ICA principles in large co-ops

“Just for show” or integral to success?

Sonja Novkovic
Saint Mary’s University
Central question: should co-operative principles be scrapped because large co-operatives violate them?

Answer: No. Don’t shoot the messenger!
Cooperative identity (ICA 1995) includes:

- The **purpose** of a cooperative (member-user control and benefit; NOT the investor control and benefit)
- Ethical **values** that form the operational anchor for cooperative organizations
- Cooperative **principles** as guidelines for the implementation of values
What is at issue?

- Cooperatives do not enter the market large
- Cooperatives grow and become large
- As they grow, the principles may become a hindrance to management (HOW they grow becomes important)
Growth

• Cooperative growth
  – Networks
  – Spin-offs
  – Membership
  – Mergers/acquisitions (subsidiarity)

• Capital (asset) driven growth
  – High capitalization (shifting control)
  – Subsidiaries (holdings; non-democratic entities)
  – Mergers/acquisitions (centralization)
What is at issue?

• Do members’ values/needs change (from user to investor)?
  – If they do, likely to demutualize

• If user-values remain, which principles are a hindrance to growth?
  – Democratic governance
  – Capitalization (with member-user control)
  – Open membership - when members- interest is replaced by investors- interest (outsider or insider)
Is cooperative identity important?

• To the extent that it matters to members
• And.. .to ‘The big picture’ – the role of co-ops in steering the global economy
  • Outcomes of corporate decisions matter (instability; ecology; inequality; health; communities; endangering lives...)
Why is cooperative identity important to co-op management?

• Cooperative strategy!
  – Pooling; cooperating; collective ownership; sharing resources; democracy/subsidiarity; solidarity; values!
  – Trust leads to loyalty
• Innovations based on co-operative identity
Examples

• Agropur – member communication; solidarity committee/ facilitators network; regional meetings
• Desjardins – democracy; consultations; loyalty
• SAOS – building resilience; benefit to members
• Mondragon – going back to principles; individual accounts for capitalization
• Organic Meadow – access to capital
Demutualizations

• Linking votes with ownership
• Accessing speculative capital markets

...A slippery slope...

– The business purpose changes
  • capital investment is no longer a means to a different end; it becomes the purpose
What needs to be done?

• Educate managers!
  – Apply co-operative strategies – managers and Boards must balance

• Create co-operative pools of capital
  – Cooperate with ethical investment funds
  – Create individual accounts
  – Indivisible reserves

• Push regulation

• Communicate with members
Disagreements

- That 3 principles in isolation are what makes co-ops unique
- That principles have to change because they don’t work for large co-ops
- That large co-ops are well managed (if they are losing their cooperative identity)
- That co-ops need to issue ‘real risk capital’
Agreements

• That co-ops need to protect collective ownership

• That large co-ops need to strengthen governance to ensure democratic decision-making and member control
  – Direct democracy (although preferred) is not the only way. Already in the ICA statement.

• That co-ops need measures fit for coops
  – Co-op audit may be one; co-op indicators
Scrap the principles, or re-enforce the co-operative identity?
Thank you!
References

• Cote 2001;
• Carruthers, Crowell, Novkovic 2009;
• Derocher and Fisher, 2004;
• Huet & Fulton 2010;
• Sousa & Herman 2012;
• Sanchez- Bajo & Roelants 2011.