

The ICA Principles in Large Co-ops:

**"Just for show" or integral to
success?**

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First !

- **As an enterprise,**
 - large coops are generally:
 - Efficient, profitable and provide high quality products and services ...
- **...because there are ...**
 - ... well managed by devoted professional managers and directors.
- **As an association,**
 - They have to operate within a frame which is outdated, inadequate

Second...

- **My comments are mainly based on the observation of large financial and consumer cooperatives of developed economies (North America, Europe); coops whose members have alternatives in the market.**
- **In some types of coops (agricultural coops for example), in some dimensions, the reality is different given the close links (in dairy coops for example) between the farmers and their coops.**

The origin and evolution of ICA principles

- **1844 (Rochdale Pioneers)**
- **1860 (Circa)**
- **1937: Paris**
- **1966 :Vienna**
- **1995: Manchester**

What is a coop ?

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise (ICA Website, April 2013)

Comment: How about the *urgency*, the *necessity*, elements historically at the origin of cooperatives ?

ICA values and principles

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. (ICA website, April 12013)

ICA Principles

- **Voluntary and Open Membership**
- **Democratic Member Control**
- **Member Economic Participation**
- **Autonomy and Independence**
- **Education, Training and Information**
- **Co-operation among Co-operatives**
- **Concern for Community**

Which principles determine the coop specificities (uniqueness)?

The so-called *coop business model* !

Coop Model Uniqueness is based on ...

- ***Voluntary and Open Membership***
- ***Democratic Member Control***
- ***Member Economic Participation***
- Autonomy and Independence
- Education, Training and Information
- Co-operation among Co-operatives
- Concern for Community

The debate in 1995 was hot...

...and the result led to a fragile unity ...

... in spite of a weak participation of large cooperative representatives in the debate

Coop principles - are they negotiable ?

Negotiable ?

3. Member Economic Participation (ICA WEB SITE- april 2013)

*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 of 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; and supporting other activities approved by the membership.*

What is going on ?

Principles

Voluntary and Open Membership

Democratic Member Control

Member Economic Participation

Reality

Closed membership in some coops

Large coop banks:

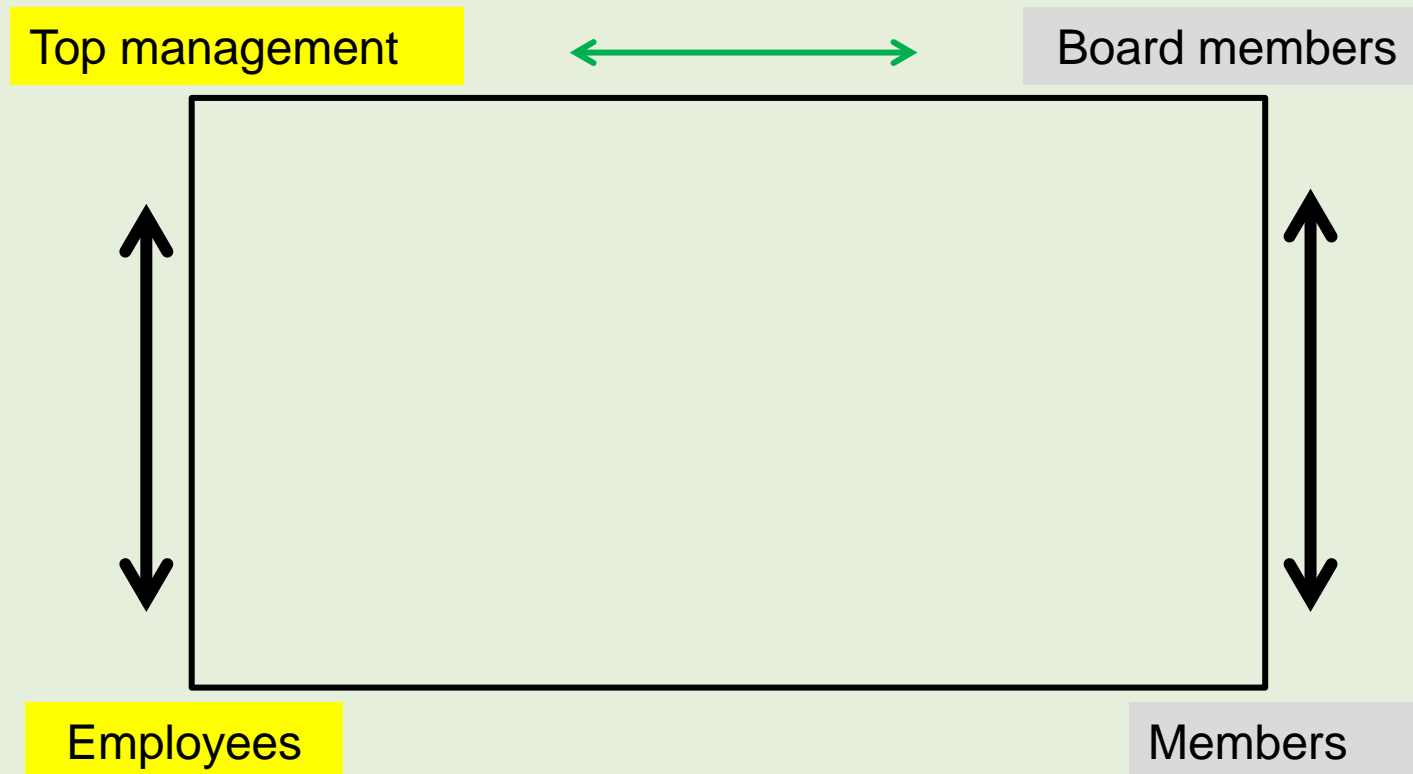
- very weak participation:
- Vote by proxy

N.B. Intensive use coops: high participation: why ?

Stock Exchange or Capital Market
Reserves are divisible in many coops
... However , interesting initiatives

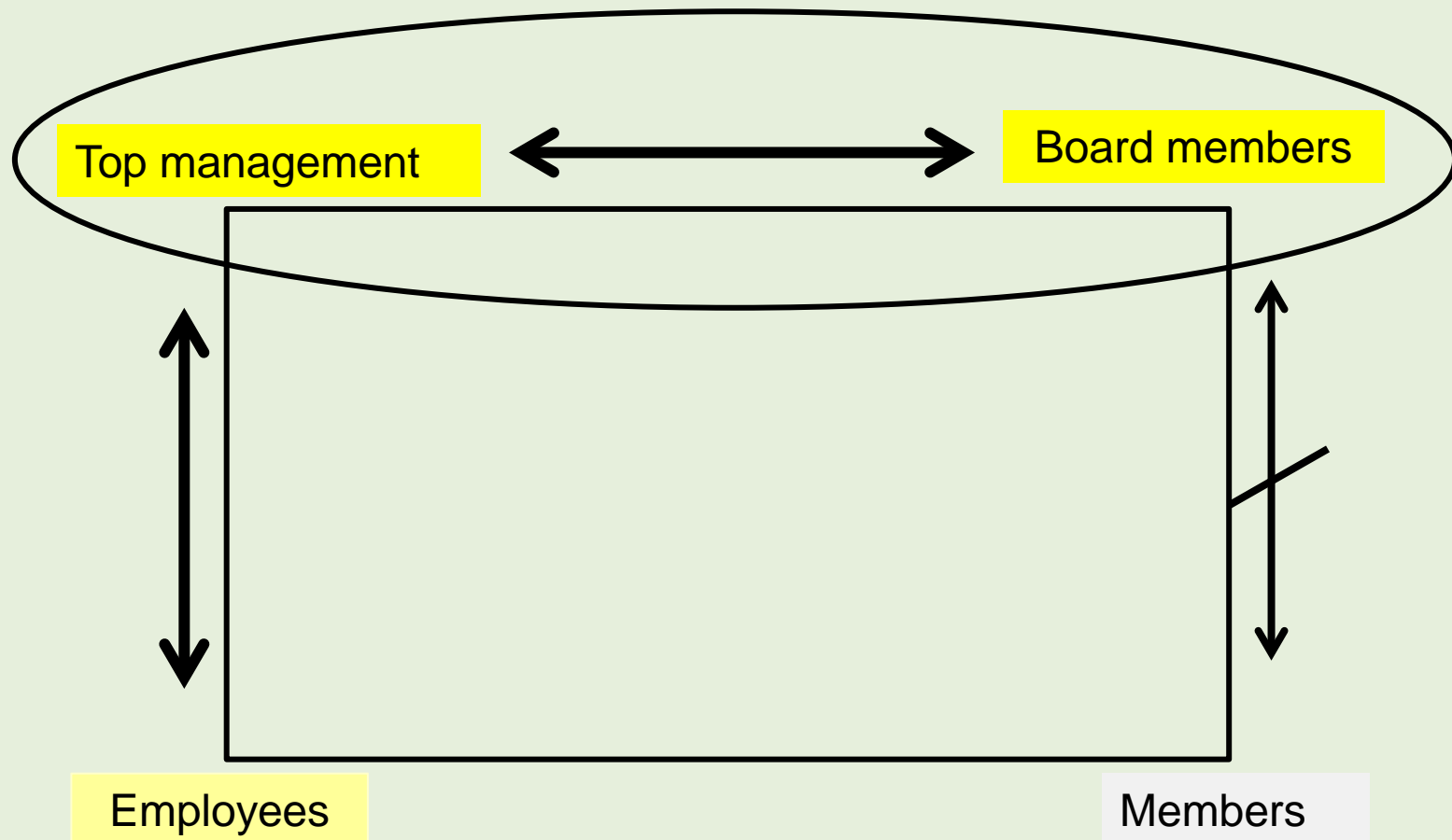
Desroches' model

The theory



Webinar April 2013

The reality in large coops



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The consequences

- **Old buzz words !**
- **New buzz words:**
 - Coop Business Model
 - Coop Governance Model
 - Coop difference
- **New Coop Models are emerging (without debate)**
 - Listed in the Stock Exchange
 - New Generation Cooperatives
 - Coop Holding (Portfolio Management)
- **The real control: The top management... sometimes with some members of the board**
- ***Cognitive dissonance!***

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What to do ?

Proposals without order

1. **One member, one vote: obsolete for large coops**
 - Groups of members
 - Individuals, enterprises, NGOs, investors, independent experts...
 - Veto to (final control by) the group of regular individual members
 - Terms: maximum 2
2. **At top level**
 - Division of the functions of Chairperson of the Board and CEO:
 - Providing the Board with a staff (Intelligence Unit)

What to do ?

Proposals without order

3. **Issuing real risk capital with possible plus value and appropriate dividends**
4. **Protecting the perenity (collective ownership) of coops**
 - x% of surplus to reserve
 - Non divisibility of reserve
 - One group: not more than x % of shares
5. **Use of Internet (social networks)**
 - Consultation, debate, blog, annual Report, ...

What to do ?

Proposals without order

6. Public Coop Audit ... as Financial Audit

Conclusion

- **Large coops are well managed.**
- **Cooperative dimensions are weak**
 - Democratic life
 - Economic (financial) participation
 - Boards need information, analysis, recommendations coming from their own staff

Conclusion

In large coops (financial, consumer, ...), the necessity, the urgency are absent: the market provides alternatives at fair conditions (almost always).

The participation, the involvement of members are strong in coops where members individually (yes !) get an (exclusive) answer to important needs (Boisaco- worker coops-, for example)

Conclusion

In large coops, we need to ...

1. Organise the democratic life
2. Design the governance
3. Propose capital products
4. Strengthen the Board Intelligence...

... in a way adapted to new realities and likely to stimulate people's individual interest to be active within the association and help some coop leaders to get out of the *cognitive dissonance* !

Only that!