



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.