism. *Midland Co-operative Evolution of a farmer-owned farm supply wholesaler*, 66(1), pp. 6-19. Minnesota Historical Society Press
- [45]. Summer, C. (2015). *Descartes and the Cogito: Our Foundation of Philosophical Knowledge*. Michigan Technological University.
- [46]. Theron, J. (2010). Co-operative policy and law in east and southern Africa: A review. *CoopAFRICA Working Paper No. 18*. International Labour Office, Geneva.
- [47]. Torgerson, R., Reynolds, B.J., & Gray, T.W. (1998). Evolution of Co-operative Thought, Theory, and Purpose. *Journal of Co-operatives*. National Council of Farmers Co-operatives.
- [48]. Upward, A., & Jones, P. (2016). An Ontology for Strongly Sustainable Business Models: Defining an Enterprise Framework Compatible with Natural and Social Science. *Organization & Environment*, 29(1), 97-123.
- [49]. US Overseas Co-operative Development Council (2009). *Creating Clarity: Principles for LEGAL REFORM – Assessment, Analysis and Outreach for Co-operative Legal Reform*. USA
- [50]. United Nations (2010). *Resolution adopted by the General Assembly on 18 December 2009 [on the report of the Third Committee (A/64/432)]*. 64/136. *Co-operatives in social development*. New York, USA.

Jared Mark Matabi, et. al. "Towards Co-operative Identity I: Re-Visiting the Co-operative Epistemology for Business Modelling Framework." *IOSR Journal of Business and Management (IOSR-JBM)*, 24(05), 2022, pp. 35-56.